

**STUDIO VILLAS II ASSOCIATION, INC.**

**PANAMA CITY, FLORIDA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2023**



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

**STUDIO VILLAS II ASSOCIATION, INC.**  
**PANAMA CITY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2023**

**STUDIO VILLAS II ASSOCIATION, INC.**  
**PANAMA CITY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2023**

**CONTENTS**

	<u>PAGE</u>
Independent accountant's compilation report	1
Financial statements:	
Balance sheet	2
Statement of revenues, expenses, and changes in fund balances	3
Statement of cash flows	4
Notes to the financial statements	5
Supplementary information:	
Supplementary information on future major repairs and replacements	10



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, 2023, 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 10 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  
June 17, 2024

**STUDIO VILLAS II ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

**ASSETS**

	Operating Fund	Reserve Fund	Total
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 21,353	\$ 67,472	\$ 88,825
Assessments receivable, net	9,204	-	9,204
Prepaid insurance	47,108	-	47,108
Total current assets	<u>77,665</u>	<u>67,472</u>	<u>145,137</u>
<b>Total Assets</b>	<u><u>\$ 77,665</u></u>	<u><u>\$ 67,472</u></u>	<u><u>\$ 145,137</u></u>

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>			
Insurance note payable	<u>\$ 25,838</u>	<u>\$ -</u>	<u>\$ 25,838</u>
<b>Long-Term Liabilities:</b>			
Contract liabilities (assessments received in advance-reserve fund)	<u>-</u>	<u>55,472</u>	<u>55,472</u>
<b>Total Liabilities</b>	<u>25,838</u>	<u>55,472</u>	<u>81,310</u>
<b>Fund Balances:</b>			
Unrestricted	<u>51,827</u>	<u>12,000</u>	<u>63,827</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 77,665</u></u>	<u><u>\$ 67,472</u></u>	<u><u>\$ 145,137</u></u>

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, 2023**

	Operating Fund	Reserve Fund	Total
<b>Revenues:</b>			
Assessment income	\$ 165,600	\$ -	\$ 165,600
Special assessment income	36,000	-	36,000
Interest from investments	13	-	13
Late assessment finance charges	500	-	500
Estoppel fee income	1,794	-	1,794
Golf cart charging income	145	-	145
Total revenues	<u>204,052</u>	<u>-</u>	<u>204,052</u>
<b>Expenses:</b>			
Bank charges	36	-	36
Administrative fees	7,200	-	7,200
Electricity	903	-	903
Estoppel expense	894	-	894
Insurance	85,846	-	85,846
Interest expense	2,601	-	2,601
Lawn maintenance and trash	42,425	-	42,425
Legal and accounting	3,575	-	3,575
Office and miscellaneous	1,222	-	1,222
Pest control	8,835	-	8,835
Repairs and maintenance	31,809	-	31,809
Sewer expense	5,401	-	5,401
Taxes and licenses	61	-	61
Water expense	2,783	-	2,783
Total expenses	<u>193,591</u>	<u>-</u>	<u>193,591</u>
<b>Excess of revenues over expenses</b>	10,461	-	10,461
<b>Fund Balances:</b>			
Beginning of year	47,366	6,000	53,366
Interfund transfers	<u>(6,000)</u>	<u>6,000</u>	<u>-</u>
End of year	<u>\$ 51,827</u>	<u>\$ 12,000</u>	<u>\$ 63,827</u>

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

**STUDIO VILLAS II ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

	Operating Fund	Reserve Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from assessments	\$ 187,823	\$ -	\$ 187,823
Cash received from other sources	2,452	31	2,483
Cash paid to vendors, employees, etc.	(180,248)	-	(180,248)
Net cash provided by operating activities	<u>10,027</u>	<u>31</u>	<u>10,058</u>
<b>Cash Flows From Financing Activities:</b>			
Interfund transfers, net	(12,000)	12,000	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,973)	12,031	10,058
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>23,326</u>	<u>55,441</u>	<u>78,767</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 21,353</u></u>	<u><u>\$ 67,472</u></u>	<u><u>\$ 88,825</u></u>
<b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:</b>			
Excess of revenues over expenses	\$ 10,461	\$ -	\$ 10,461
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in:			
Assessments receivable	101	-	101
Prepaid insurance	(13,878)	-	(13,878)
Increase (decrease) in:			
Insurance note payable	13,343	-	13,343
Contract liabilities (assessments received in advance-reserve fund)	-	31	31
Total adjustments	<u>(434)</u>	<u>31</u>	<u>(403)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 10,027</u></u>	<u><u>\$ 31</u></u>	<u><u>\$ 10,058</u></u>

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

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 balances of assessments receivable as of the beginning and end of the year are \$9,305 and \$9,204, respectively.



**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately prevail against unit owners with delinquent assessments. At December 31, 2023, the Association had delinquent assessments of \$1,521.

*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:*

Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method.

Special assessments are recognized as revenue when the corresponding liabilities and expenses are incurred, with any excess revenue reported as prepaid assessments on the balance sheet, unless otherwise directed by the Board of Directors and its 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, 2023**

**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, 2023. 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.

*Cash and Cash Equivalents:*

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 (Assessments Received in Advance-Reserve Fund):*

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-reserve fund) as of the beginning and end of the year are \$55,441 and \$55,472, respectively.

**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, 2023, totaled \$165,600.

**NOTE 4 – SPECIAL ASSESSMENTS**

*Insurance Special Assessment:*

The Board of Directors approved a special assessment of \$1,000 per unit to renew the association's insurance. The total assessment was owed in one payment of \$1,000 and the payment was due on July 6, 2023. For the year ended December 31, 2023, the Association recognized \$36,000 of income and related expense for this special assessment.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023, 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 \$10,000. 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.

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.

**STUDIO VILLAS II ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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

The component breakdown and activity for the year is:

Components	Beginning Contract Liabilities Balance 12/31/2022	Funding	Interest Income	Expenditures	Ending Contract Liabilities Balance 12/31/2023
General	\$ 5,574	\$ -	\$ 31	\$ -	\$ 5,605
Painting	27,665	-	-	-	27,665
Roof	3,759	-	-	-	3,759
Parking lot	18,443	-	-	-	18,443
	<u>\$ 55,441</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 55,472</u>

**NOTE 7 – ADOPTION OF FASB ASU 2016-13 AND RELATED STANDARDS**

At the beginning of 2023, the Association adopted FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Association adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Association’s financial statements but did change how the allowance for uncollectible accounts is determined.

**NOTE 8 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 17, 2024, 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, 2023**

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 12/31/2023</u>	<u>2024 Funding Requirements</u>
General			\$ 17,605	\$ -
Painting	7	\$ 62,321	27,665	4,951
Roof	17	161,145	3,759	9,258
Parking lot	1	21,582	18,443	3,139
Total		<u>\$ 245,048</u>	<u>\$ 67,472</u>	<u>\$ 17,348</u>