

2015

Financial Statements as
of December 31, 2015

[THE ASSOCIATION OF PELICAN POINT, INC.]

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members The Association of Pelican Point, Inc.

We have reviewed the accompanying financial statements of The Association of Pelican Point, Inc. (the Association), which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 9 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 compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Mapili CPAs LLC

Mapili CPAs LLC
Certified Public Accountants
Winter Park, Florida
May 14, 2016

THE ASSOCIATION OF PELICAN POINT, INC.

BALANCE SHEET

DECEMBER 31, 2015

ASSETS	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 83,842	\$ 421,398	\$ 505,240
Member assessments receivable, net of allowance for doubtful accounts of \$16,000	3,424	-	3,424
Prepaid expenses	16,619	-	16,619
Deposits	<u>2,096</u>	<u>-</u>	<u>2,096</u>
	<u>\$ 105,981</u>	<u>\$ 421,398</u>	<u>\$ 527,379</u>
 LIABILITIES AND FUND BALANCE			
Accounts payable and accruals	\$ 14,811	\$ -	\$ 14,811
Prepaid member assessments	<u>12,274</u>	<u>-</u>	<u>12,274</u>
Total liabilities	27,085	-	27,085
Fund balance	<u>78,896</u>	<u>421,398</u>	<u>500,294</u>
	<u>\$ 105,981</u>	<u>\$ 421,398</u>	<u>\$ 527,379</u>

THE ASSOCIATION OF PELICAN POINT, INC.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Replacement Fund	Total
<u>Revenues</u>			
Member assessments	\$ 307,548	\$ 79,164	\$ 386,712
Laundry income	18,675	-	18,675
Late fees and finance charges	(25)	-	(25)
Interest income	38	1,244	1,282
	<u>326,236</u>	<u>80,408</u>	<u>406,644</u>
<u>Expenses</u>			
Bad debt expense	15,400	-	15,400
Building repairs and maintenance	48,860	-	48,860
Cable service	64,663	-	64,663
General and administrative	2,187	-	2,187
Grounds and landscaping	25,641	-	25,641
Insurance expense	37,807	-	37,807
Major repairs and replacements	-	26,432	26,432
Management fees	28,957	-	28,957
Pool and clubhouse	5,512	-	5,512
Printing, postage and supplies	1,382	-	1,382
Professional fees	2,270	-	2,270
Utilities expense	117,211	-	117,211
	<u>349,890</u>	<u>26,432</u>	<u>376,322</u>
Excess of revenues over expenses	(23,654)	53,976	30,322
Fund balance at December 31, 2014- as previously stated	87,288	367,422	454,710
Prior Period Adjustment	15,262	-	15,262
Fund balance at December 31, 2014- as restated	<u>102,550</u>	<u>367,422</u>	<u>469,972</u>
Fund balance at December 31, 2015	\$ 78,896	\$ 421,398	\$ 500,294

THE ASSOCIATION OF PELICAN POINT, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess of revenues over expenses	<u>\$ (23,654)</u>	<u>\$ 53,976</u>	<u>\$ 30,322</u>
<i><u>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</u></i>			
Decrease in net member assessments receivable	3,549	-	3,549
Decrease in prepaid expenses	7,990	-	7,990
Decrease in accounts payable and accruals	(1,681)	-	(1,681)
Increase in prepaid member assessments	5,123	-	5,123
Prior period adjustment	<u>15,262</u>	<u>-</u>	<u>15,262</u>
Total adjustments	<u>30,243</u>	<u>-</u>	<u>30,243</u>
Net increase in cash	6,589	53,976	60,565
Cash at beginning of year	<u>77,253</u>	<u>367,422</u>	<u>444,675</u>
Cash at end of year	<u>\$ 83,842</u>	<u>\$ 421,398</u>	<u>\$ 505,240</u>

THE ASSOCIATION OF PELICAN POINT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

A. ORGANIZATION

The Association of Pelican Point, Inc. is incorporated as a not-for-profit corporation in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Brevard County, Florida and consists of 131 residential units.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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

Operating Fund - The operating fund is used to account for the day-to-day activities of the Association, including the general management and upkeep of the common property.

