

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NAPLES, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024



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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, 2024, 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, 2024, 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' Responsibilities 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' Responsibilities 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 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
October 31, 2024

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2024

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 450,453	\$ 706,591	\$ 1,157,044
Prepaid insurance	89,138	-	89,138
Deposits	18,969	-	18,969
Due from (to) funds	22,788	(22,788)	-
	<u>581,348</u>	<u>683,803</u>	<u>1,265,151</u>
Total assets	<u>\$ 581,348</u>	<u>\$ 683,803</u>	<u>\$ 1,265,151</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	\$ 22,819	\$ 104,380	\$ 127,199
Social committee funds	3	-	3
Assessments received in advance	252,565	-	252,565
Contract liability	-	579,423	579,423
	<u>275,387</u>	<u>683,803</u>	<u>959,190</u>
Total liabilities	275,387	683,803	959,190
Fund balance	<u>305,961</u>	<u>-</u>	<u>305,961</u>
Total liabilities and fund balance	<u>\$ 581,348</u>	<u>\$ 683,803</u>	<u>\$ 1,265,151</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, 2024

	Operating Fund	Replacement Fund	Total
Revenue			
Member assessments	\$ 886,610	\$ 445,210	\$ 1,331,820
Interest	2,118	20,507	22,625
Late fees and interest	1,658	-	1,658
Application fees	3,150	-	3,150
Insurance proceeds	879,941	-	879,941
Special assessment	327,500	-	327,500
Other	735	-	735
	<u>2,101,712</u>	<u>465,717</u>	<u>2,567,429</u>
Total revenue			
Expenses			
Utilities	122,580	-	122,580
Building	90,660	-	90,660
Grounds	123,915	-	123,915
Administration	768,429	-	768,429
Hurricane	1,001,157	-	1,001,157
Replacement	-	465,717	465,717
	<u>2,106,741</u>	<u>465,717</u>	<u>2,572,458</u>
Total expenses			
Deficiency of revenue over expenses	(5,029)	-	(5,029)
Fund balance, beginning of year	<u>310,990</u>	<u>-</u>	<u>310,990</u>
Fund balance, end of year	<u>\$ 305,961</u>	<u>\$ -</u>	<u>\$ 305,961</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, 2024

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities			
Deficiency of revenue over expenses	\$ (5,029)	\$ -	\$ (5,029)
Adjustments to reconcile to net cash flows from operating activities:			
Changes in:			
Assessments receivable	175	-	175
Prepaid insurance	(19,574)	-	(19,574)
Deposits	(5,316)	-	(5,316)
Due from (to) funds	(228,850)	228,850	-
Accounts payable and accrued expenses	4,965	104,380	109,345
Assessments received in advance	42,090	-	42,090
Deferred revenue	(879,941)	-	(879,941)
Contract liability	-	(118,208)	(118,208)
Net cash flows from operating activities	(1,091,480)	215,022	(876,458)
Cash			
Beginning of year	1,541,933	491,569	2,033,502
End of year	\$ 450,453	\$ 706,591	\$ 1,157,044
Supplemental Information			
Income tax paid	\$ 2,688	\$ -	\$ 2,688
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, 2024

NOTE 1 - ORGANIZATION AND PURPOSE

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.

Member Assessments and Allowance for Credit Losses

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. For the year ended March 31, 2024, there was no provision for credit losses.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association exercises its right to foreclose upon any owner who becomes delinquent in payment of their assessments due to the Association. The balances of assessments receivable as of the beginning and end of the year are \$175 and \$0, respectively. All assessments receivable are presented in the operating fund.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring outstanding assessment balances by management, member payment history of outstanding assessments balances and susceptibility to factors outside the Association's control. As of March 31, 2024, management determined that no allowance for credit losses is necessary.

Late fees and interest revenue is recognized when billed.

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. During the year ended March 31, 2024, the Association assessed and received \$327,002 in the replacement fund. The balances of contract liability as of the beginning and end of the year are \$697,631 and \$579,423, 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.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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 expense of \$6,119 for the year ended March 31, 2024, included in administration expenses.

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, 2024.

Recently Adopted Accounting Guidance

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Association adopted the standard effective April 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE 3 - CONCENTRATIONS

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash. 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, 2024, the uninsured balance was \$208,536, based on the bank statement balances, less the FDIC insurance.

NOTE 4 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year member assessments received by the Association prior to April 1, 2024.

