

# **The Association of Pelican Point, Inc. (A Condominium)**

Financial Statements and  
Supplementary Information

December 31, 2018

**Cole & Associates, LLC**

*Certified Public Accountants*

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# Cole & Associates, LLC

*Certified Public Accountants*

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Association of Pelican Point, Inc. (A Condominium)

To the Board of Directors:

We have reviewed the accompanying financial statements of The Association of Pelican Point, Inc. (A Condominium), which comprise the balance sheet as December 31, 2018 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 conformity with accounting principles generally accepted in the United States of America.

### **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 11 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

## Supplementary Information

The accompanying supplementary comparison schedules on pages 12 - 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in black ink that reads "Cole & Associates, LLC". The signature is written in a cursive, flowing style.

Cole & Associates, CPA, LLC  
*Certified Public Accountants*  
May 21, 2019

**THE ASSOCIATION OF PELICAN POINT, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS:</b>			
Cash	\$ 274,239	\$ 193,975	\$ 468,214
Assessments receivable (Note 3)	2,605	-	2,605
Prepaid expenses	19,136	-	19,136
Prepaid income tax	1,000	-	1,000
Investments in CD's	-	199,063	199,063
Due from operating fund	-	20,000	20,000
Due to replacement fund	(20,000)	-	(20,000)
Other assets	2,096	-	2,096
<b>TOTAL ASSETS</b>	<u><u>\$ 279,076</u></u>	<u><u>\$ 413,038</u></u>	<u><u>\$ 692,114</u></u>
 <b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 10,845	\$ -	\$ 10,845
Prepaid assessments	9,925	-	9,925
<b>TOTAL LIABILITIES</b>	20,770	-	20,770
 <b>FUND BALANCE</b>	<u>258,306</u>	<u>413,038</u>	<u>671,344</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 279,076</u></u>	<u><u>\$ 413,038</u></u>	<u><u>\$ 692,114</u></u>

**THE ASSOCIATION OF PELICAN POINT, INC.**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Total
<b>REVENUE:</b>			
Assessment income	\$ 333,792	\$ 98,508	\$ 432,300
Special assessment income	648,450	-	648,450
Insurance reimbursement	-	149,103	149,103
Laundry income	18,940	-	18,940
Recovery of bad debt	22,231	-	22,231
Interest income	92	2,029	2,121
Other income	789	-	789
<b>TOTAL REVENUE</b>	<b>\$ 1,024,294</b>	<b>\$ 249,640</b>	<b>\$ 1,273,934</b>
<b>EXPENDITURES:</b>			
Accounting & legal	\$ 3,984	\$ -	\$ 3,984
Building repairs & maintenance	5,564	-	5,564
Contracts grounds maintenance	16,800	-	16,800
Elevator repairs & maintenance	8,850	-	8,850
Insurance	33,552	-	33,552
Irrigation repairs	12	-	12
Licenses, permits, & taxes	1,161	-	1,161
Management fees	16,400	-	16,400
Office & other expenses	9,207	-	9,207
Other grounds maintenance	18,433	-	18,433
Payroll expense	32,048	-	32,048
Pest control	2,220	-	2,220
Pool maintenance	10,160	-	10,160
Safety & security	2,888	-	2,888
Storm expenses	658,450	-	658,450
Trash removal	16,731	-	16,731
Utilities	156,475	-	156,475
Reserves expenditures		308,740	308,740
<b>TOTAL EXPENDITURES</b>	<b>\$ 992,935</b>	<b>\$ 308,740</b>	<b>\$ 1,301,675</b>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>31,359</b>	<b>(59,100)</b>	<b>(27,741)</b>
<b>BEGINNING FUND BALANCE</b>	<b>226,947</b>	<b>472,138</b>	<b>699,085</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 258,306</b>	<b>\$ 413,038</b>	<b>\$ 671,344</b>

**THE ASSOCIATION OF PELICAN POINT, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Assessment fees collected	\$ 337,789	\$ 78,508
Special assessment	648,450	-
Insurance reimbursement	-	149,103
Laundry income	18,940	-
Recovery of bad debt	22,231	-
Interest received	92	2,029
Other income	789	-
Cash paid for operating expenses	(976,378)	-
Replacement expenses paid	-	(308,740)
Net cash provided (used) by operating activities:	<u>51,913</u>	<u>(79,100)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase/sale of CD's	-	(90,000)
Reinvested interest/dividends	-	(1,732)
Net cash provided (used) by investing activities:	<u>-</u>	<u>(91,732)</u>
<b>NET CHANGE IN CASH</b>	<u>51,913</u>	<u>(170,832)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>222,326</u>	<u>364,807</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 274,239</u>	<u>\$ 193,975</u>

