



Proposed budget
For the year ending
December 31, 2022

Asamblea de Propietarios de la PH Bahía Playa Serena



Nueva Gorgona, July 7, 2022

Dear Owners,

In accordance with the provisions of articles 47, 62, 94 and 95 of Law 284 dated February 14, 2022, the management and Board of Directors of Asamblea de Propietarios de la PH Bahía Playa Serena is pleased to submit to your consideration the proposed budget for the twelve-month (12) period from January 1 to December 31, 2022.

In preparing such proposed budget, management has included the assumptions it has considered valid for these estimates. Its execution will depend on whether or not these premises are met. The budget, at the end of the year 2022, could be different, since estimates have been taken into account for the preparation of this proposed budget: The estimates could or could not be fulfilled in the terms provided here.

It is understood that this proposed budget and the increase in the monthly quotas for common expenses that are included therein are conditional on their being approved at the same time by both towers.

Please send your questions or concerns to the email below. It is very important that you send us your doubts or questions, well in advance of the next Annual Regular Owners' Meeting.

Sincerely yours,

Lourdes de Rodriguez

Administrator - PH Bahía Playa Serena

Lourdes.Rodriguez@phbahia.com

TABLE OF CONTENTS

Proposed revenue and expense budget	1
Assumptions for estimates	2-3
Cash inflows, estimated	4-5
Cash outflows, estimated	6-17
Cash flows at the beginning and at the end of period	18
Rationale for the increase in common expense allowances	19-21
Improvements and repairs deferred	22
Non-recurring repairs to be carried out by tower 200	23
Proposed combined budget of both towers	24

The Text that follows is an English translation of its original in Spanish.

In case of queries, the version that prevails is the original version in Spanish.

ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA

Proposed revenue and expense budget

Year ending December 31, 2022

Real data up to June 2022 and estimates from July to December 2022

(Amounts expressed in dollars)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total year 2022
Cash provided by:					
Common expense allowances	89,022	76,600	97,856	100,736	364,214
Contribution for common expenses.					
From Tower 200	-	-	10,000	10,000	20,000
Other revenues	1,444	180	10,120	120	11,864
Total cash provided	90,466	76,780	117,976	110,856	396,078
Cash used in:					
Cleaning products	1,296	1,761	1,500	1,500	6,057
Security and surveillance services	3,747	5,997	7,276	6,619	23,639
Transportation services	80	100	150	150	480
Bank Charges	82	120	180	180	562
Basic services	24,746	21,779	23,199	21,950	91,674
Pool chemicals and supplies	2,825	1,859	2,220	2,317	9,222
Uniforms	-	-	1,500	-	1,500
Insurance expenses	986	329	986	986	3,287
Software, licenses and other expenses	317	347	1,002	462	2,128
Fumigation services	407	203	407	203	1,220
Office supplies	158	-	-	309	467
Printing costs	421	256	800	-	1,477
Salaries and other remunerations	31,515	34,350	34,288	36,348	136,502
Fees	5,330	4,939	3,765	5,115	19,149
Board of Directors and Meetings	-	-	3,000	-	3,000
Repairs	14,081	7,205	19,518	17,944	58,748
Maintenance services	8,361	8,785	21,489	12,039	50,675
Gardening supplies	90	-	1,910	727	2,727
Employee care	143	164	710	612	1,629
Entertainment and other activities	200	-	-	-	200
Minor tools and equipment	368	-	300	-	668
Christmas	-	-	-	700	700
Reserve of 1% of revenues - Law 284	-	-	2,293	1,009	3,302
Total cash used	95,154	88,194	126,494	109,169	419,011
Net cash flow at the end of the period	(4,688)	(11,414)	(8,518)	1,687	(22,934)
Cash at the beginning of period	29,293	24,605	13,190	4,673	29,293
Add (less) net cash flows	(4,688)	(11,414)	(8,518)	1,687	(22,934)
Cash at the end of period	24,605	13,190	4,673	6,359	6,359

ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA
Real data up to June 2022 and estimates from July to December 2022
(Amounts expressed in dollars)

Assumptions for estimates

The bases and assumptions that have been considered for purposes of estimating the amounts are shown below:

1. BASIS OF ACCOUNTING

This proposed budget has been prepared using a cash basis of accounting. The cash basis is an accounting method by which transactions and other events are only recognized when cash is received or paid. On the contrary, the accrual basis of accounting means that revenues are recognized as earned (regardless of the date when cash is collected or received), and expenses are recognized as incurred (regardless of the date when they are paid out).

2. ALLOCATION OF COMMON EXPENSES

As a general rule, the common expenses of the legal entities Asamblea de Propietarios PH Bahía Playa Serena and Asamblea de Propietarios PH Bahía Playa Serena - Torre 200 are distributed proportionally 50% per tower. The correct proportion, according to the total footage of each tower, is 47% Tower 100 and 53% Tower 200.

3. COVID-19

The evolution of the pandemic is a fact that was considered for the estimates of expenses. For this financial year, a much more normal presence of owners, residents and tenants has been foreseen.