Replacement Fund - The replacement fund is used to account for monies accumulated to fund capital expenditures and maintenance, repair and replacement of property.

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2015, the Association filed IRS Form 1120H and elected to be taxed as a homeowners' association. Under this election, the Association is generally exempt from taxation on membership income and is taxed only on nonmembership income items, such as interest earnings. The State of Florida does not require an association that files IRS Form 1120H to file a state income tax return. The Association's federal income tax returns are subject to examination by the IRS generally for three years after they are filed. At December 31, 2015, the tax years that remain subject to examination begin with 2012.

THE ASSOCIATION OF PELICAN POINT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred.

Estimates

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less.

Allocation of Revenues and Expenses to Unit Owners

Revenue and expenses are allocated equally among all of the units within the Association.

Subsequent Events - Date of Management's Review

In preparing these financial statements, the Association has evaluated subsequent events and transactions for potential recognition and disclosure through the date of the Independent Accountant's Review Report, which is the date the financial statements were available to be issued.

C. RELATED PARTY

During 2015, the Board President of the Association, Randy Malecha, was paid \$2,150 for general repairs and maintenance of the Association.

D. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts and certificates of deposit with balances not in excess of amounts insured by the Federal Deposit Insurance Corporation (\$250,000) and member assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote.

The Association's major source of revenue is member assessments, which are receivable from its members and may be secured by a lien on their property. The Association monitors the collectibility of these receivables and pursues collection. Management routinely assesses the uncollectibility of these receivables and provides for an allowance for doubtful accounts based on this assessment.

THE ASSOCIATION OF PELICAN POINT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

E. COMMITMENTS

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to help with the Association's administration. These contracts have different expiration dates and renewal terms.

F. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, as well as Florida Statutes, require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

The Association is funding for major repairs and replacements using the pooled reserve method as described in Florida Administrative Code 61B-22.005. Under either the pooled or straight-line reserve methods amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Member's equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

<u>Components</u>	<u>Balance 1/1/15</u>	<u>Fund Additions</u>	<u>Major Repairs/ Replacements</u>	<u>Balance 12/31/15</u>
Painting	\$ 11,607	\$ 10,836	\$ -	\$ 22,443
Roofs	200,826	34,980	-	235,806
Laundry Machines	10,741	3,216	-	13,957
Elevator	26,540	9,576	16,170	19,946
Pool	27,611	1,020	-	28,631
Roads	13,650	8,280	-	21,930
Seawall	47,407	1,380	-	48,787
Deferred Maintenance	29,040	11,120	10,262	29,898
Total	<u>\$ 367,422</u>	<u>\$ 80,408</u>	<u>\$ 26,432</u>	<u>\$ 421,398</u>

SUPPLEMENTARY INFORMATION

THE ASSOCIATION OF PELICAN POINT, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR

REPAIRS AND REPLACEMENTS (COMPILED)

DECEMBER 31, 2015

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property using the cash flow (pooled) reserve method. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The most recent study was updated by the Board of Directors in 2015.

The following is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Life</u>	<u>Estimated Current Replacement Cost</u>	<u>Component Balance 12/31/15</u>	<u>2016 Approved Annual Funding</u>
Painting	9 years	\$ 103,843	\$ 22,443	\$ 10,488
Roofs	13 years	630,000	235,806	37,680
Laundry Machines	5 years	30,000	13,957	3,204
Elevators	13-22 years	230,000	19,946	9,096
Pool	1 year	32,000	28,631	3,372
Roads	2-23 years	98,000	21,930	6,084
Seawall	19 years	75,000	48,787	1,380
Deferred Maintenance	20 years	225,000	29,898	14,856
Total		<u>\$ 1,423,843</u>	<u>\$ 421,398</u>	<u>\$ 86,160</u>