**THE ASSOCIATION OF PELICAN POINT, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Replacement Fund
	<u>                    </u>	<u>                    </u>
<b>RECONCILIATION OF NET REVENUES OVER EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Excess of revenues over expenditures	\$ 31,359	\$ (59,100)
Adjustment to reconcile net revenues over expenditures to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	10,328	-
Prepaid expenses	(1,518)	-
Prepaid income taxes	(1,000)	-
Due from operating fund	-	(20,000)
Due to reserve fund	20,000	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(925)	-
Prepaid assessments	(6,331)	-
Net cash provided (used) by operating activities:	<u>51,913</u>	<u>(79,100)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase/sale of CD's	-	(90,000)
Reinvested interest/dividends	-	(1,732)
Net cash provided (used) by investing activities:	<u>-</u>	<u>(91,732)</u>
<b>NET CHANGE IN CASH</b>	<u>51,913</u>	<u>(170,832)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>222,326</u>	<u>364,807</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 274,239</u>	<u>\$ 193,975</u>

**THE ASSOCIATION OF PELICAN POINT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Association of Pelican Point, Inc. (A Condominium) (the "Association") is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 131 residential units located in Brevard County, Florida.

Financial Statements

The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and the American Institute of Certified Public Accountants.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenditures.

The Operating Fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures from this fund are limited to those connected with daily operations.

The Replacement Fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are typically restricted to those items for which assessments were specifically collected. Interest earned on replacement funds remains in the Replacement Fund and may only be expended for components previously funded.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

Cash and Cash Equivalents

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



**THE ASSOCIATION OF PELICAN POINT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Common Area Property

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real and common area property acquired from the developer is not capitalized in the Association's financial statements, as it is owned by the individual unit owners in common and not by the Association. As a result, improvements made 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 expenditures during the reporting period. Actual results could differ from those estimates.

Concentrations of Risk

The Association maintains cash balances at several banks. Deposits at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2018, the uninsured portion of cash balances is \$118,202.

The Association has obtained insurance coverage for damages covered by windstorm. The Association would be responsible for losses up to the amount of the deductible and has the right to increase regular assessments, levy a special assessment or delay repairs until adequate funds are available.

Commitments and Contingency

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

Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were issued.

THE ASSOCIATION OF PELICAN POINT, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2: RESERVE FOR 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 are not generally available for expenditures for normal operations.

Florida statutes require disclosure of the amount of annual funding required to fully fund each reserve account over the remaining useful life of the applicable assets. This calculation is presented in the Supplementary Information on Future Repairs and Replacements based upon estimates of replacement values and remaining lives as discussed below.

In the fall of 2018, the Association estimated the remaining useful lives and current replacement costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. The Association is funding for major repairs and replacements over the remaining useful lives, and considering amounts previously accumulated in the replacement fund.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, 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.

The following table presents significant information about the components of common property:

COMPONENT	BEGINNING BALANCE	FUNDING DURING YEAR	INTEREST & OTHER INCOME	CHARGES TO FUND	BALANCE 12/31/2018
Painting	\$ 43,420	\$ 10,488	\$ -	\$ -	\$ 53,908
Roofs	188,165	33,660	20,000	(219,920)	21,905
Laundry machines	20,376	6,900	-	-	27,276
Elevator	37,682	20,496	-	-	58,178
Pool	4,234	3,000	-	-	7,234
Roads	17,142	6,420	-	-	23,562
Seawall	51,547	9,804	-	(60,712)	639
Deferred maintenance	109,572	7,740	131,132	(28,108)	220,336
TOTAL	\$ 472,138	\$ 98,508	\$ 151,132	\$ (308,740)	\$ 413,038

**THE ASSOCIATION OF PELICAN POINT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 3: 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. Association expenses are allocated on a pro-rata basis per unit (1/131). Assessments receivable at the balance sheet date represent fees due from unit owners. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments that have been deemed to be uncollectible as of the report date have been charged to bad debts. The allowance for uncollectible accounts is \$0 on December 31, 2018.

**NOTE 4: INCOME TAXES**

Associations may be taxed as homeowners' associations or as regular corporations. In 2018, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, net of directly related expenses, at a rate of 30%. Income tax expense was \$0 for the year then ended.

**NOTE 5: SPECIAL ASSESSMENT**

The board of directors declared a special assessment in 2018 of \$2,850 per unit for a total of \$373,350 to fund the repairs of roofs damaged by hurricane. The full special assessment was due on April 1, 2018. The special assessment funds were fully expended in 2018.

	Income	Spent	Balance to be spent
Roof repairs	\$ 373,350	\$ 373,350	\$ -

The board of directors declared another special assessment in 2018 of \$2,100 per unit for a total of \$275,100 to fund the seawall repairs. The full special assessment was due on June 30, 2018. The special assessment funds were fully expended in 2018.