4. CLASSIFICATION OF ACCOUNTS

In this report the order in which the concepts of cash inflows and outflows appear follow the numerical sequence of the chart of accounts of PHs. For reporting purposes of this budget, the basic information was obtained from the accounting information for the years included in the official accounting.

5. ADJUSTMENTS FROM ACCRUAL BASIS TO CASH BASIS OF ACCOUNTING

Our accounting software issues a base budget, to which the required adjustments have been incorporated in order to change from an accrual basis to a cash basis of accounting. The main adjustments are as follows:

- a. In order to show only the actual cash flow in each month or quarter, those common expense allowances that will not be collected during the year have been excluded from the revenues from common expense allowances.

- b. An estimate of payments of common expense allowances are included as cash inflows, which are made by some owners in advance of maturity.
- c. Cash flows from other sources were added to income, such as the flow from debt collection and the one originating from the proposed contribution, only in the year 2022, to the expenses of Tower 100 by Tower 200.
- d. On the side of outgoing cash flows, those non-repetitive ones that were made in the years 2020 and 2021 have been excluded. At the same time, all those outgoing cash flows that have the purpose of attending conjunctural situations of the year 2022 have been included.

6. REVENUES (CASH INFLOWS)

To determine the incoming cash flows, the different types of apartments and the applicable monthly rates were taken into account. The total of the theoretical inflows is equal to the number of apartments, according to their type, multiplied by the number of units and the months of the year.

Other minor sources of income such as moving charges, sale of tokens/controls, late fee and fines are also included.

The data from January 1 to June 30, 2022 is actual data, while the data from July 1 to December 31 was estimated for this budget.

The increase in the share of common expenses has been made, for the purposes of this proposed budget, as of July 1, 2022.

7. MAINTENANCE BASICS

Cash outflows have been determined by applying the concept of preventive maintenance rather than corrective maintenance. Preventive maintenance is the recurrent service that is carried out without prior damage in order to prevent it. Corrective maintenance is carried out only in case of breakdown.

8. COST INFLATION AND ITS EFFECT ON THE FINANCIAL CAPACITY OF THE PH

The amount of common expense allowances was fixed on December 7, 2011. **127** months have elapsed since that date. This proposed budget includes, for the year 2022, a 28% adjustment in the common expense allowances, starting in July 2022. This is necessary to balance the loss incurred, throughout that period, in the purchasing power of the currency for cumulative inflation. Accordingly, the 2022 cash inflow estimate includes that adjustment in the monthly common expense allowances.

9. COSTS AND EXPENSES

Changes in the purchasing power of the currency are transferred to the PH by means of decrees, for example: the minimum wage biannual adjustment or price adjustments of suppliers. For the year 2022 we have estimated that price inflation will continue to negatively

impact the financial capacity of both towers. The most noticeable adjustments are in basic services linked to the energy prices.

10. UPDATE MADE TO THE PREVIOUS PROPOSED BUDGET

The proposed budget, which was delivered on May 23, 2022, as an annex to the call for the Ordinary Owners' Meeting on June 8, 2022, which as everyone knows was postponed, has been updated. The May 23 version included actual data for January 2022 and estimates for the next eleven months. This version includes actual data through June 30, 2022 and estimates for the next six months from July 1 to December 31, 2022.

ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA

Cash inflows, estimated

The common expense allowances established **127** months ago are as follows:

Type of Apartment	Quantity of apartments	Monthly condo fees in Balboas	Cash receivable monthly (maximum possible)	Cash receivable annually (maximum possible)
Apartment Type: A, B, D, E y G	89	250	22,250	267,000
Apartment Type: AB y DE	5	350	1,750	21,000
Apartment Type: C	4	200	800	9,600
Apartment Type: F	12	150	1,800	21,600
	<u>110</u>		<u>26,600</u>	<u>319,200</u>

Based on the current annual income of \$319,200 and given that the budget contemplates expenditures for a total of \$419,011, the resulting annual deficit is **\$99,811**.

This proposed budget considers that a 28% adjustment to the common expense allowances is necessary and indispensable in order to establish a new condo and new annual income fee as follows:

Type of Apartment	Quantity of apartments	Monthly condo fees in Balboas	Cash receivable monthly (maximum possible)	Cash receivable annually (maximum possible)
Apartment Type: A, B, D, E y G	89	320	28,480	341,760
Apartment Type: AB y DE	5	448	2,240	26,880
Apartment Type: C	4	256	1,024	12,288
Apartment Type: F	12	192	2,304	27,648
	<u>110</u>		<u>34,048</u>	<u>408,576</u>

This new amount is sufficient to support cash outflows from 2023, but it is not enough to balance the proposed budget for 2022 because the effectiveness of the increase, if approved by the owners, begins only in July 2022, so there are six months of the year without the required adjustment.

For the 2022 Tower 100 proposed budget alone, after the proposed 28% adjustment, the shortfall would be \$42,934. To balance said deficit, a contribution of \$20,000 from Tower 200 has been included. In this way, at the end of 2022, the final deficit of Tower 100 will be \$22,934, an amount

that is supported by the bank balance, since at the end of 2022 the cash projection, after said deficit, will be \$6,359.

