

**CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.**  
NAPLES, FLORIDA  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2022



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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Calais at Pelican Bay Condominium Association, Inc., which comprise the balance sheet as of March 31, 2022, 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.

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, 2022, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Calais at Pelican Bay Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Calais at Pelican Bay Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Calais at Pelican Bay Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Calais at Pelican Bay Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **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 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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

### **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  
September 9, 2022

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.  
BALANCE SHEET  
MARCH 31, 2022

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash	\$ 495,750	\$ 404,810	\$ 900,560
Accounts receivable - members	204	-	204
Prepaid insurance	42,368	-	42,368
Deposits	450	-	450
Due from (to) funds	(55)	55	-
	<u>\$ 538,717</u>	<u>\$ 404,865</u>	<u>\$ 943,582</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 7,769	\$ -	\$ 7,769
Social committee funds	3	-	3
Assessments received in advance	201,045	-	201,045
Contract liability	-	404,865	404,865
	<u>208,817</u>	<u>404,865</u>	<u>613,682</u>
	<u>329,900</u>	<u>-</u>	<u>329,900</u>
	<u>\$ 538,717</u>	<u>\$ 404,865</u>	<u>\$ 943,582</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, 2022

	Operating Fund	Replacement Fund	Total
Revenue			
Maintenance fees	\$ 770,361	\$ 984,618	\$ 1,754,979
Interest	67	55	122
Late fees and interest	1,244	-	1,244
Application fees	3,275	-	3,275
Other	330	-	330
	<u>775,277</u>	<u>984,673</u>	<u>1,759,950</u>
Total revenue			
Expenses			
Utilities	98,698	-	98,698
Building	150,627	-	150,627
Grounds	99,564	-	99,564
Administration	443,732	-	443,732
Replacement	-	984,673	984,673
	<u>792,621</u>	<u>984,673</u>	<u>1,777,294</u>
Total expenses			
Deficiency of revenue over expenses	(17,344)	-	(17,344)
Fund balance, beginning of year	<u>347,244</u>	<u>-</u>	<u>347,244</u>
Fund balance, end of year	<u>\$ 329,900</u>	<u>\$ -</u>	<u>\$ 329,900</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, 2022

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities			
Deficiency of revenue over expenses	\$ (17,344)	\$ -	\$ (17,344)
Adjustments to reconcile to net cash flows from operating activities:			
Changes in:			
Accounts receivable - members	2,305	-	2,305
Prepaid insurance	(4,971)	-	(4,971)
Deposits	77,888	242,061	319,949
Due from (to) funds	(68,345)	68,345	-
Accounts payable and accrued expenses	2,631	-	2,631
Assessments received in advance	650	-	650
Contract liability	-	(675,619)	(675,619)
	(7,186)	(365,213)	(372,399)
Net cash flows from operating activities	(7,186)	(365,213)	(372,399)
Cash, beginning of year	502,936	770,023	1,272,959
Cash, end of year	\$ 495,750	\$ 404,810	\$ 900,560

Supplemental Information			
Income tax paid	\$ 3,009	\$ -	\$ 3,009
Interest paid	\$ 22	\$ -	\$ 22

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, 2022

**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, 2022, the Association had delinquent assessments of \$204. 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 \$2,509 and \$204, respectively.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**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 \$1,080,484 and \$404,865, 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 \$31 for the year ended March 31, 2022, 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, 2022

**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, 2022.

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, 2022, the uninsured balance was \$119,729, 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, 2022.

**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, 2022 was \$315,186.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

**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 \$404,865, and are presented on the accompanying balance sheet as a contract liability as of March 31, 2022, 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 2022/2023 proposed budgeted funding is \$317,478, 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**

In December 2019, a novel strain of coronavirus surfaced and has spread throughout the United States and the world, resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. As of September 9, 2022, the Association continues to adjust operations as necessary and believes that it has sufficient liquidity to support Association expenses. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Association.

**NOTE 8 - SUBSEQUENT EVENTS**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 9, 2022, 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, 2022  
 (Unaudited)

An independent appraiser conducted a study during 2021, 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 Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2022/2023 Proposed Budgeted Funding
Roofs	2 - 30	0 - 21	\$ 1,862,523	
Painting and waterproofing	7 - 10	1 - 5	413,984	
Paving	7 - 30	6 - 13	617,214	
Elevators	15 - 30	-	932,000	
Mechanical and electrical	5 - 35	0 - 21	652,838	
Building components	2 - 40	0 - 25	1,196,080	
Miscellaneous site improvements	2 - 30	0 - 17	157,489	
Furniture, fixtures and equipment	4 - 22	0 - 4	80,888	
			<u>\$ 5,913,016</u>	<u>\$ 317,478</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be .25% - 3% 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, 2022

	Budget <i>(Unaudited)</i>	Actual	Variance
<b>Revenue</b>			
Maintenance fees	\$ 770,370	\$ 770,361	\$ (9)
Interest	-	67	67
Late fees and interest	-	1,244	1,244
Application fees	-	3,275	3,275
Other	-	330	330
	<u>770,370</u>	<u>775,277</u>	<u>4,907</u>
<b>Expenses</b>			
<b>Utilities</b>			
Electricity	18,000	18,283	(283)
Water and sewer	42,000	53,113	(11,113)
Refuse removal and recycling	13,000	16,300	(3,300)
Telephone	10,000	10,208	(208)
Cell phone	1,000	794	206
Total utilities	<u>84,000</u>	<u>98,698</u>	<u>(14,698)</u>
<b>Building</b>			
Building maintenance	60,000	103,659	(43,659)
Roof repairs	5,000	10,862	(5,862)
Fountain maintenance	1,000	2,000	(1,000)
Exercise room	500	-	500
Janitorial and building supplies	5,000	1,235	3,765
Elevator	47,000	14,280	32,720
Emergency systems	8,500	4,303	4,197
Pool maintenance	7,200	7,430	(230)
Pool heat	3,500	6,858	(3,358)
Total building	<u>137,700</u>	<u>150,627</u>	<u>(12,927)</u>
<b>Grounds</b>			
Landscape contract	35,000	38,192	(3,192)
Fertilizer and exterminator	11,000	12,925	(1,925)
Sod, plantings, and rocks	20,000	15,901	4,099
Mulch	9,000	7,096	1,904
Sprinkler system	5,000	1,065	3,935
Tree trimming	15,000	13,196	1,804
Grounds maintenance	6,000	6,000	-
Lake maintenance	2,500	5,189	(2,689)
Total grounds	<u>103,500</u>	<u>99,564</u>	<u>3,936</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, 2022

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u>
Administration			
Management fee	23,000	21,999	1,001
Office	6,500	7,100	(600)
Applications	1,000	1,550	(550)
Social activities	850	200	650
Legal	2,000	2,722	(722)
Accounting	6,000	5,810	190
Consulting fees	1,000	640	360
Fees to division	600	524	76
Licenses	750	61	689
Taxes	-	3,062	(3,062)
Insurance	252,000	249,236	2,764
Site personnel	151,470	150,828	642
Total administration	<u>445,170</u>	<u>443,732</u>	<u>1,438</u>
Total operating fund expenses	<u>770,370</u>	<u>792,621</u>	<u>(22,251)</u>
Deficiency of revenue over expenses	<u>\$ -</u>	<u>\$ (17,344)</u>	<u>\$ (17,344)</u>