

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NAPLES, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2021



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INDEPENDENT AUDITORS' 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, 2021, and the related statements of revenue, expenses and changes in fund balance 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.

Auditors' 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 auditors' 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, 2021, 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, which 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenue and expenses - budget to actual, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited," 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, the 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
October 18, 2021

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash	\$ 502,936	\$ 770,023	\$ 1,272,959
Accounts receivable - members	2,509	-	2,509
Prepaid insurance	37,397	-	37,397
Deposits	78,338	242,061	320,399
Due from (to) funds	<u>(68,400)</u>	<u>68,400</u>	<u>-</u>
 Total assets	 <u>\$ 552,780</u>	 <u>\$ 1,080,484</u>	 <u>\$ 1,633,264</u>
 Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	\$ 5,138	\$ -	\$ 5,138
Social committee funds	3	-	3
Assessments received in advance	200,395	-	200,395
Contract liability	<u>-</u>	<u>1,080,484</u>	<u>1,080,484</u>
 Total liabilities	 205,536	 1,080,484	 1,286,020
 Fund balance	 <u>347,244</u>	 <u>-</u>	 <u>347,244</u>
 Total liabilities and fund balance	 <u>\$ 552,780</u>	 <u>\$ 1,080,484</u>	 <u>\$ 1,633,264</u>

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

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED MARCH 31, 2021

	Operating Fund	Replacement Fund	Total
Revenue			
Maintenance fees	\$ 712,907	\$ 196,220	\$ 909,127
Interest	771	4,675	5,446
Late fees and interest	2,896	-	2,896
Application fees	1,500	-	1,500
Other	5	-	5
	<u>718,079</u>	<u>200,895</u>	<u>918,974</u>
Total revenue			
Expenses			
Utilities	87,682	-	87,682
Building	144,992	-	144,992
Grounds	99,729	-	99,729
Administration	408,312	-	408,312
Replacement	-	200,895	200,895
	<u>740,715</u>	<u>200,895</u>	<u>941,610</u>
Total expenses			
Deficiency of revenue over expenses	(22,636)	-	(22,636)
Fund balance, beginning of year	<u>369,880</u>	<u>-</u>	<u>369,880</u>
Fund balance, end of year	<u>\$ 347,244</u>	<u>\$ -</u>	<u>\$ 347,244</u>

Read Independent Auditors' Report.
 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, 2021

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities			
Deficiency of revenue over expenses	\$ (22,636)	\$ -	\$ (22,636)
Adjustments to reconcile to net cash flows from operating activities:			
Changes in:			
Accounts receivable - members	(2,309)	-	(2,309)
Prepaid insurance	(4,509)	-	(4,509)
Deposits	(78,338)	(242,061)	(320,399)
Due from (to) funds	68,400	(68,400)	-
Accounts payable and accrued expenses	(1,731)	-	(1,731)
Assessments received in advance	19,659	-	19,659
Contract liability	-	77,380	77,380
	(21,464)	(233,081)	(254,545)
Net cash flows from operating activities	(21,464)	(233,081)	(254,545)
Cash Flows From Investing Activities			
Proceeds from redemption of certificates of deposit	-	800,000	800,000
	-	800,000	800,000
Net (decrease) increase	(21,464)	566,919	545,455
Cash, beginning of year	524,400	203,104	727,504
	524,400	203,104	727,504
Cash, end of year	\$ 502,936	\$ 770,023	\$ 1,272,959

Supplemental Information

Income tax paid	\$ 2,960	\$ -	\$ 2,960
Interest paid	\$ -	\$ -	\$ -

Read Independent Auditors' 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, 2021

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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Association’s governing documents provide guidelines for governing its financial activities. To ensure observance of limitations on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose.

Operating fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid investment instruments purchased with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

Accounts Receivable

Accounts receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. As of March 31, 2021, the Association had delinquent assessments of \$2,509. It is the opinion of the Board of Directors (the “Board”) that the Association will ultimately prevail against owners with delinquent assessments and, accordingly no allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association’s control. The balances of accounts receivable as of the beginning and end of the year are \$200 and \$2,509, respectively.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is restricted. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

Contract Liability

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement fund assessments. The balance of contract liability as of the beginning and end of the year are \$1,003,104 and \$1,080,484, respectively.

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 an income tax liability of \$908 for the year ended March 31, 2021, included in accounts payable and accrued expenses. There is no state income tax imposed on the Association.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Association measures certain assets at fair value in accordance with current accounting standards on fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) as opposed to the price that would be paid to acquire the asset or received to assume the liability (an entry price). The Association has determined that there were no material differences between the cost and carrying values of its financial assets and liabilities as of March 31, 2021.

