

**STUDIO VILLAS II ASSOCIATION, INC.**

**PANAMA CITY, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2025**



**Tipton, Marler, Garner & Chastain**  
*The CPA Group*

**STUDIO VILLAS II ASSOCIATION, INC.**  
**PANAMA CITY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2025**

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To the Board of Directors  
Studio Villas II Association, Inc.  
Panama City, Florida

Independent Accountant's Compilation Report

Management is responsible for the accompanying financial statements of Studio Villas II Association, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 12 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

*Tipton, Marler, Garner & Chastain*

Panama City, Florida  
March 30, 2026

**STUDIO VILLAS II ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2025**

**ASSETS**

	Operating Fund	Reserve Fund	Total
<b>Current Assets:</b>			
Cash	\$ 36,707	\$ 67,868	\$ 104,575
Assessments receivable, net	20,014	-	20,014
Due from operating	-	14,990	14,990
Prepaid insurance	48,847	-	48,847
Total current assets	105,568	82,858	188,426
<b>Total Assets</b>	\$ 105,568	\$ 82,858	\$ 188,426

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>			
Insurance note payable	\$ 36,172	\$ -	\$ 36,172
Due to reserves	14,990	-	14,990
Total current liabilities	51,162	-	51,162
<b>Long-Term Liabilities:</b>			
Contract liabilities (assessments received in advance-reserve fund)	-	58,858	58,858
<b>Total Liabilities</b>	51,162	58,858	110,020
<b>Fund Balances:</b>			
Unrestricted	54,406	24,000	78,406
<b>Total Liabilities and Fund Balances</b>	\$ 105,568	\$ 82,858	\$ 188,426

See independent accountant's compilation report and the accompanying notes.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2025**

	Operating Fund	Reserve Fund	Total
<b>Revenues:</b>			
Assessment income	\$ 201,600	\$ -	\$ 201,600
Special assessment income	43,200	-	43,200
Interest income	14	-	14
Late assessment finance charges	475	-	475
Estoppel fee income	1,147	-	1,147
Golf cart charging income	192	-	192
Total revenues	246,628	-	246,628
<b>Expenses:</b>			
Administrative fees	7,200	-	7,200
Bank charges	250	-	250
Electricity	766	-	766
Estoppel expense	572	-	572
Insurance	108,148	-	108,148
Interest expense	3,330	-	3,330
Lawn maintenance and trash	27,802	-	27,802
Legal and accounting	9,155	-	9,155
Miscellaneous	427	-	427
Office and miscellaneous	773	-	773
Pest control	3,905	-	3,905
Repairs and maintenance	35,062	-	35,062
Sewer expense	5,551	-	5,551
Taxes and licenses	205	-	205
Water expense	2,746	-	2,746
Website	1,646	-	1,646
Total expenses	207,538	-	207,538
<b>Excess of revenues over expenses</b>	39,090	-	39,090
<b>Fund Balances:</b>			
Beginning of year	21,316	18,000	39,316
Interfund transfers	(6,000)	6,000	-
End of year	\$ 54,406	\$ 24,000	\$ 78,406

See independent accountant's compilation report and the accompanying notes.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2025**

	Operating Fund	Reserve Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from assessments	\$ 229,604	\$ -	\$ 229,604
Cash received from other sources	1,828	-	1,828
Interest received	-	1,482	1,482
Cash paid to vendors, employees, etc.	(207,325)	-	(207,325)
Net cash provided by operating activities	24,107	1,482	25,589
<b>Cash Flows From Financing Activities:</b>			
Interfund transfers, net	(6,000)	6,000	-
<b>Net Increase in Cash</b>	18,107	7,482	25,589
<b>Cash at Beginning of Year</b>	18,600	60,386	78,986
<b>Cash at End of Year</b>	\$ 36,707	\$ 67,868	\$ 104,575
<b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:</b>			
Excess of revenues over expenses	\$ 39,090	\$ -	\$ 39,090
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in:			
Assessments receivable, net	(15,195)	-	(15,195)
Prepaid insurance	2,197	-	2,197
Increase (decrease) in:			
Insurance note payable	(1,985)	-	(1,985)
Contract liabilities (assessments received in advance-reserve fund)	-	1,482	1,482
Total adjustments	(14,983)	1,482	(13,501)
<b>Net Cash Provided by Operating Activities</b>	\$ 24,107	\$ 1,482	\$ 25,589

