

# 2016

Financial Statements as  
of December 31, 2016

**[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, 2016, 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  
April 26, 2017

THE ASSOCIATION OF PELICAN POINT, INC.

BALANCE SHEET

DECEMBER 31, 2016

<b>ASSETS</b>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 163,764	\$ 344,340	\$ 508,104
Member assessments receivable, net of allowance for doubtful accounts of \$28,000	6,286	-	6,286
Special assessment receivable	-	208,290	208,290
Prepaid expenses	2,192	-	2,192
Prepaid insurance	15,727	-	15,727
Deposits	<u>2,096</u>	<u>-</u>	<u>2,096</u>
	<u>\$ 190,065</u>	<u>\$ 552,630</u>	<u>\$ 742,695</u>

**LIABILITIES AND FUND BALANCE**

Accounts payable and accruals	\$ 28,528	\$ -	\$ 28,528
Prepaid member assessments	<u>49,722</u>	<u>-</u>	<u>49,722</u>
Total liabilities	78,250	-	78,250
Fund balance	<u>111,815</u>	<u>552,630</u>	<u>664,445</u>
	<u>\$ 190,065</u>	<u>\$ 552,630</u>	<u>\$ 742,695</u>

THE ASSOCIATION OF PELICAN POINT, INC.

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>			
Member assessments	\$ 306,840	\$ 86,160	\$ 393,000
Special assessment - pool	-	26,200	26,200
Special assessment - hurricane	-	208,290	208,290
Laundry income	19,280	-	19,280
Late fees and finance charges	500	-	500
Interest income	38	2,051	2,089
	<u>326,658</u>	<u>322,701</u>	<u>649,359</u>
<b><u>Expenses</u></b>			
Bad debt expense	12,000	-	12,000
Building repairs and maintenance	46,687	-	46,687
Cable service	67,586	-	67,586
General and administrative	4,920	220	5,140
Grounds and landscaping	25,672	-	25,672
Insurance expense	30,512	-	30,512
Major repairs and replacements	-	126,876	126,876
Management fees	41,859	-	41,859
Pool and clubhouse	14,075	-	14,075
Professional fees	5,763	-	5,763
Utilities expense	105,665	-	105,665
	<u>354,739</u>	<u>127,096</u>	<u>481,835</u>
Excess of revenues over expenses	(28,081)	195,605	167,524
Fund balance at December 31, 2015	78,896	421,398	500,294
Prior Period Adjustment	-	(3,373)	(3,373)
Interfund Transfers	61,000	(61,000)	-
<b>Fund balance at December 31, 2016</b>	<b><u>\$ 111,815</u></b>	<b><u>\$ 552,630</u></b>	<b><u>\$ 664,445</u></b>

THE ASSOCIATION OF PELICAN POINT, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess of revenues over expenses	\$ (28,081)	\$ 195,605	\$ 167,524
 <i><u>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</u></i>			
Change in interfund transfers	61,000	(61,000)	-
Increase in net member assessments receivable	(2,862)	-	(2,862)
Increase in other receivables	-	(208,290)	(208,290)
Decrease in prepaid expenses	14,427	-	14,427
Increase in insurance expense	(15,727)	-	(15,727)
Increase in accounts payable and accruals	13,717	-	13,717
Increase in prepaid member assessments	37,448	-	37,448
Prior period adjustment	-	(3,373)	(3,373)
Total adjustments	<u>108,003</u>	<u>(272,663)</u>	<u>(164,660)</u>
Net increase in cash	79,922	(77,058)	2,864
Cash at beginning of year	<u>83,842</u>	<u>421,398</u>	<u>505,240</u>
Cash at end of year	<u>\$ 163,764</u>	<u>\$ 344,340</u>	<u>\$ 508,104</u>

# THE ASSOCIATION OF PELICAN POINT, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 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, 2016, 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, 2016, the tax years that remain subject to examination begin with 2013.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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**

As of December 2016, the Board President of the Association, Randy Malecha, is an employee of the management company Reconcilable Differences.

**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, 2016**

**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:

Components	Balance 1/1/16	Fund Additions	Major Repairs/ Replacements	Adjustments/ Transfers	Balance 12/31/16
Painting	\$ 22,443	\$ 10,488	\$ -	\$ -	\$ 32,931
Roofs	235,806	37,680	55,320	(60,000)	158,166
Laundry Machines	13,957	3,204	-	-	17,161
Elevator	19,946	9,096	-	-	29,042
Pool	28,631	29,572	56,164	-	2,039
Roads	21,930	6,084	-	-	28,014
Seawall	48,787	1,380	-	-	50,167
S/A Hurricane	-	208,290	-	-	208,290
Deferred Maintenance	29,898	16,907	15,612	(4,373)	26,820
Total	<u>\$ 421,398</u>	<u>\$ 322,701</u>	<u>\$ 127,096</u>	<u>\$ (64,373)</u>	<u>\$ 552,630</u>

**SUPPLEMENTARY INFORMATION**

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

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**

**REPAIRS AND REPLACEMENTS (COMPILED)**

**DECEMBER 31, 2016**

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 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 12/31/16</u>	<u>2017 Approved Annual Funding</u>
Painting	8 years	\$ 103,843	\$ 32,931	\$ 10,488
Roofs	12 years	861,000	158,166	30,000
Laundry Machines	4 years	30,000	17,161	3,216
Elevators	12-21 years	230,000	29,042	8,640
Pool	10 years	32,000	2,039	3,180
Roads	1-22 years	98,000	28,014	8,760
Seawall	18 years	75,000	50,167	1,380
S/A Hurricane	n/a	-	208,290	-
Deferred Maintenance	15 years	<u>225,000</u>	<u>26,820</u>	<u>15,600</u>
Total		<u>\$ 1,654,843</u>	<u>\$ 552,630</u>	<u>\$ 81,264</u>