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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, 2024 was \$512,406.

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 \$579,423, are presented on the accompanying balance sheet as a contract liability as of March 31, 2024. These funds 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 2023/2024 replacement funding requirement was \$327,002.

The 2024/2025 proposed budgeted funding is \$640,521, 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 - HURRICANE

The Association incurred significant damage as a result of the landfall of Hurricane Ian on September 28, 2022. During the year ended March 31, 2024, the Association recognized insurance proceeds of \$879,941, related to the Hurricane. Total Hurricane related expenses recognized during the year ended March 31, 2024 were \$1,001,157.

During the year ended March 31, 2024, the Association billed \$327,500 related to Hurricane Ian damage. As of March 31, 2024, the special assessment was fully expended.

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 31, 2024, 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, 2024
(Unaudited)

An independent appraiser conducted a study during 2023, 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	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	2024/2025 Proposed Budgeted Funding
Roofs	1 - 14	\$ 2,382,111	
Painting and waterproofing	3 - 9	630,839	
Paving	4 - 11	815,459	
Elevators	16 - 24	904,360	
Building components	1 - 29	1,993,906	
Miscellaneous site improvements	1 - 15	328,603	
Furniture, fixtures and equipment	2 - 21	133,487	
Mechanical and electrical	1 - 24	1,469,850	
		<u>\$ 8,658,615</u>	<u>\$ 640,521</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 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, 2024

	Budget <i>(Unaudited)</i>	Actual	Variance
Revenue			
Member assessments	\$ 886,460	\$ 886,610	\$ 150
Interest	-	2,118	2,118
Late fees and interest	-	1,658	1,658
Application fees	-	3,150	3,150
Insurance proceeds	-	879,941	879,941
Special assesment	-	327,500	327,500
Other	-	735	735
Total operating fund revenue	886,460	2,101,712	1,215,252
Expenses			
Utilities			
Electricity	19,000	23,080	(4,080)
Water and sewer	45,000	73,399	(28,399)
Refuse removal and recycling	14,500	15,694	(1,194)
Telephone	10,500	9,858	642
Cell phone	1,000	549	451
Total utilities			
	90,000	122,580	(32,580)
Building			
Building maintenance	70,000	61,987	8,013
Roof repairs	10,000	4,000	6,000
Annual backflow	-	62	(62)
Fountain maintenance	1,500	-	1,500
Exercise room	500	-	500
Janitorial and building supplies	4,000	2,986	1,014
Fire sprinklers	-	2,138	(2,138)
Elevator	17,000	15,994	1,006
Emergency systems	-	549	(549)
Fire equipment	10,000	(19,279)	29,279
Pool maintenance	6,500	16,857	(10,357)
Pool heat	4,000	5,366	(1,366)
Total building			
	123,500	90,660	32,840
Grounds			
Landscape contract	40,000	50,798	(10,798)
Fertilizer and exterminator	12,000	7,532	4,468
Sod, plantings, and rocks	20,000	9,482	10,518
Mulch	9,500	2,258	7,242
Sprinkler system	5,000	26,671	(21,671)
Tree trimming	15,000	17,186	(2,186)

CALAIS AT PELICAN BAY CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2024

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u>
Grounds (continued)			
Lake maintenance	2,000	1,988	12
Holiday decorations	6,000	8,000	(2,000)
Total grounds	<u>109,500</u>	<u>123,915</u>	<u>(14,415)</u>
Administration			
Management fee	24,000	24,705	(705)
Office	7,000	6,429	571
Applications	1,500	1,825	(325)
Social activities	850	280	570
Legal	4,000	5,829	(1,829)
Accounting	7,000	7,008	(8)
Consulting fees	2,000	-	2,000
Fees to division	600	1,100	(500)
Licenses	750	850	(100)
Taxes	-	6,119	(6,119)
Insurance	347,760	524,659	(176,899)
Site personnel	168,000	188,931	(20,931)
Miscellaneous	-	694	(694)
Total administration	<u>563,460</u>	<u>768,429</u>	<u>(204,969)</u>
Hurricane	<u>-</u>	<u>1,001,157</u>	<u>(1,001,157)</u>
Total operating fund expenses	<u>886,460</u>	<u>2,106,741</u>	<u>(1,220,281)</u>
Deficiency of revenue over expenses	<u>\$ -</u>	<u>\$ (5,029)</u>	<u>\$ (5,029)</u>