See independent accountant's compilation report and the accompanying notes.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 1 – NATURE OF ASSOCIATION**

Studio Villas II Association, Inc. (the “Association”) is a statutory condominium association incorporated in the State of Florida in 1975. The Association is responsible for the preservation and maintenance of the common property within Studio Villas II Association, Inc. The Association consists of 36 residential units and is located on several acres of land in Bay County, Florida. The governing body consists of a Board of Directors elected by the members. All major decisions are referred to the general association membership before action is taken.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Fund Accounting:*

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the process by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The Association maintains two funds. The Operating Fund is used to account for financial resources available for the general operations of the Association. The Reserve Fund is used to account for resources restricted for future major repairs and replacements of designated common elements that require replacement less frequently than annually. The disbursements from the reserve fund may only be utilized in accordance with the established purposes for accumulation.

*Basis of Accounting:*

The financial statements are prepared on the accrual basis of accounting. Assessments and other income are recorded as revenue when earned. Revenue received in advance is reported as prepaid assessments on the balance sheet. Expenses are recorded when goods are received or services are rendered, whether paid or unpaid.

*Assessments Receivable and Allowance for Credit Losses:*

Association members are subject to regular assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners, net of any allowance for credit losses, and are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association’s policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent. The net balances of assessments receivable as of the beginning and end of the year are \$4,819 and \$20,014, respectively.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include close monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. Assessment receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The Association had no activity in its allowance for credit losses account during the year ended December 31, 2025. The balance in the account was \$1,521 at both the beginning and end of the year.

*Common Elements:*

The unit owners each have an undivided ownership interest in the common elements (e.g., roof, painting, etc.) and these assets are not deemed to be severable. Accordingly, such common elements are not capitalized and not reflected in these financial statements. Generally, only property and equipment for which the Association holds title is recorded as an asset of the Association. However, the Association is responsible for preserving and maintaining the common property.

*Revenue Recognition:*

The Association recognizes revenue when the performance obligations under the terms of the contracts with customer are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. For purposes of this Association, the definition of customer includes the Association's members.

*Estimates:*

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Income Taxes:*

Condominium associations may elect to be taxed as regular corporations or as homeowner's associations. The Association elected to be taxed as a homeowner's association for the year ended December 31, 2025. Under the election, the Association is not taxed on assessments from members and other income received from association members solely as a function of their membership in the Association. The Association is taxed on its nonexempt function income, such as interest income.

*Statement of Cash Flows:*

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*Contract Liabilities:*

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments and special assessments.

*Prepaid Expenses:*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet. These items will be expensed over the applicable usage period.

**NOTE 3 – ANNUAL BUDGET AND OWNERS' ASSESSMENTS**

The Association's by-laws require that the Board of Directors adopt a budget each year for operations. Generally, each unit owner is liable for their proportional share of common expenses based on unit type. Assessments are made against the unit owners for their share of the budget. Such assessments are due in monthly installments. Regular assessments for the year ended December 31, 2025, totaled \$201,600.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 4 – SPECIAL ASSESSMENT**

*Repairs Special Assessment:*

The Board of Directors approved a special assessment of \$1,200 per unit to cover repairs needed to its common property. The total assessment was owed in one payment of \$1,200 and the payment was due on December 1, 2025. For the year ended December 31, 2025, the Association recognized \$43,200 of income and related expenses for this special assessment.

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Association maintains its cash balances at a financial institution in Panama City Beach, Florida. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2025, the Association had no amounts in excess of the insured limit.

It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens which have priority. Market value may be influenced by the real estate market in Panama City, Florida.

**NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Florida Condominium Regulations require, at a minimum, each condominium to have as budgeted line items, reserves for capital expenditures and deferred maintenance for roof replacement, building painting, and pavement resurfacing regardless of the anticipated cost. A reserve account is required for any other item of deferred maintenance or replacement where the cost is anticipated to be in excess of \$25,000. Each Association must inventory its common elements to determine those items for which reserves are required. Regulations require that the annual financial report include information regarding the reserve accounts, regardless of whether reserves have been waived by the membership.