	Income	Spent	Balance to be spent
Seawall repairs	\$ 275,100	\$ 275,100	\$ -

# **SUPPLEMENTAL INFORMATION**

**THE ASSOCIATION OF PELICAN POINT, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
(UNAUDITED)**

**DECEMBER 31, 2018**

In the fall of 2018, the Association estimated the remaining useful lives and current replacement costs of common property components. Estimates were based upon professional judgment, which may include contractor estimates for major components. Florida statutes require disclosure of the amount of the annual funding required to fully fund each reserve account over the remaining useful life of the applicable asset.

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

COMPONENT	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPAIRS / REPLACEMENTS 2018	2019 STATUTORY FUNDING REQUIRED
Painting	5	\$ 103,843	\$ 53,908	\$ 9,987
Roofs	18 - 19	861,000	21,905	44,871
Laundry machines	3	48,000	27,276	6,908
Elevator	8 - 14	387,000	58,178	27,866
Pool	8	32,000	7,234	3,096
Roads	4 - 23	114,000	23,562	4,561
Seawall	74	400,000	639	5,397
Deferred maintenance	15	250,000	220,336	1,978
		<u>\$ 2,195,843</u>	<u>\$ 413,038</u>	<u>\$ 104,663</u>

**THE ASSOCIATION OF PELICAN POINT, INC.**

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES  
ACTUAL TO BUDGET (UNAUDITED)**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Budget	Variance
<b>REVENUE:</b>			
Assessment income	\$ 432,300	\$ 432,300	\$ -
Special assessment income	648,450	-	648,450
Laundry income	18,940	15,840	3,100
Recovery of bad debt	22,231	-	22,231
Interest income	92	60	32
Other income	789	-	789
<b>TOTAL REVENUE</b>	<b>\$ 1,122,802</b>	<b>\$ 448,200</b>	<b>\$ 674,602</b>
<b>EXPENDITURES:</b>			
Accounting & legal	3,984	6,660	(2,676)
Building repairs & maintenance	5,564	12,744	(7,180)
Contracts grounds maintenance	16,800	16,800	-
Elevator repairs & maintenance	8,850	7,632	1,218
Income tax expense	-	480	(480)
Insurance	33,552	34,476	(924)
Irrigation repairs	12	-	12
Licenses, permits, & taxes	1,161	1,320	(159)
Management fees	16,400	16,200	200
Office & other expenses	9,207	7,680	1,527
Other grounds maintenance	18,433	13,728	4,705
Payroll expense	32,048	40,560	(8,512)
Pest control	2,220	2,400	(180)
Pool maintenance	10,160	6,000	4,160
Safety & security	2,888	3,000	(112)
Storm expenses	658,450	-	658,450
Trash removal	16,731	15,960	771
Utilities	156,475	164,052	(7,577)
Reserve funding	98,508	98,508	-
<b>TOTAL EXPENDITURES</b>	<b>1,091,443</b>	<b>448,200</b>	<b>643,243</b>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>\$ 31,359</b>	<b>\$ -</b>	<b>\$ 31,359</b>

**THE ASSOCIATION OF PELICAN POINT, INC.**

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES  
ACTUAL TO PRIOR YEAR (UNAUDITED)**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017	Variance
<b>REVENUE:</b>			
Assessment income	\$ 432,300	\$ 393,000	\$ 39,300
Special assessment income	648,450	-	648,450
Insurance reimbursement	-	179,288	(179,288)
Laundry income	18,940	17,060	1,880
Recovery of bad debt	22,231	-	22,231
Rental income	-	6,257	(6,257)
Interest income	92	68	24
Other income	789	17,091	(16,302)
<b>TOTAL REVENUE</b>	<b>\$ 1,122,802</b>	<b>\$ 612,764</b>	<b>\$ 510,038</b>
<b>EXPENDITURES:</b>			
Accounting & legal	3,984	4,830	(846)
Building repairs & maintenance	5,564	7,818	(2,254)
Contracts grounds maintenance	16,800	16,800	-
Elevator repairs & maintenance	8,850	7,955	895
Insurance	33,552	30,716	2,836
Irrigation repairs	12	-	12
Licenses, permits, & taxes	1,161	1,260	(99)
Management fees	16,400	15,720	680
Office & other expenses	9,207	9,040	167
Other grounds maintenance	18,433	20,164	(1,731)
Payroll expense	32,048	29,390	2,658
Pest control	2,220	2,220	-
Pool maintenance	10,160	5,628	4,532
Rental unit expenses	-	6,257	(6,257)
Safety & security	2,888	3,672	(784)
Storm expenses	658,450	86,860	571,590
Trash removal	16,731	17,135	(404)
Utilities	156,475	150,903	5,572
Reserve funding	98,508	81,264	17,244
<b>TOTAL EXPENDITURES</b>	<b>1,091,443</b>	<b>497,632</b>	<b>593,811</b>
<b>REVENUE IN EXCESS OF EXPENDITURES</b>	<b>\$ 31,359</b>	<b>\$ 115,132</b>	<b>\$ (83,773)</b>