The essence of this contribution lies in the fact that for several years it was Tower 100 that was subsidizing common expenses of Tower 200. Additionally, the distribution of common expenses should have been 47% for Tower 100 and 53% for Tower 200. No Notwithstanding the foregoing, since the beginning, expenses have been distributed 50% per tower. Finally, there are common expenses that are paid 100% by Tower 100 and not 50% as it should be. The areas are: Electricity of the accounting and administration offices, party room, common areas such as the security checkpoint, visitor parking lots and the lake.

In the year 2022 revenues from common expense allowances are the following:

Amounts include a 28% adjustment on monthly HOA fees, effective July 1, 2022	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total year 2022
HOA:					
Apartment type A	18,000	15,195	21,120	21,120	75,435
Apartment type B	12,772	12,600	15,680	16,960	58,012
Apartment type C	1,900	1,900	2,304	2,304	8,408
Apartment type D	17,750	14,090	16,960	17,920	66,720
Apartment type E	19,850	16,500	20,480	21,120	77,950
Apartment type F	4,900	4,915	6,912	6,912	23,639
Apartment type G	10,000	5,000	7,680	7,680	30,360
Apartment type AB	1,750	2,250	2,688	2,688	9,376
Apartment type DE	2,100	4,150	4,032	4,032	14,314
Total HOA for the rest of 2022	<u>89,022</u>	<u>76,600</u>	<u>97,856</u>	<u>100,736</u>	<u>364,214</u>

Six months of the previous amount (January to June) are real data, while the following six months of the year 2022 are estimated data.

\$10,000 is included under other income. This amount is an account receivable from Tower 200. It has been estimated that the collection can be made during the month of July 2022.

ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA
Real data up to June 2022 and estimates from July to December 2022

Cash outflows, estimated

Data relevant to the formation of cash outflows to cover estimated costs and expenses is included below:

1. BASIC SERVICES

Basic services comprise the following:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Basic services:					
Electricity	55,549	38,076	30,920	7,155	17,473
Water	7,498	7,498	7,566	(69)	-
Garbage collection service	8,000	5,065	3,055	2,010	2,935
Internet connection and telephony	1,272	1,838	1,259	579	(565)
Diesel	3,820	3,558	3,028	531	262
Gas	15,535	14,078	10,304	3,774	1,457
	91,674	70,112	56,131	13,980	21,562

From the above table we can conclude that from the year 2021 there have been increases in the costs of the energy consumed in this PH.

Indeed, if only the energy lines are isolated, the totals in three years are as follows:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Basic services:					
Electricity	55,549	38,076	30,920	7,155	17,473
Diesel	3,820	3,558	3,028	531	262
Gas	15,535	14,078	10,304	3,774	1,457
	74,904	55,711	44,251	11,460	19,192

Therefore, we can say that the increase in basic services is due, almost in its entirety, to the increase in energy costs.

Here are some additional facts for you to conclude on these cost increases:

- It should be considered that the year 2020 was a totally atypical year that does little to explain the variations. Since March and for the rest of 2020 much of the lighting of the

residential complex was off. Likewise, the influx of owners, residents and visitors was practically nil. Both factors made the expenses much lower than usual, in that year 2020.

- b. During the year 2021 the influx of owners, residents and visitors was much more normal; therefore, energy costs increased.
- c. At the same time, since the "normalization" of post-pandemic activities, higher inflation has been seen worldwide. Panama has not been the exception.
- d. We have also had cost increases due to gas and diesel consumption.
- e. One element that affects the cost of electricity is the fact that the electricity meters are placed after the power plants, with which all the energy produced by the plants is billed as if it had been provided by NATURGY. The budget project for Tower 200 includes the required funds (approximately \$15,000) to correct this inequity.
- f. Until 2021, many lights in the common areas were damaged or did not work. Since January 2022, a process of restitution of all the lights in the common areas and swimming pools began, with which the demand for electricity increased.

In order to seek cost savings, the administration management and the maintenance department have been working on a process of converting all the lights that illuminate the common areas of this residential complex to LED (light-emitting diode).

The draft budget for the year 2022, which we had delivered for the ordinary assembly of owners, which was to take place on June 8, 2022, was prepared in February 2022. For the preparation of the budget, at the beginning of the year 2022, we took the most updated costs to that date and a consumption was projected for the rest of the year. Since the ordinary assembly was postponed, we proceeded to update the previous proposed budget with real data from the months of January to June 2022. The actual consumption was lower than the initial projections, due to a) the change to LED lights and b) the earlier switching off of lights in common areas. With the implementation of motion sensors in the corridors of both towers, it is expected that electricity consumption will decrease in the coming months.