The Board of Directors conducted a study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the supplementary information on future major repairs and replacements on page 10 is based on this study.

Funds are being accumulated in the reserve fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)**

The Board voted to make a \$6,000 transfer from the operating fund to the reserve fund. No reserve assessments were included in the budget.

The component breakdown and activity for the year is:

<u>Components</u>	Beginning Contract Liabilities Balance 12/31/2024	Funding	Interest Income	Expenditures	Ending Contract Liabilities Balance 12/31/2025
General	\$ 7,509	\$ -	\$ 1,482	\$ -	\$ 8,991
Painting	27,665	-	-	-	27,665
Roof	3,759	-	-	-	3,759
Parking lot	18,443	-	-	-	18,443
	<u>\$ 57,376</u>	<u>\$ -</u>	<u>\$ 1,482</u>	<u>\$ -</u>	<u>\$ 58,858</u>

**NOTE 7 – REVENUE RECOGNITION**

The Association’s customers consist of its members, which are unit owners with the development. The contracts between these customers and the Association primarily relate to maintaining, managing, and providing access to the property and amenities owned in common by the unit owners.

*Performance Obligations*

The Association’s revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, which are being recognized at a point in time, and interest income and other revenues, which are not subject to ASC Topic 606. As of December 31, 2025, the Association has reported a performance obligation liability totaling \$58,858 relating to the future major repair and/or replacement of specific components of common property. This is recorded as contract liabilities (assessments received in advance – reserve fund) on the balance sheet. The assessments related to this performance obligation are generally reported in the Reserve Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

*Significant Judgments*

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association’s efforts towards the satisfaction of a performance obligation. For the operating fund’s assessment income, revenue is recognized

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 7 – REVENUE RECOGNITION (Continued)**

as time elapses and the Association performs routine maintenance, protection, and management of the common area property. For the reserve fund’s assessment income and special assessment income, the Association recognizes revenue at the point in time when the related expenses are incurred or funds are utilized for their intended purpose.

*Disaggregated Revenue*

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows.

The following chart contains disaggregated revenue information that reflects these qualitative factors.

For the year ended December 31,	2025
<i>Recognized over time</i>	
Assessment income	\$ 201,600
<i>Recognized at a point in time</i>	
Special assessment income	43,200
<i>Not subject to ASC Topic 606</i>	
Interest income	14
Late assessment finance charges	475
Estoppel fee income	1,147
Golf cart charging income	192
Total revenues	\$ 246,628

The following table presents information about accounts receivable and contract liabilities:

<i>December 31,</i>	2025
Accounts receivable, net – beginning balance	\$ 4,819
Accounts receivable, net – ending balance	20,014
Contract liabilities:	
Assessments received in advance – reserve fund – beginning balance	57,376
Assessments received in advance – reserve fund – ending balance	58,858

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2025**

**NOTE 8 – NOTES PAYABLE**

In April 2025, the Association financed a portion of insurance premiums paid during 2025 with P1 Finance. The note has an interest rate of 13.9% and is due in 10 equal installments of \$1,669. The outstanding balance as of December 31, 2025 of \$3,338 is due within one year.

In July 2025, the Association financed a portion of insurance premiums paid during 2025 with P1 Finance. The note has an interest rate of 7.7% and is due in 10 equal installments of \$6,567. The outstanding balance as of December 31, 2025 of \$32,834 is due within one year.

**NOTE 9 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 30, 2026, which is the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**STUDIO VILLAS II ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2025**

The Association did not engage an independent engineer to conduct a study to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were provided by the Association’s management and Board of Directors.

The following information is based on their study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Reserve Fund Contract Liabilities And Fund Balances 12/31/2025</u>	<u>2026 Funding Requirements</u>
General		\$ -	\$ 8,991	\$ -
Painting	5	62,321	27,665	6,931
Roof	15	161,145	3,759	10,492
Parking lot		21,582	18,443	3,139
Total		<u>\$ 245,048</u>	<u>\$ 58,858</u>	<u>\$ 20,562</u>