

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NAPLES, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Calais at Pelican Bay Condominium Association, Inc.

We have audited the accompanying financial statements of Calais at Pelican Bay Condominium Association, Inc., which comprise the balance sheet as of March 31, 2018, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calais at Pelican Bay Condominium Association, Inc. as of March 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors of
Calais at Pelican Bay Condominium Association, Inc.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenues and expenses - budget to actual, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
July 12, 2018

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2018

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash	\$ 371,840	\$ 837,278	\$ 1,209,118
Certificates of deposit	-	120,000	120,000
Accounts receivable - members	210	-	210
Prepaid insurance	28,176	-	28,176
Total assets	\$ 400,226	\$ 957,278	\$ 1,357,504
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 13,982	\$ -	\$ 13,982
Social committee funds	3	-	3
Assessments received in advance	43,244	-	43,244
Total liabilities	57,229	-	57,229
FUND BALANCES	342,997	957,278	1,300,275
Total liabilities and fund balances	\$ 400,226	\$ 957,278	\$ 1,357,504

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2018

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 668,600	\$ 235,652	\$ 904,252
Interest	276	1,535	1,811
Late fees and interest	918	-	918
Other	2,455	-	2,455
	<u>672,249</u>	<u>237,187</u>	<u>909,436</u>
Total revenues			
EXPENSES			
Utilities	83,208	-	83,208
Building	116,623	-	116,623
Grounds	272,889	-	272,889
Administration	332,769	-	332,769
Replacement	-	174	174
	<u>805,489</u>	<u>174</u>	<u>805,663</u>
Total expenses			
(Deficiency) excess of revenues over expenses	(133,240)	237,013	103,773
FUND BALANCES - April 1, 2017	<u>476,237</u>	<u>720,265</u>	<u>1,196,502</u>
FUND BALANCES - March 31, 2018	<u>\$ 342,997</u>	<u>\$ 957,278</u>	<u>\$ 1,300,275</u>

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The accompanying notes are an integral
part of the financial statements.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	FUNDS		
	Operating	Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance and late fees and interest collected	\$ 556,563	\$ 235,652	\$ 792,215
Interest received	276	1,535	1,811
Other revenue received	2,455	-	2,455
Cash paid for expenditures	(797,841)	(174)	(798,015)
Net cash (used) provided by operating activities	(238,547)	237,013	(1,534)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of certificates of deposit	-	(120,000)	(120,000)
Net (decrease) increase in cash	(238,547)	117,013	(121,534)
CASH - April 1, 2017	610,387	720,265	1,330,652
CASH - March 31, 2018	<u>\$ 371,840</u>	<u>\$ 837,278</u>	<u>\$ 1,209,118</u>
RECONCILIATION OF (DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES			
(Deficiency) excess of revenues over expenses	<u>\$ (133,240)</u>	<u>\$ 237,013</u>	<u>\$ 103,773</u>
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities:			
Changes in:			
Accounts receivable - members	4,610	-	4,610
Prepaid insurance	(841)	-	(841)
Accounts payable	8,489	-	8,489
Assessments received in advance	(117,565)	-	(117,565)
Total adjustments	(105,307)	-	(105,307)
Net cash (used) provided by operating activities	<u>\$ (238,547)</u>	<u>\$ 237,013</u>	<u>\$ (1,534)</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 1 - THE ASSOCIATION

Calais at Pelican Bay Condominium Association, Inc. (the "Association") was incorporated on August 4, 1989, under the laws of Florida as a corporation not-for-profit, to operate and manage Calais at Pelican Bay (the "Condominium"), consisting of 131 residential units, located in Naples, Florida. The owners of all units in the Condominium are the only members.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 12, 2018, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and presents them as separate funds based on its different funding policies for operations and major repairs and replacements.

The operating fund reflects the operating portion of the quarterly assessments billed to the members to meet the various day-to-day expenditures incurred in the administration and operation of the Condominium and recreational facilities.

The replacement fund is composed of the portion of the quarterly assessments designated in the budget to fund future major repairs and replacements, as further described in Note 6.

Property and Equipment

The Association follows prevalent industry practice, as contained in ASC Subtopic 972-360, "Real Estate - Common Interest Realty Associations - Property, Plant and Equipment" in accounting for the common property of the Association, which it is responsible to preserve and maintain. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flow from members on the basis of usage or from nonmembers.

Property associated with the units is not capitalized. Property not directly associated with the units consists of a clubhouse, pool, parking areas and grounds. These items are not capitalized as they do not meet the capitalization criteria, since ownership of the commonly owned assets is vested in the members, those assets are not titled in the Association's name and disposition of those assets by the Board of Directors (the "Board") is restricted. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association can elect to file its income tax return as a Homeowners' Association, in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The effect of the election is to tax the Association only on its "non-exempt function" income, reduced by a specific \$100 deduction at a flat 30% rate. If such election is not made, the Association's net income is subject to tax at statutory corporate rates.

Management has analyzed its various federal filing positions and believes that the Association's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The Association's federal income tax returns remain subject to examination by the Internal Revenue Service for three years from the date of filing.

The Association has elected to be taxed as a Homeowners' Association, which has resulted in no federal income tax liability for the year ended March 31, 2018. There is no state income tax imposed on the Association.

Fair Value of Financial Instruments

Substantially all of the Association's assets and liabilities, excluding prepaid insurance and assessments received in advance, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenue Recognition

Maintenance fees revenue is recognized monthly in the amount of the maintenance fees assessment allocation specified for current period operations based on the annual budget determined by the Board. An equal portion of the maintenance fees is assessed for each unit, based on unit type.

Late fees and interest revenue is recognized when billed.