2. SALARIES, OTHER REMUNERATIONS AND FEES

Salaries, other remunerations and fees comprise the following:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Salaries and other remunerations:					
Salaries	78,827	80,857	77,170	3,687	(2,031)
Vacations	9,933	8,085	6,451	1,634	1,847
Overtime hours	1,998	246	99	147	1,752
Paid extra for working Sundays	3,402	3,303	2,212	1,091	99
Thirteenth month	8,095	7,562	7,250	311	533
Productivity premium	875	3,588	3,000	588	(2,713)
Notice	1,943	850	200	650	1,093
Paid extra for working holidays	2,956	3,859	3,216	643	(903)
Employer's Social Security	23,314	11,333	10,021	1,311	11,981
Employer's Education Security	2,593	1,355	1,242	114	1,238
Employer's Professional Risk	1,176	1,405	1,286	120	(229)
Employer's Thirteenth month	1,390	489	614	(125)	901
Employer's penalties and surcharges	-	251	95	155	(251)
	136,502	123,182	112,857	10,326	13,320
Professional fees					
Legal Services	2,328	3,478	2,038	1,439	(1,150)
Lifeguard	4,590	3,000	1,650	1,350	1,590
Courier service	96	77	831	(754)	19
Security	-	-	1,445	(1,445)	-
Audit	3,350	4,815	-	4,815	(1,465)
Technical support	973	633	-	633	341
Other	7,813	14,904	6,559	8,345	(7,091)
	19,149	26,906	12,523	14,383	(7,757)
	155,651	150,088	125,379	24,708	5,563

Without affecting the total amounts of each year, we have regrouped salaries and remunerations item as follows for a better understanding:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Salaries and other remunerations:					
Salaries	78,827	80,857	77,170	3,687	(2,031)
Vacations	9,933	8,085	6,451	1,634	1,847
Overtime hours	1,998	246	99	147	1,752
Paid extra for working Sundays	3,402	3,303	2,212	1,091	99
Thirteenth month	8,095	7,562	7,250	311	533
Productivity premium	875	3,588	3,000	588	(2,713)
Notice	1,943	850	200	650	1,093
Paid extra for working holidays	2,956	3,859	3,216	643	(903)
Employer's Social Security	23,314	11,333	10,021	1,311	11,981
Employer's Education Security	2,593	1,355	1,242	114	1,238
Employer's Professional Risk	1,176	1,405	1,286	120	(229)
Employer's Thirteenth month	1,390	489	614	(125)	901
Employer's penalties and surcharges	-	251	95	155	(251)
Lifeguard	4,590	3,000	1,650	1,350	1,590
Security	-	-	1,445	(1,445)	-
Other	7,813	14,904	6,559	8,345	(7,091)
	148,904	141,086	122,511	18,575	7,819

The costs of lifeguard, security and other staff (workers hired occasionally to cover absences or vacations) were added to salaries and other remunerations.

As additional information it is important to keep in mind that:

- During the year 2020, for the reasons already explained, the payroll of the entire residential complex was kept to the minimum possible.
- The return to "normality" in 2021 forced to fill vacancies to be able to serve owners, residents and visitors.
- On December 31, 2020, the payroll of this Tower was composed of 8 employees; at December 31, 2022, said payroll will be composed of 10 employees.

We include hereinbelow additional information that we consider important for you to conclude on payroll costs:

Minimum wages

About 99% of our workers receives salaries and other remunerations based on the minimum wage established by the Panamanian government. The remaining 1% receives salaries and other remunerations that are not regulated by the national government.

Minimum wage biannual adjustments

Every two years, by means of an executive decree, the national government announces the minimum wage adjustment. The movement of the minimum wage payable by Asamblea de Proprietarios de PH Bahía Playa Serena has been the following:

Adjustment year	Period	Minimum wage	Percentage adjustment	Cumulative percentage adjustment
2009	2010 - 2011	376.48		
2011	2012 - 2013	445.12	18%	18%
2013	2014 - 2015	513.76	15%	36%
2015	2016 - 2017	557.44	9%	48%
2017	2018 - 2019	592.80	6%	57%
2019	2020 - 2021	665.10	12%	77%
2021	2022 - 2023	665.10	0%	77%

Since the common expense allowances were established in 2014, this PH has had 77% adjustments in its payroll costs.

Trusted staff

As far as trusted personnel are concerned, salaries and other remunerations had remained unchanged since 2017. Recent changes in the area of accounting and administration required adjustments to that salary scale.

Composition of salaries

The salaries included in the proposed revenue and expense budget for 2022 are composed as follows:

Composition of salaries	Percentage
Monthly salary	100.00%
Vacations	9.09%
Thirteenth month (50% payable in August and 50% in December)	8.33%
Education Security	1.50%
Professional Risk	0.98%
Seniority premium	1.92%
Indemnity	6.54%
Social Security	12.25%
Total costs per each B/. 100 of monthly basic salary	<u>140.61%</u>

In conclusion, for each \$100 of a basic wage paid, other labor liabilities arise that increase that cost by 40.61%.

