



Proposed budget  
For the year ending  
December 31, 2022

**Asamblea de Propietarios de la PH Bahía Playa Serena - Torre 200**



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 - Torre 200 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

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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 - TORRE 200

# 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 balboas)

	First quarter	Second quarter	Third quarter	Fourth quarter	Total year 2022
Cash provided by:					
Common expense allowances	98,542	87,692	98,624	96,640	381,498
Non-recurring revenues from the sale of assets	257,750	187,200	19,148	-	464,098
Contribution for common expenses. Tower 100	-	-	(10,000)	(10,000)	(20,000)
Other revenues	490	898	(9,880)	120	(8,372)
<b>Total cash provided</b>	<b>356,782</b>	<b>275,790</b>	<b>97,892</b>	<b>86,760</b>	<b>817,225</b>
Cash used in:					
Pumps and pressure tanks	-	6,754	-	-	6,754
Cleaning products	1,349	1,187	1,728	1,732	5,995
Security and surveillance services	3,747	5,997	7,276	6,619	23,639
Transportation services	60	204	150	150	564
Commission for sale of property	5,400	-	-	-	5,400
Bank Charges	37	57	150	150	393
Certifications and appraisals	249	-	-	-	249
Basic services	22,312	19,865	21,650	22,899	86,727
Pool chemicals and supplies	4,270	1,481	2,220	2,317	10,288
Uniforms	-	209	1,500	-	1,709
Insurance expenses	692	346	986	986	3,010
Software, licenses and other expenses	351	373	992	492	2,209
Fumigation services	407	203	407	203	1,220
Office supplies	308	11	158	309	785
Printing costs	309	105	1,114	-	1,528
Salaries and other remunerations	30,512	30,714	32,650	35,000	128,876
Fees	6,338	8,678	3,988	5,265	24,270
Board of Directors and Meetings	-	-	3,000	-	3,000
Repairs	18,989	16,351	19,101	15,129	69,570
Maintenance services	14,603	10,355	18,589	12,339	55,886
Gardening supplies	150	378	1,810	600	2,938
Employee care	439	456	450	362	1,707
Entertainment and other activities	54	-	-	-	54
Minor tools and equipment	1,233	1,609	-	-	2,842
Non-ordinary repairs and maintenance, as per appendix	22,666	50,975	149,494	211,552	434,687
Taxes	30,633	261	-	-	30,895
Christmas	-	-	-	700	700
Reserve of 1% of revenues - Law 284	-	-	2,857	968	3,825
<b>Total cash used</b>	<b>165,108</b>	<b>156,568</b>	<b>270,270</b>	<b>317,772</b>	<b>909,718</b>
<b>Net cash flow at the end of the period</b>	<b>191,675</b>	<b>119,222</b>	<b>(172,378)</b>	<b>(231,012)</b>	<b>(92,494)</b>
Cash at the beginning of period	103,491	295,166	414,388	242,010	103,491
Add (less) net cash flows	191,675	119,222	(172,378)	(231,012)	(92,494)
Cash at the end of period	295,166	414,388	242,010	10,998	10,998

**ASAMBLEA DE PROPIETARIOS DE LA PH BAHÍA PLAYA SERENA - TORRE 200**  
**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 legal entities Asamblea de Propietarios PH Bahía Playa Serena and Asamblea de Propietarios de la 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% for the Tower 100 and 53% for Tower 200. Since May 27, 2014, Tower 100 has absorbed an additional cost of 3% for 97 months.

### **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. The cash flows from the sale of the assets owned by Tower 200 were added to revenues. Such item has been called non-recurring revenues from the sale of assets.
- d. On the cash outflow side, those infrequent expenses incurred in 2020 and 2021 have been excluded. In addition, all those cash outflows that have the purpose of addressing conjunctural situations of the year 2022 have been included.

## **6. REVENUES (CASH INFLOWS)**

The different types of apartments and applicable monthly condo fees were taken into account for cash inflow determination. The total theoretical cash inflow is equal to the quantity of apartments, depending on their type, multiplied by the quantity of units and months of the year. The proceeds of the sale of 14D, 5E apartments, one tandem parking space and a storage room are included as cash inflows.

Other minor sources of revenue are also included, such as removals, sale of tokens/controls, surcharge for late payment and fines.

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 May 27, 2014; more than **97** 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 - TORRE 200**

*Cash inflows, estimated*

The common expense allowances established **97** 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	24	250	6,000	72,000
Apartment Type B	25	250	6,250	75,000
Apartment Type C	9	200	1,800	21,600
Apartment Type D	27	250	6,750	81,000
Apartment Type E	25	250	6,250	75,000
Apartment Type F	19	150	2,850	34,200
	<u>129</u>		<u>29,900</u>	<u>358,800</u>

Based on the current annual income of \$358,800 and given that the budget contemplates expenditures for a total of \$475,031, the resulting annual deficit is **\$116,231**.