Cash Flows

The Association made no cash payments for income tax or interest during the year ended March 31, 2018.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances and certificates of deposit at various financial institutions. Accounts and certificates of deposit at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. As of March 31, 2018, the uninsured balance was \$396,511, based on the bank statement balances, less the FDIC insurance.

NOTE 5 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year assessments of \$43,244 received by the Association prior to April 1, 2018.

NOTE 6 - REPLACEMENT FUND

The Association’s replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fee assessment charged to each member, and specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board to meet the objective for which the fund was established. The Association’s policy is to retain the interest earned on replacement funds within the pooled component.

The Association has calculated funding for major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs, and considering amounts previously accumulated in the replacement fund, in accordance with Florida Statutes. The calculated funding is based on estimates of future needs for repairs and replacements of common property components, based on a study provided by an independent appraiser. As provided by Florida Statutes, the members have adopted the pooling method for replacement funding.

The 2018/2019 proposed budgeted funding is \$244,506, as shown in the unaudited supplementary information. The components’ actual replacement costs, useful lives, and investment income may vary from the estimated amounts and the variation may be material. If additional funds are needed, the Association has the right, subject to the Board’s approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 7 - PELICAN BAY FEES

Each unit owner in the Association is automatically a member of Pelican Bay Foundation, Inc. (the “Foundation”). The Foundation is responsible for the operation and maintenance of the common areas within the Pelican Bay development. The Foundation also provides cable television to the Association. Fees payable to the Foundation are not considered common expenses of the Association, but are collected by the Association and remitted to the Foundation on behalf of the members. The amount collected by the Association and remitted to the Foundation during the year ended March 31, 2018, was \$302,696.

NOTE 8 - COMMITMENT

The Association has a three-year pressure washing agreement ending November 1, 2019.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 9 - SUBSEQUENT EVENT

During the year ended March 31, 2018, the Board approved a special assessment in the amount of \$131,000 for Hurricane Irma damages due on July 1, 2018.

SUPPLEMENTARY INFORMATION

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 MARCH 31, 2018
 (Unaudited)

The following table represents estimates provided by an independent appraiser's professional study performed during 2016, and presents significant information about the components of common property. Amounts are based on normal operations and without the effect of potential catastrophic occurrences.

Components	Average Estimated Useful Lives	Average Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2018/2019 Proposed Budgeted Funding
Roofs	20 - 30 years	15 - 25 years	\$ 1,601,730	
Painting and waterproofing	7 years	0 years	246,267	
Paving	4 - 30 years	0 - 17 years	547,653	
Elevators	15 - 30 years	3 - 4 years	460,578	
Mechanical and electrical	5 - 35 years	0 - 25 years	499,383	
Building components	2 - 33 years	0 - 19 years	942,768	
Miscellaneous site improvements	2 - 30 years	0 - 17 years	140,799	
Furniture, fixtures and equipment	3 - 20 years	0 - 2 years	54,174	
			<u>\$ 4,493,352</u>	<u>\$ 244,506</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 0.5% and the rate of inflation 3%.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED MARCH 31, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
REVENUES			
Maintenance fees	\$ 668,600	\$ 668,600	\$ -
Interest	-	276	276
Late fees and interest	-	918	918
Other	-	2,455	2,455
	<u>668,600</u>	<u>672,249</u>	<u>3,649</u>
EXPENSES			
UTILITIES			
Electricity	19,080	17,177	1,903
Water and sewer	44,000	45,800	(1,800)
Refuse removal and recycling	12,500	12,002	498
Telephone	7,900	7,494	406
Cell phone	1,000	735	265
Cable television	400	-	400
Total utilities	<u>84,880</u>	<u>83,208</u>	<u>1,672</u>
BUILDING			
Building maintenance	55,000	46,246	8,754
Roofs	6,000	3,233	2,767
Building supplies	3,000	-	3,000
Exercise room	600	765	(165)
Janitorial supplies	2,000	3,178	(1,178)
Elevator	42,000	40,855	1,145
Emergency systems	7,900	4,705	3,195
Fire equipment	8,000	4,989	3,011
Pool maintenance	10,500	8,412	2,088
Pool heat	6,800	4,240	2,560
Total building	<u>141,800</u>	<u>116,623</u>	<u>25,177</u>
GROUNDS			
Landscape contract	39,600	37,290	2,310
Fertilizer and exterminator	8,900	6,715	2,185
Sod, plants, and rocks	18,250	21,143	(2,893)
Mulch	8,950	9,266	(316)
Irrigation system	5,200	14,310	(9,110)
Tree trimming	10,300	16,820	(6,520)
Grounds maintenance	10,325	8,100	2,225
Lake maintenance	2,400	1,224	1,176
Hurricane	-	158,021	(158,021)
Total grounds	<u>103,925</u>	<u>272,889</u>	<u>(168,964)</u>

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
ADMINISTRATION			
Management fee	22,300	21,124	1,176
Office	5,900	5,398	502
Applications	1,400	600	800
Social activities	800	469	331
Legal	1,600	980	620
Accounting	5,800	5,659	141
Consulting fees	2,900	-	2,900
Fees to division	625	585	40
Licenses	800	750	50
Taxes	1,000	-	1,000
Insurance	178,850	168,216	10,634
Site personnel	127,000	128,988	(1,988)
Contingency	20,000	-	20,000
Total administration	<u>368,975</u>	<u>332,769</u>	<u>36,206</u>
Total operating fund expenses	<u>699,580</u>	<u>805,489</u>	<u>(105,909)</u>
Deficiency of revenues over expenses	<u>\$ (30,980)</u>	<u>\$ (133,240)</u>	<u>\$ (102,260)</u>