3. REPAIRS

Repairs include the following:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Repairs:					
Concessions	612	618	-	618	(6)
Pools	7,408	1,554	1,343	211	5,854
Gym and SPA	1,010	1,969	67	1,902	(959)
Building	12,595	10,490	123	10,367	2,105
Social Area and Common Areas	20,857	10,640	4,445	6,195	10,217
Air Conditioners	1,667	1,689	350	1,339	22
Tennis Court	3,500	8,091	64	8,027	(4,591)
Play area and Lounge	2,250	385	109	276	1,865
Beach area	-	230	378	(149)	(230)
Remodeling	2,500	467	14,857	(14,390)	2,033
Basement	3,784	-	-	-	3,784
Other	2,565	125	547	(422)	2,440
	58,748	36,258	22,284	13,974	22,490

The plan of repairs scheduled every three months is the following:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total year 2022
Repairs:					
Concessions	12	-	300	300	612
Pools	4,708	400	1,300	1,000	7,408
Gym and SPA	60	500	150	300	1,010
Building	3,419	3,276	2,900	3,000	12,595
Social Area and Common Areas	4,670	2,184	6,668	7,335	20,857
Air Conditioners	447	245	650	325	1,667
Tennis Court	-	-	3,500	-	3,500
Play area and Lounge	-	-	2,250	-	2,250
Beach area	-	-	-	-	-
Remodeling	-	-	-	2,500	2,500
Basement	-	-	1,200	2,584	3,784
Other	765	600	600	600	2,565
	14,081	7,205	19,518	17,944	58,748

For the year 2022 the following repairs have been contemplated:

- a. Minor repairs of assets under concession that are not the responsibility of the concessionaire. According to contract signed in 2019.

- b. Replacement of the bypass valves (after ten years of use) that control the water flows of the entire pool system. Reorientation of some pipes whose water flow had been erroneously modified, which was affecting the quality and hygiene of water in swimming pools.
- c. The SPA had not been maintained in years. Due to lack of maintenance, equipment had to be repaired and replaced. With these repairs already carried out, we will now move on to a scheduled maintenance cycle.
- d. In building and remodeling, the painting of corridors and the change of the fractured floor in two elevators are contemplated.
- e. Additional sun loungers were purchased for the beach area. Likewise, it is proposed to acquire additional chairs for the beach area, replacement of damaged umbrellas, purchase of highchairs for the pool bar and restaurant, change of the pool table and other necessary replacements. These assets are deteriorated by the action of time and marine saltpeter.
- f. To this date there are approximately 100 damaged emergency lamps. By regulations of the fire department, it is required that all emergency lamps be working at full capacity, in case of an emergency. In the year 2022 all those lamps will be recovered.
- g. In the corridors, on the different floors, there are still incandescent lamps, which consume more electrical energy, as well as motion detectors that activate the lamps that require replacement. During the year 2022, the incandescent lamps will be replaced and the motion detectors will be restored.
- h. In a similar way to the previous point, we propose to replace (conditional on the cash flow that is available), all the damaged cameras of the CCTV system. The contracted company is making a quantification of the number and cost of this equipment. There are about 30 cameras damaged at this time, plus those that need to be added in the garden area and in the access to the beach.
- i. Air conditioners, a new equipment will be replaced for one of the cabins in the SPA area and the bi-monthly maintenance of 8 Split and 6 5-ton power plants is contemplated.
- j. Tennis court corresponds to the cost of repairing the fence for damage caused by salt spray and exposure to the elements. Also, for the change of the two basketball baskets.
- k. For the basement area, the following was contemplated: The replacement of the lamps with new ones with LED technology, the painting of all the walls, the painting of the demarcation lines and the recovery of the description of the positions assigned to each apartment. To this date all the lamps were already replaced by LED type lamps.
- l. In the areas of the beach, park and children's room, improvements or the purchase of some assets have been contemplated for the enjoyment of the owners and residents.
- m. The hardware and laminate of the two-bathroom doors, located in the pool area, will be recovered. As of this date, the work has already been completed.

- n. The motors that open and close the two doors that give access to the ramps that lead to the beach are going to be replaced. Both doors are going to be the subject of a major recovery.

4. MAINTENANCE SERVICES

Maintenance services include the following:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Maintenance:					
Elevators	19,040	14,176	14,836	(660)	4,865
Treatment plant	4,152	3,392	3,472	(80)	760
Power plant	3,827	7,258	3,450	3,808	(3,431)
Gym	848	300	-	300	548
Fire alarm and CCTV	8,602	4,046	5,000	(954)	4,556
Firefighting pump	2,006	1,318	1,477	(158)	688
Artificial lake	4,500	330	211	119	4,170
Playpen	300	509	-	509	(209)
Office equipment	192	257	192	65	(65)
Gardening equipment	150	80	25	55	70
Fire extinguishers	644	529	445	84	115
Electrical rooms	1,000	-	-	-	1,000
Sprinkler systems	1,963	2,794	-	2,794	(831)
Pumps in swimming pools, lake and streams	1,200	-	-	-	1,200
Wet areas	600	-	-	-	600
Lightning rod	-	-	-	-	-
Drinking water and pressure pump	750	-	-	-	750
Water well	900	-	-	-	900
	50,675	34,988	29,107	5,881	15,687