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	24	320	7,680	92,160
Apartment Type B	25	320	8,000	96,000
Apartment Type C	9	256	2,304	27,648
Apartment Type D	27	320	8,640	103,680
Apartment Type E	25	320	8,000	96,000
Apartment Type F	19	192	3,648	43,776
	<u>129</u>		<u>38,272</u>	<u>459,264</u>

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

Given the above, it has been estimated, for the year 2022, a deficit (after the increase foreseen in July 2022) of \$92,494. Said deficit is compensated with cash surpluses before repairs and non-recurring maintenance scheduled in this budget project.

In Tower 100, due to the same deficit situation, for the formulation of this proposed budget an amount of \$20,000 has been included as a contribution by Tower 200 to the common expenses of that tower. The essence of this compensation lies in the fact that for several years it was Tower 100 that subsidized and, in some way, continues to subsidize common expenses of Tower 200.

The Spa, the gym equipment, the tables, chairs and umbrellas in the pool area, the original pool bar equipment, the original restaurant equipment were paid for by Tower 100.

Additionally, the distribution of common expenses should have been 47% for Tower 100 and 53% for Tower 200, however, from the beginning 50%/50% has been applied. In such a way that Tower 100 has absorbed an additional 3% for 97 months.

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 sentry box, visitor parking and lake.

Tower 100 has never invoked its right to collect the differences in its favor and it is not its intention to do so, as long as there is reciprocity on the part of Tower 200.

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

<b>Amounts include a 28% adjustment on monthly HOA fees, effective July 1, 2022</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Total year 2022</b>
HOA:					
Apartment type A	22,277	18,200	21,120	20,480	82,077
Apartment type B	16,900	17,680	21,760	17,920	74,260
Apartment type C	3,980	6,517	6,272	4,864	21,633
Apartment type D	19,905	19,570	21,120	20,800	81,395
Apartment type E	24,680	18,865	21,760	22,400	87,705
Apartment type F	10,800	6,860	6,592	10,176	34,428
<b>Total HOA for the rest of 2022</b>	<b>98,542</b>	<b>87,692</b>	<b>98,624</b>	<b>96,640</b>	<b>381,498</b>

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

The amount of **\$8,372** included in other income, is a disbursement of \$10,000 corresponding to the payment of a debt of Tower 200, in favor of Tower 100. This payment is expected to be made in July 2022. It is included in that item to harmonize with the presentation in the combined financial statement.

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

	<b>Total year 2022</b>	<b>Total year 2021</b>	<b>Total year 2020</b>	<b>Year 2021 vs. 2020</b>	<b>Year 2022 vs. 2021</b>
Basic services:					
Electricity	51,610	38,076	30,477	7,599	13,535
Water	7,498	7,498	7,566	(69)	-
Garbage collection service	7,810	5,065	3,305	1,760	2,745
Internet connection and telephony	1,263	1,838	1,009	829	(575)
Diesel	2,814	3,558	2,842	716	(744)
Gas	15,731	14,078	9,394	4,683	1,654
	<b>86,727</b>	<b>70,112</b>	<b>54,593</b>	<b>15,519</b>	<b>16,614</b>

From the above table we can conclude that from the year 2021 there have been significant 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:

	<b>Total year 2022</b>	<b>Total year 2021</b>	<b>Total year 2020</b>	<b>Year 2021 vs. 2020</b>	<b>Year 2022 vs. 2021</b>
Energy costs:					
Electricity	51,610	38,076	30,477	7,599	13,535
Diesel	2,814	3,558	2,842	716	(744)
Gas	15,731	14,078	9,394	4,683	1,654
	<b>70,156</b>	<b>55,711</b>	<b>42,713</b>	<b>12,998</b>	<b>14,445</b>

Therefore, we can say, without any doubt, 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:

- a. 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 due to the double effect of a higher price and higher consumption.
- 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 received cost increases for 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 proposed budget includes the required funds (approximately \$15,000) to correct this inequity.
- f. Until the year 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	79,047	74,575	70,409	4,166	4,472
Vacations	9,202	8,085	6,451	1,634	1,117
Overtime hours	2,219	246	99	147	1,973
Paid extra for working Sundays	3,715	3,303	2,212	1,091	413
Thirteenth month	7,904	7,562	7,250	311	342
Productivity premium	965	3,588	3,000	588	(2,622)
Seniority premium	-	1,427	1,536	(109)	(1,427)
Indemnity	-	4,855	5,225	(370)	(4,855)
Notice	900	850	200	650	50
Paid extra for working holidays	3,882	3,859	3,216	643	23
Employer's Social Security	15,861	11,333	10,021	1,311	4,528
Employer's Education Security	1,845	1,355	1,242	114	490
Employer's Professional Risk	2,222	1,405	1,286	120	816
Employer's Thirteenth month	1,113	489	614	(125)	624
Employer's penalties and surcharges	-	-	95	(95)	-
Bonus	-	251	-	251	(251)
	128,876	123,182	112,857	10,326	5,694
Professional fees:					
Legal Services	3,105	3,260	3,243	17	(155)
Lifeguard	4,740	3,000	1,650	1,350	1,740
Courier service	70	77	723	(646)	(7)
Security	-	-	1,445	(1,445)	-
Audit	3,533	4,815	-	4,815	(1,283)
Technical support	973	633	-	633	341
Other	11,849	14,904	6,559	8,345	(3,054)
	24,270	26,688	13,619	13,069	(2,418)
	153,146	149,870	126,476	23,394	3,276

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	79,047	74,575	70,409	4,166	4,472
Vacations	9,202	8,085	6,451	1,634	1,117
Overtime hours	2,219	246	99	147	1,973
Paid extra for working Sundays	3,715	3,303	2,212	1,091	413
Thirteenth month	7,904	7,562	7,250	311	342
Productivity premium	965	3,588	3,000	588	(2,622)
Notice	900	850	200	650	50
Paid extra for working holidays	3,882	3,859	3,216	643	23
Employer's Social Security	15,861	11,333	10,021	1,311	4,528
Employer's Education Security	1,845	1,355	1,242	114	490
Employer's Professional Risk	2,222	1,405	1,286	120	816
Employer's Thirteenth month	1,113	489	614	(125)	624
Employer's penalties and surcharges	-	-	95	(95)	-
Lifeguard	4,740	3,000	1,650	1,350	1,740
Security	-	-	1,445	(1,445)	-
Other	11,849	14,904	6,559	8,345	(3,054)
	145,466	134,553	115,749	18,804	10,913

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:

- a. During the year 2020, for the reasons already explained, the payroll of the entire residential complex was kept to the minimum possible.
- b. The return to "normality" in 2021 forced to fill vacancies to be able to serve owners, residents and visitors.
- c. 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 98% of our workers receives salaries and other remunerations based on the minimum wage established by the Panamanian government. The remaining 2% 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 Propietarios de PH Bahía Playa Serena - Torre 200 has been the following:

<b>Adjustment year</b>	<b>Period</b>	<b>Minimum wage</b>	<b>Percentage adjustment</b>	<b>Cumulative percentage adjustment</b>
2013	2014 - 2015	513.76	15%	15%
2015	2016 - 2017	557.44	9%	24%
2017	2018 - 2019	592.80	6%	30%
2019	2020 - 2021	665.10	12%	42%
2021	2022 - 2023	665.10	0%	42%

Since the common expense allowances were established in 2014, this PH has had 42% 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:

<b>Composition of salaries</b>	<b>Percentage</b>
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	600	618	-	618	(18)
Pools	6,872	1,554	1,343	211	5,318
Gym and SPA	2,591	1,969	67	1,902	622
Building	22,785	26,601	1,987	24,614	(3,816)
Social Area and Common Areas	20,857	10,640	4,448	6,192	10,217
Air Conditioners	1,963	1,689	405	1,285	273
Tennis Court	3,500	8,091	64	8,027	(4,591)
Play area and Lounge	2,250	385	109	276	1,865
Beach area	198	230	378	(149)	(32)
Remodeling	2,500	16,436	3,970	12,466	(13,936)
Basement	3,784	-	-	-	3,784
Other	1,671	125	59	66	1,546
	69,570	68,337	12,831	55,507	1,233

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

	First quarter	Second quarter	Third quarter	Fourth quarter	Total year 2022
Repairs:					
Concessions	-	-	300	300	600
Pools	3,520	1,052	1,300	1,000	6,872
Gym and SPA	932	1,209	150	300	2,591
Building	8,726	7,659	3,400	3,000	22,785
Social Area and Common Areas	4,983	4,623	5,751	5,500	20,857
Air Conditioners	470	518	650	325	1,963
Tennis Court	-	-	3,500	-	3,500
Play area and Lounge	-	-	2,250	-	2,250
Beach area	198	-	-	-	198
Remodeling	-	-	-	2,500	2,500
Basement	-	980	1,200	1,604	3,784
Other	161	311	600	600	1,671
	18,989	16,351	19,101	15,129	69,570

Repairs scheduled for 2022 will be \$12,994 lower than those of the previous year, mainly because the repairs made in the lobby of Tower 200 during the year 2021 are not recurrent.