Revenue Recognition

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Late fees and interest revenue is recognized when billed.

NOTE 3 - CONCENTRATIONS

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents. The Association maintains cash balances at various financial institutions. Accounts at each commercial banking institution are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to \$250,000. As of March 31, 2021, the uninsured balance was \$424,715, based on the bank statement balances, less the FDIC insurance.

NOTE 4 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year assessments received by the Association prior to April 1, 2021.

NOTE 5 - 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, 2021 was \$313,614.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$1,080,484, and are presented on the accompanying balance sheet as a contract liability as of March 31, 2021, are held in separate accounts and are generally not available for operating purposes. The Association's policy is to retain the interest income earned on such funds in the replacement fund and apply towards current year expenditures.

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 2021/2022 proposed budgeted funding is \$309,000, 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 - CONTINGENCY

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its option during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 MARCH 31, 2021
 (Unaudited)

An independent appraiser conducted a study during 2020, to estimate the remaining lives and the replacement costs of the components of common property. The following table is based on the study and presents significant information about the components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

Components	Average Estimated Useful Lives	Average Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2021/2022 Proposed Budgeted Funding
Roofs	2 - 30 years	1 - 22 years	\$ 1,862,523	
Painting and waterproofing	7 - 10 years	2 - 6 years	413,984	
Paving	7 - 30 years	7 - 14 years	617,214	
Elevators	15 - 30 years	1 year	932,000	
Mechanical and electrical	5 - 35 years	1 - 22 years	652,838	
Building components	2 - 40 years	1 - 26 years	1,196,080	
Miscellaneous site improvements	2 - 30 years	1 - 18 years	157,489	
Furniture, fixtures and equipment	4 - 22 years	1 - 5 years	80,888	
			<u>\$ 5,913,016</u>	<u>\$ 309,000</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 1.5% and the rate of inflation 3%.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED MARCH 31, 2021

	Budget <i>(Unaudited)</i>	Actual	Variance
Revenue			
Maintenance fees	\$ 712,900	\$ 712,907	\$ 7
Interest	-	771	771
Late fees and interest	-	2,896	2,896
Application fees	-	1,500	1,500
Other	-	5	5
	<u>712,900</u>	<u>718,079</u>	<u>5,179</u>
Expenses			
Utilities			
Electricity	18,000	16,392	1,608
Water and sewer	40,000	46,579	(6,579)
Refuse removal and recycling	13,500	13,747	(247)
Telephone	10,000	10,132	(132)
Cell phone	1,000	832	168
Total utilities	<u>82,500</u>	<u>87,682</u>	<u>(5,182)</u>
Building			
Building maintenance	55,000	47,639	7,361
Roof repairs	10,000	1,216	8,784
Fountain replacement	1,000	(210)	1,210
Exercise room	500	-	500
Janitorial and building supplies	5,000	6,100	(1,100)
Elevator	46,000	61,386	(15,386)
Emergency systems	8,200	8,681	(481)
Pool maintenance	6,500	16,634	(10,134)
Pool heat	3,500	3,546	(46)
Total building	<u>135,700</u>	<u>144,992</u>	<u>(9,292)</u>
Grounds			
Landscape contract	40,000	32,980	7,020
Fertilizer and exterminator	12,000	9,022	2,978
Sod, plantings, and rocks	23,000	13,704	9,296
Mulch	9,000	8,972	28
Sprinkler system	4,000	3,630	370
Tree trimming	15,000	14,520	480
Grounds maintenance	6,000	9,000	(3,000)
Fountain maintenance	-	478	(478)
Lake maintenance	1,500	7,423	(5,923)
Total grounds	<u>110,500</u>	<u>99,729</u>	<u>10,771</u>

Read Independent Auditors' Report.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2021

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u>
Administration			
Management fee	23,000	21,530	1,470
Office	6,500	5,841	659
Applications	1,000	600	400
Social activities	850	-	850
Legal	1,000	1,960	(960)
Accounting	5,800	6,164	(364)
Consulting fees	1,200	4,200	(3,000)
Fees to division	600	585	15
Licenses	750	750	-
Taxes	-	905	(905)
Insurance	195,000	219,871	(24,871)
Site personnel	148,500	145,906	2,594
Total administration	<u>384,200</u>	<u>408,312</u>	<u>(24,112)</u>
Total operating fund expenses	<u>712,900</u>	<u>740,715</u>	<u>(27,815)</u>
Deficiency of revenue over expenses	<u>\$ -</u>	<u>\$ (22,636)</u>	<u>\$ (22,636)</u>

Read Independent Auditors' Report.