The plan of investment for the quarterly period is the following:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total year 2022
Maintenance:					
Elevators	4,203	4,538	5,800	4,500	19,040
Treatment plant	835	1,649	835	835	4,152
Power plant	482	482	2,382	482	3,827
Gym	-	248	200	400	848
Fire alarm and CCTV	1,963	939	2,850	2,850	8,602
Firefighting pump	187	535	642	642	2,006
Artificial lake	-	-	4,500	-	4,500
Playpen	-	-	300	-	300
Office equipment	48	48	48	48	192
Gardening equipment	-	150	-	-	150
Fire extinguishers	644	-	-	-	644
Electrical rooms	-	-	1,000	-	1,000
Sprinkler systems	-	198	883	883	1,963
Pumps in swimming pools, lake and streams	-	-	1,200	-	1,200
Wet areas	-	-	300	300	600
Lightning rod	-	-	-	-	-
Drinking water and pressure pump	-	-	250	500	750
Water well	-	-	300	600	900
	<u>8,361</u>	<u>8,785</u>	<u>21,489</u>	<u>12,039</u>	<u>50,675</u>

In general, they are fixed contracts that include a monthly fee for services received. The maintenance of the fire pump, drinking water pumps and swimming pool pumps is carried out by the appropriate contracted company.

The proposed revenue and expense budget for 2022 includes maintenance services of the following:

- a. Electrical rooms.
- b. Pumps in swimming pools, lake and streams.
- c. Wet areas.
- d. Lightning rods.
- e. Drinking water and pressure pump.
- f. Water well pump.

Comments on certain items included within maintenance services follow:

Elevators

As they have been in use for more than 11 years, they are in constant changes of minor pieces. This budget includes an estimate of these expenses.

Fire alarm

In previous years a person who provided the service was hired but he did not meet the certification requirement of the Siemens panel; therefore, this year we have hired the company Telecom, which has the exclusive distribution of this brand.

CCTV

This year we have started the process of restoration and conditioning of the cameras. Next step is the replacement of equipment deteriorated by time, to later start a bimonthly or quarterly maintenance.

Lake

Recovery of the lake in the sense of placing new filters and buying pumps that ensure the quality of the water, painting and sanitation of the floor, endowment of vegetation. Replacement of lights and recovery of the jets.

5. REMAINING CASH OUTFLOWS

The remaining cash outflows that have not been previously commented correspond to the following concepts:

	Total year 2022	Total year 2021	Total year 2020	Year 2021 Vs. 2020	Year 2022 Vs. 2021
Rest of outgoing cash flows:					
Cleaning products	6,057	5,874	5,648	226	183
Security and surveillance services	23,639	22,916	22,628	288	723
Transportation services	480	738	475	264	(258)
Bank Charges	562	491	606	(115)	71
Certifications and appraisals	-	20	30	(10)	(20)
Pool chemicals and supplies	9,222	4,561	3,188	1,373	4,661
Uniforms	1,500	1,623	648	975	(123)
Insurance expenses	3,287	4,256	3,304	952	(969)
Software, licenses and other expenses	2,128	789	1,040	(251)	1,339
Fumigation services	1,220	1,017	1,094	(78)	203
Office supplies	467	952	302	650	(485)
Printing costs	1,477	513	1,069	(556)	965
Owners' Meetings	3,000	1,748	437	1,310	1,252
Gardening supplies	2,727	1,302	460	842	1,425
Employee care	1,629	1,261	621	640	367
Entertainment and other activities	200	216	27	188	(16)
Minor tools and equipment	668	5,276	3,286	1,990	(4,608)
Christmas	700	163	105	58	537
Reserve of 1% of revenues - Law 284	3,302	-	-	-	3,302
	62,264	53,715	44,968	8,747	8,550

Of the above we highlight the following:

a. Pool chemicals and supplies

During the first two months of the year the large pool presented problems in water measurements. Due to this situation, it was concluded that the chemicals were used with erroneous percentages. Since then, the purchases were made with the appropriate percentages, and suppliers were changed. The reformulation of the proportions caused an increase in costs.

b. Software and licenses

As of February 2022, the ZENDER software was contracted for the administration of the PH. Funds are included for the development of a website to facilitate communications with owners and residents. A new provider was hired for the email server service, it is a company located in Panama since the previous one was located in Argentina and the service was poor.

c. Printing costs

For this year, the replacement and incorporation of new signs in the beach area, swimming pools and gardens is being budgeted. The purchase of printed bands for better control of visitors, short-stay rentals and concessions is proposed.

d. Owners' Meetings

Estimated cost of the Ordinary Annual Assembly of Owners and Extraordinary Assembly for approval of the waterproofing and reconditioning of the mini golf.

The legal expense for the modification of the Co-ownership Regulation is not included, since as of this date we still do not know the costs involved. Nor have we included the cost of the Extraordinary Assembly for the approval of the new co-ownership regulations, use regulations and the rental manual.

e. Garden supplies

In addition to normal purchases, the purchase of plants for the renovation of the islands around the pools has been planned.

f. Reserve of 1% of revenues

It corresponds to the Contingency Fund required by Law 284 dated February 14, 2022, chapter I, articles 46, 47 and 48.

ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA
Real data up to June 2022 and estimates from July to December 2022

Cash flows at the beginning and at the end of period

If all the premises were met, as estimated, the cash flows at the beginning and end of each period would be as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total year 2022
Cash at the beginning of period	29,293	24,605	13,190	4,673	29,293
Add (less) net cash flows	(4,688)	(11,414)	(8,518)	1,687	(22,934)
Cash at the end of period	24,605	13,190	4,673	6,359	6,359

Based on the above-explained matter we may conclude that the cash balance decreases from \$29,293 at the beginning of the year to \$6,359 at the end of the year.

