

THE ASSOCIATION OF PELICAN POINT, INC.
Financial Statements and Supplementary Information
with
Independent Accountants' Review Report

December 31, 2020

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KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC

Certified Public Accountants

Independent Accountants' Review Report

To the Board of Directors
The Association of Pelican Point, Inc.
Titusville, Florida

We have reviewed the accompanying financial statements of The Association of Pelican Point, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues and expenses, and changes in fund balances 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 report.

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.

Supplementary Information

The supplementary information in the schedule of operating fund revenues and expenses and the schedule of changes in contract liabilities for replacement fund balances on pages 13-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information (except for the budget information, which was not subjected to the review procedures applied in our review of the basic financial statements, but was compiled from information that is the responsibility of management, on which we do not express an opinion, a conclusion, nor provide any assurance on it) has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on it.

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

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

Kmetz, Elwell, Graham & Associates

Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants
Vero Beach, Florida

March 5, 2021

The Association of Pelican Point, Inc.
Balance Sheet
December 31, 2020

	2020		
	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 303,227	\$ 595,919	\$ 899,146
Assessments receivable	160	-	160
Prepaid insurance	20,238	-	20,238
Prepaid expenses	2,896	-	2,896
Prepaid income tax	3,876	-	3,876
Utility deposit	2,096	-	2,096
	\$ 332,493	\$ 595,919	\$ 928,412
Liabilities and Fund Balance			
Accounts payable	\$ 13,119	\$ -	\$ 13,119
Prepaid assessments	12,936	-	12,936
Deferred revenue	12,117	-	12,117
Contract liabilities (assessments received in advance)	-	595,919	595,919
	38,172	595,919	634,091
Fund Balance	294,321	-	294,321
	\$ 332,493	\$ 595,919	\$ 928,412

See accompanying notes to financial statements.

The Association of Pelican Point, Inc.Statement of Revenues and Expenses and Changes in Fund Balances
Year ended December 31, 2020

	2020		
	Operating Fund	Replacement Fund	Total
Revenues			
Regular assessments	\$ 330,672	\$ 29,178	\$ 359,850
Interest and other income	26,897	3,193	30,090
	357,569	32,371	389,940
Expenses			
General and administrative	67,046	-	67,046
Building and equipment	62,247	-	62,247
Recreational facilities	6,120	-	6,120
Landscape and grounds	26,948	-	26,948
Utilities	182,972	-	182,972
Capital improvements	-	32,371	32,371
	345,333	32,371	377,704
Excess (deficit) of revenues over expenses	12,236	-	12,236
Fund Balance, beginning of year	282,085	-	282,085
Fund Balance, end of year	\$ 294,321	\$ -	\$ 294,321

See accompanying notes to financial statements.

The Association of Pelican Point, Inc.
Statement of Cash Flows
Year ended December 31, 2020

	2020		
	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Assessments collected	\$ 336,328	\$ 125,208	\$ 461,536
Interest and other income received	26,897	3,193	30,090
Cash paid for expenditures	(349,518)	(32,371)	(381,889)
Net cash provided by operating activities	13,707	96,030	109,737
Net increase in cash	13,707	96,030	109,737
Cash, beginning of year	289,520	499,889	789,409
Cash, end of year	\$ 303,227	\$ 595,919	\$ 899,146
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:			
Excess (deficit) of revenues over expenses	\$ 12,236	\$ -	\$ 12,236
(Increase) decrease in:			
Assessments receivable	(405)	-	(405)
Prepaid insurance	(2,540)	-	(2,540)
Prepaid expenses	168	-	168
Prepaid income tax	303	-	303
Increase (decrease) in:			
Accounts payable	1,814	-	1,814
Prepaid assessments	6,061	-	6,061
Deferred revenue	(3,930)	-	(3,930)
Contract liabilities	-	96,030	96,030
Net cash provided by operating activities	\$ 13,707	\$ 96,030	\$ 109,737

See accompanying notes to financial statements.

The Association of Pelican Point, Inc.
Notes to Financial Statements
For the year ended December 31, 2020

Note 1 – Nature of Organization

The Association of Pelican Point, Inc. (the Association) was incorporated on January 25, 1996, under the laws of the State of Florida. The Association is organized as a not-for-profit corporation for the purposes of maintaining and preserving the common property of the Association consisting of 131 residential condominium units in Titusville, Florida.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting.

Fund Accounting

The Association presents separate funds based on its different funding policies for operations and capital replacements.

The operating fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures of this fund are limited to those connected with the day-to-day operations and the replacements, major repairs and the purchase of additional commonly owned assets for which no replacement fund component has been established. The income and expenses of the Association are allocated to the unit owners based on the number of units.

The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements and major repairs of certain commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied. Interest earned on the replacement fund cash accounts is retained in the fund.

All assessments receivable and prepaid assessments are deemed due to or from the operating fund. The Association's policy is to fund fully within the replacement funds each month without regard to underpayments or overpayments by members to the operating fund.

Contract Liabilities (Assessments received in advance – replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations related to replacement reserve assessments. The balances of contract liabilities as of the beginning and end of the year are \$499,889 and \$595,919 respectively.

Excess Operating Funds

The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

Common Property

Ownership of commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

Accounting 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.

Fair Value of Financial Instruments

The financial position of the Association at December 31, 2020, includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial statements of the Association, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

The carrying amounts of the Association's financial instruments generally approximate their fair values at December 31, 2020.

Subsequent Events

Management has evaluated subsequent events through March 5, 2021, the date the financial statements were available to be issued.