On the other hand, the planned repairs include:

- a. Minor repairs of assets under concession that are not the responsibility of the concessionaire.
- b. Replacement of the valves (after ten years of use) of passage that control the water flows of the entire pool system. Reorientation of some pipes whose water flow had been mistakenly modified, which was affecting the quality and hygiene of water in swimming pools.
- c. The SPA has not been maintained in years. In order to change to a scheduled maintenance cycle, a series of equipment must be repaired in the wet area of the residential complex.
- d. The painting of corridors is contemplated in building and remodeling.
- e. In the social areas, the purchase of sun loungers and 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 due to deterioration or damage for use and / or weathering are contemplated.
- f. Air conditioners will be replaced by a new equipment for one of the cabins of the spa area and the bimonthly maintenance of 8 Split and 6 centrals of 5 tons is contemplated.
- g. Tennis court item corresponds to the cost of repairing the fence for damage caused by saltpeter and exposure to the weather. Also, for the change of the two basketball baskets.
- h. For the basement area, the replacement of lamps by new ones of Led technology (already carried out), the painting of walls, demarcation lines and description of the spaces assigned to each apartment is contemplated.
- i. Improvements in the areas of beach, park and children's lounge have been contemplated and purchases of some assets, for the enjoyment of the owners and residents.
- j. To this date there are approximately 107 damaged emergency lamps. Fire department regulations require that all emergency lamps be operating at full capacity, in the event of an emergency. In the year 2022 all those lamps will be recovered.
- k. 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.
- l. 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.
- m. The four bilge pumps, which serve the apartments located at the basement level, must be purchased in order to restore the channeling of sewage to the treatment plant and stormwater to the approved outlet channel.

- 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.
- o. Taking advantage of the replacement of the new TimberTech in the social area of Tower 200, the installation of poles has been included to incorporate decorative lights on the deck, at the exit of the restaurant.

#### 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	26,919	14,209	13,643	566	12,710
Treatment plant	4,462	3,392	3,472	(80)	1,070
Power plant	1,927	5,193	3,214	1,979	(3,267)
Gym	675	300	-	300	375
Fire alarm and CCTV	7,568	4,200	2,247	1,953	3,368
Firefighting pump	1,777	1,318	1,523	(204)	458
Artificial lake	4,500	330	211	119	4,170
Playpen	300	509	-	509	(209)
Office equipment	176	257	192	65	(80)
Gardening equipment	-	80	25	55	(80)
Fire extinguishers	475	473	519	(46)	1
5E apartment common expense allowance	-	3,000	3,000	-	(3,000)
Electrical rooms	1,000	-	-	-	1,000
Sprinkler systems	2,129	3,596	-	3,596	(1,466)
Pumps in swimming pools, lake and streams	1,200	-	-	-	1,200
Wet areas	600	-	-	-	600
Lightning rod	305	-	-	-	305
Drinking water and pressure pump	750	-	-	-	750
Water well	1,124	-	-	-	1,124
	55,886	36,856	28,046	8,810	19,030

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

	First quarter	Second quarter	Third quarter	Fourth quarter	Total year 2022
Maintenance:					
Elevators	10,897	6,422	4,800	4,800	26,919
Treatment plant	835	1,958	835	835	4,462
Power plant	482	482	482	482	1,927
Gym	-	75	200	400	675
Fire alarm and CCTV	1,868	-	2,850	2,850	7,568
Firefighting pump	-	493	642	642	1,777
Artificial lake	-	-	4,500	-	4,500
Playpen	-	-	300	-	300
Office equipment	48	32	48	48	176
Gardening equipment	-	-	-	-	-
Fire extinguishers	475	-	-	-	475
5E apartment common expense allowance	-	-	-	-	-
Electrical rooms	-	-	1,000	-	1,000
Sprinkler systems	-	364	883	883	2,129
Pumps in swimming pools, lake and streams	-	-	1,200	-	1,200
Wet areas	-	-	300	300	600
Lightning rod	-	305	-	-	305
Drinking water and pressure pump	-	-	250	500	750
Water well	-	224	300	600	1,124
	14,603	10,355	18,589	12,339	55,886

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 almost 8 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:

	Year 2022	Year 2021	Year 2020	Year 2021 vs. 2020	Year 2022 vs. 2021
The remaining cash outflows:					
Cleaning products	5,995	5,874	5,648	226	122
Security and surveillance services	23,639	22,916	22,628	288	723
Transportation services	564	738	475	264	(174)
Commission for sale of 14D apartment	5,400	-	-	-	5,400
Bank Charges	393	109	369	(261)	285
Certifications and appraisals	249	516	1,428	(913)	(267)
Pool chemicals and supplies	10,288	4,561	3,188	1,373	5,726
Uniforms	1,709	1,623	648	975	86
Insurance expenses	3,010	4,494	3,483	1,011	(1,484)
Software, licenses and other expenses	2,209	789	1,040	(251)	1,419
Fumigation services	1,220	1,017	1,094	(78)	203
Office supplies	785	952	302	650	(167)
Printing costs	1,528	513	1,069	(556)	1,015
Owners' Meetings	3,000	2,509	714	1,795	491
Gardening supplies	2,938	1,302	460	842	1,635
Employee care	1,707	1,261	621	640	446
Entertainment and other activities	54	216	27	188	(162)
Minor tools and equipment	2,842	5,718	3,286	2,432	(2,876)
Taxes	30,895	696	-	696	30,199
Christmas	700	163	105	58	537
Non-ordinary repairs and maintenance	434,687	-	-	-	434,687
Reserve of 1% of revenues - Law 284	3,825	-	-	-	3,825
	537,635	55,965	46,585	9,380	481,670

Of the above we highlight the following:

### a. Non-ordinary repairs and maintenance

A full breakdown of non-recurring repairs and/or maintenance is included further down in this document. The concepts included there will be financed with non-recurring income from the sale of apartments 14D, 5E, double-bottom covered parking space and deposit. What is being proposed is that non-recurring income be correlated with non-recurring repairs and/or maintenance.

### b. Taxes

Corresponds to real estate taxes for \$933, capital gains taxes for \$16,470, real estate transfer taxes for \$13,492.

### c. 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.

d. 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.

e. 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.

f. Garden supplies

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

g. 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 - TORRE 200**  
**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:

	<b>First quarter</b>	<b>Second quarter</b>	<b>Third quarter</b>	<b>Fourth quarter</b>	<b>Total year 2,022</b>
Cash at the beginning of period	103,491	295,166	414,388	242,010	103,491
Add (less) net cash flows	165,108	156,568	270,270	317,772	(92,494)
Cash at the end of period	(61,616)	451,735	684,658	559,782	10,998

Based on the above-explained matter we may conclude that the cash balance decreases from \$103,491 at the beginning of the year to \$10,998 at the end of the year.

The monthly results of such cash flows are as follows:

	<b>Net cash flows for the month</b>	<b>Cash available at the end of the month</b>
January	187,856	291,347
February	46,998	338,345
March	(43,179)	295,166
April	156,836	452,002
May	(32,479)	419,523
June	(5,136)	414,388
Juy	(55,904)	358,483
August	(83,218)	275,265
September	(33,255)	242,010
October	(28,945)	213,065
November	(33,640)	179,425
December	(168,427)	10,998

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

Indeed, that year a carrying loss of \$11,428 was reported.

### 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 42% (in June 2014, when new personnel began to be recruited, the minimum salary had already been adjusted +15%, that is the reason for including the 2013 data). Minimum wage is the basis of our payroll and accounts for 98% of our cost:

Adjustment year	Period	Minimum wage	Percentage adjustment	Cumulative percentage adjustment
2013	2014 - 2015	513.76	15%	15%
2015	2016 - 2017	557.44	9%	24%
2017	2018 - 2019	592.80	6%	30%
2019	2020 - 2021	665.10	12%	42%
2021	2022 - 2023	665.10	0%	42%



- 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:

Type of Apartment	Quantity of apartments	Common expense allowance in Balboas	
		Previous	New
Apartments type: A, B, D, E and G	101	250	320
Apartment Type: C	9	200	256
Apartment Type: F	19	150	192
	<u>129</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 – Torre 200  
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 – Torre 200

### Non-recurring repairs

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
<b>Total cash provided</b>	<b>396,078</b>	<b>817,225</b>	<b>1,213,302</b>
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
<b>Total cash used</b>	<b>419,011</b>	<b>909,718</b>	<b>1,328,729</b>
<b>Net cash flow at the end of the period</b>	<b>(22,934)</b>	<b>(92,494)</b>	<b>(115,427)</b>
Cash at the beginning of period			
	29,293	103,491	132,784
Add (less) net cash flows	(22,934)	(92,494)	(115,427)
<b>Cash at the end of period</b>	<b>6,359</b>	<b>10,998</b>	<b>17,357</b>