The monthly results of such cash flows are as follows:

	Net cash flows for the month	Cash available at the end of the month
January	(313)	28,980
February	1,633	30,613
March	(6,008)	24,605
April	(10,650)	13,955
May	2,367	16,322
June	(3,131)	13,190
July	(3,337)	9,853
August	(7,842)	2,011
September	2,662	4,673
October	3,833	8,506
November	2,068	10,574
December	(4,214)	6,359

Cash forecasts suggest that, despite several months foreseen in deficit, there is no final negative impact as insufficient cash flows are satisfactorily covered by cash available.

Rationale for the increase in common expense allowances

The rationale for the increase in the common expense allowances from the month of July 2022 is below:

1. FINANCIAL IMBALANCE IS NOT NEW

This is a situation that in some way had already been commented on or reported in the financial statements for the year ended 2021, as well as in the draft budget for that year.

2. THE AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021, CONFIRM WHAT WAS ALREADY ANTICIPATED

In effect, that year ended with a book loss of \$27,814 and a cash flow deficit of \$17,614. The cash reserves, accumulated in 2020, made it possible to offset this cash deficit.

3. COMMON EXPENSE ALLOWANCES OF THIS PH WERE FIXED IN 2011, SINCE THAT DATE AND UNTIL NOW THE FOLLOWING ECONOMIC-FINANCIAL EVENTS HAVE OCCURRED

- a. The minimum wage has been increased by 77%. Minimum wage is the basis of our payroll and accounts for 99% of our cost.

Adjustment year	Period	Minimum wage	Percentage adjustment	Cumulative percentage adjustment
2009	2010 - 2011	376.48		
2011	2012 - 2013	445.12	18%	18%
2013	2014 - 2015	513.76	15%	36%
2015	2016 - 2017	557.44	9%	48%
2017	2018 - 2019	592.80	6%	57%
2019	2020 - 2021	665.10	12%	77%
2021	2022 - 2023	665.10	0%	77%

- b. The cumulative inflation of that period has been no less than 22%, as follows:

Year	Inflation index
2011	5.88
2012	5.70
2013	4.03
2014	2.63
2015	0.14
2016	0.74
2017	0.88
2018	0.76
2019	0.36
2020	1.55
2021	1.45
2022	1.96

- c. Maintenance services were improperly managed. This is a result of insufficient cash flows to cope with all the appropriate repairs and maintenance, and secondly, a maintenance approach that was corrective rather than preventive.
- d. The increase in the costs of the different services has been possible only with a counter item in a deterioration of the financial management capacity of the PH. The PH has been bearing an increase in costs through decrees, such as the increase in the minimum wage, while others result from adjustments that go beyond any negotiation capacity for the PH, such as the cost of energy.
- e. The goods consumed by the PH are of relatively inelastic demand, that is, in the face of an increase in prices, consumption is maintained because they are necessary goods for the PH.
- f. The 28% adjustment does not balance the 2022 draft budget; however, it is the first step towards a balanced draft budget in 2023. The difference is that in 2022 the effectiveness of the new value of the common expense allowances is six months, while for the year 2023 it will be twelve months.

Based on the above, the proposal to increase the common expense allowances, as of July 2022, is as follows:

Apartment Type	Quantity of apartments	Common expense allowance in Balboas	
		Previous	New
Apartment Type: A, B, D, E y G	89	250	320
Apartment Type: AB y DE	5	350	448
Apartment Type: C	4	200	256
Apartment Type: F	12	150	192
	<u>110</u>		

4. PURCHASING POWER LOSS

Based on inflation from the period 2011 to 2022, the purchasing power of \$100 has been reduced to \$80.44.

In other words, what could be bought with \$100 in 2011, it could be purchased with \$124.3 in 2022.

5. ENVIRONMENTAL EFFECT

Proximity to the beach area has consequences on the frequency and intensity of maintenance and repairs. The sea breeze has a very degrading effect on a significant volume of our assets. This implies higher costs and expenses for this residential complex.

6. IMPROVEMENTS AND REPAIRS ON HOLD

As shown in the following table, insufficient income makes it necessary to defer or suspend a series of improvements or repairs for which there is no financial capacity to carry them out. If the requested increase is approved, these improvements and repairs could be included in a staggered development plan.

Below is the detail of such improvements and suspended repairs:

**ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA
Y DE LA PH BAHÍA PLAYA SERENA - TORRE 200**

Improvements and repairs deferred

Does not include information on costs since they have not been determined

Repairs in the musical sound environment of the social areas and in the lobby of Torre 200

Heating system for the large pool

Replacement of gym machines, due to exhaustion of useful life and technological obsolescence

To enable the roof of Tower 200 as a Sky Bar, installation of wind deflectors or installation of panoramic type reinforced glass railings

UV protective sheets on the glass of the SPA, party room and children's playroom

Phase II of the perimeter wall, next to Tower 200

Cement floor for tennis court

Additional umbrellas in the beach area

Redesign of the *golfito* to give it an alternative use for the entire community

Renovation of the party room, expansion of the amenities offered to owners and residents

Automated irrigation system for the front gardens

Renovation of the children's playroom. Provision of additional amenities

Automated irrigation system for the front gardens and the gardens of the social area

Replacement of damaged glass in the social area and in the infinity of the large pool

Increase the capacity of the garbage area by incorporating a second floor, if it does not affect the aesthetics of the residential complex

Seal gaps that exist in the stairs of Tower 200, for greater protection of minors

Replace the entrance door to the PH with a modular system that provides more security to the residential complex

Replacement of all trolleys to move baggage

Place the heater of the jacuzzi that is between the semi-Olympic pool and the large one

Buy and install a pressure tank in the deep well to better regulate the tanks of both towers

Spa LED lighting repair

Restore the sound equipment of the SPA

Construction of a court to play bocce

Change of the roof of the beach bar

Purchase and installation of charging station(s) for electric mobility vehicles

ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA

Non-recurring repairs to be carried out by tower 200

Year ending December 31, 2022

Real data up to June 2022 and estimates from July to December 2022

(Figures expressed in dollars)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Recovery of chairs and loungers	2,885	894	-	-	3,779
Parking access bar Torre 200	4,436	-	-	-	4,436
LED lights in basements	5,487	-	-	-	5,487
Warehouses built in the basement 3	600	-	-	-	600
CCTV cameras and LAN network	7,020	2,485	-	-	9,505
Railings social area and swimming pools	1,837	1,246	-	-	3,083
Pressure tanks for Tower 200	400	6,014	-	-	6,414
Alarm panel circuit	-	3,377	-	-	3,377
Sun loungers for the beach area	-	3,933	-	-	3,933
Common area lighting	-	1,827	-	-	1,827
Motion sensors for hallways in both towers	-	4,478	-	-	4,478
Glass on balconies of Tower 200	-	2,953	-	-	2,953
Spa Equipment	-	5,570	-	-	5,570
Pluvial and sanitary pits at the exit of the basement 3	-	4,670	-	-	4,670
Access control cards for elevators in Tower 200	-	1,125	-	-	1,125
Deck Tower 200	-	-	44,699	-	44,699
Deck waterproofing	-	12,405	12,404	-	24,809
Meters for power plants	-	-	14,641	-	14,641
Painting and recovery of the facade of Tower 200	-	-	-	150,000	150,000
Beach bath	-	-	28,000	-	28,000
Waterproofing and conditioning of mini golf	-	-	46,800	-	46,800
Recovery of lobby panels	-	-	1,750	-	1,750
Repair water mirror	-	-	1,200	-	1,200
Protection wall on the beach	-	-	-	53,552	53,552
Irrigation system in the front gardens and social area	-	-	-	8,000	8,000
	22,666	50,975	149,494	211,552	434,687

**ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA
Y DE LA PH BAHÍA PLAYA SERENA - TORRE 200**

Proposed combined budget of both towers

Year ending December 31, 2022

Real data up to June 2022 and estimates from July to December 2022

(Amounts expressed in dollars)

	Tower 100	Tower 200	Combined
Cash provided by:			
Common expense allowances	364,214	381,498	745,712
Contribution to the common expenses of Tower 100	20,000	(20,000)	-
Non-recurring revenues from the sale of assets	-	464,098	464,098
Other revenues	11,864	(8,372)	3,492
Total cash provided	396,078	817,225	1,213,302
Cash used in:			
Pumps and pressure tanks	-	6,754	6,754
Cleaning products	6,057	5,995	12,052
Security and surveillance services	23,639	23,639	47,278
Transportation services	480	564	1,044
Commission for sale of property	-	5,400	5,400
Bank Charges	562	393	955
Certifications and appraisals	-	249	249
Basic services	91,674	86,727	178,401
Pool chemicals and supplies	9,222	10,288	19,509
Uniforms	1,500	1,709	3,209
Insurance expenses	3,287	3,010	6,297
Software, licenses and other expenses	2,128	2,209	4,337
Fumigation services	1,220	1,220	2,440
Office supplies	467	785	1,252
Printing costs	1,477	1,528	3,005
Salaries and other remunerations	136,502	128,876	265,378
Fees	19,149	24,270	43,418
Board of Directors and Meetings	3,000	3,000	6,000
Repairs	58,748	69,570	128,318
Maintenance services	50,675	55,886	106,560
Gardening supplies	2,727	2,938	5,664
Employee care	1,629	1,707	3,336
Entertainment and other activities	200	54	254
Minor tools and equipment	668	2,842	3,510
Taxes	-	30,895	30,895
Christmas	700	700	1,400
Non-ordinary repairs and maintenance	-	434,687	434,687
Reserve of 1% of revenues - Law 284	3,302	3,825	7,127
Total cash used	419,011	909,718	1,328,729
Net cash flow at the end of the period	(22,934)	(92,494)	(115,427)
Cash at the beginning of period			
	29,293	103,491	132,784
Add (less) net cash flows	(22,934)	(92,494)	(115,427)
Cash at the end of period	6,359	10,998	17,357