Note 3 – Cash Balances

Financial instruments which potentially subject the Association to a concentration of credit risk include cash held at financial institutions, which may exceed FDIC insurance limits or be subject to risks associated within the underlying securities. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash balances.

Note 4 – Income Taxes

Associations may elect to be taxed under Internal Revenue Code ("IRC") Section 277, which applies to certain membership organizations, or under IRC Section 528, which applies specifically to homeowner associations as that term is defined for tax purposes. For the year ended December 31, 2020, the Association was taxed under the provisions of IRC Section 528 (Federal Form 1120-H). Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made.

The Association's federal income tax returns for 2017, 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed. In addition, the Association's state tax returns for the same years are subject to examination by state tax authorities for similar time periods. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Note 5 – Future Major Repairs and Replacements

Florida Statutes require the Association to accumulate funds for future major repairs and replacements. Accumulated funds are held in separate interest bearing accounts and generally are not available for expenditures for normal operations.

In connection with preparing the budget, the Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$118,020 has been included in the 2021 budget. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 6 – Cable TV Income

The Association received a \$19,650 payment from Spectrum for signing a bulk service agreement with a 5 year term, beginning on February 1st, 2019. In 2020, \$3,930 was recognized, with \$12,117 remaining as deferred over the term of the contract.

Note 7 - FASB ASC 606 New Accounting Guidance implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchanges for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

Because the Association tracks interest income as a separate component, the funds previously identified as interest will remain in fund balance as of the initial adjustment to fund balance. The Association has determined that interest income will be expensed before the other components going forward.

The Association of Pelican Point, Inc.
Notes to Financial Statements (continued)

Note 7 - FASB ASC 606 New Accounting Guidance implementation (continued)

The adoption of the new revenue recognition guidance resulted in the following change to fund balance and contract liabilities as of January 1, 2020.

	Reserve Fund Balance	Contract Liabilities
Balance, as previously reported, at January 1, 2020	\$ 499,889	\$ -
Adjustment for non-interest components	<u>(499,889)</u>	<u>499,889</u>
Balance, as adjusted at January 1, 2020	\$ -	\$ 499,889

The effect of the adoption is to decrease 2020 assessments by \$96,030 and an increase of contract liability at December 31, 2020, by \$96,030. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2020 financial statements. Following are the line items from our balance sheet as of December 31, 2020 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities			
Contract liabilities	\$ -	\$ 595,919	\$ 595,919
Fund Balance			
Ending fund balances	\$ 595,919	\$ (595,919)	\$ -

The Association of Pelican Point, Inc.
Notes to Financial Statements (continued)

Note 7 - FASB ASC 606 New Accounting Guidance implementation (continued)

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance.

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenue			
Reserve assessments	\$ 125,208	\$ (96,030)	\$ 29,178
Excess of revenues over expenses	\$ 96,030	\$ (96,030)	-
Cash Flows			
Excess of revenues over expenses	\$ 96,030	\$ (96,030)	-
Increase in contract liabilities	\$ -	\$ 96,030	\$ 96,030

SUPPLEMENTARY INFORMATION

The Association of Pelican Point, Inc.
Schedule of Operating Fund Revenues and Expenses
Year ended December 31, 2020

	2019		
	Actual	Budget	Variance Favorable (Unfavorable)
	(Unaudited)	(Unaudited)	(Unaudited)
Revenues			
Regular assessments	\$ 330,672	\$ 330,672	\$ -
Interest and other income	26,897	18,000	8,897
	357,569	348,672	8,897
Expenses			
General and Administrative:			
Management fees	16,800	16,800	-
Professional fees	3,596	2,820	(776)
Licenses and fees	670	600	(70)
Admin/office supplies	1,981	1,500	(481)
Insurance	39,459	36,900	(2,559)
Telephone	2,779	3,360	581
Bank fees	1,458	900	(558)
Income tax expense	303	600	297
	67,046	63,480	(3,566)
Building and Equipment:			
Maintenance labor costs	17,665	42,564	24,899
Elevator expenses	20,130	8,400	(11,730)
Fire system	4,684	240	(4,444)
Laundry equipment	16,353	3,000	(13,353)
Supplies and equipment	7,984	4,704	(3,280)
Security and safety	2,716	3,600	884
Pest control	2,580	2,400	(180)
Miscellaneous	560	300	(260)
Transfers from reserves	(10,425)	-	10,425
	62,247	65,208	2,961
Recreational Facilities:			
Pool maintenance contract	4,560	5,100	540
Pool repairs and supplies	1,210	-	(1,210)
Pool & spa permits	350	240	(110)
	6,120	5,340	(780)

The Association of Pelican Point, Inc.

Schedule of Operating Fund Revenues and Expenses (continued)

Year ended December 31, 2020

2019

	Actual	Budget	Variance Favorable (Unfavorable)
		(Unaudited)	(Unaudited)
Landscape and Grounds:			
Landscape maintenance contract	16,800	16,800	-
Fertilizer/pest control	6,050	5,304	(746)
Tree trimming	2,425	2,580	155
Plants/sod/mulch	1,543	300	(1,243)
Irrigation maintenance/repairs	130	144	14
	26,948	25,128	(1,820)
Utilities:			
Electric	16,570	21,000	4,430
Water/sewer	65,339	68,640	3,301
Cable	82,814	81,276	(1,538)
Trash removal	17,224	17,400	176
Cell phone reimbursement	1,025	1,200	175
	182,972	189,516	6,544
	345,333	348,672	3,339
Excess of revenues over expenses	\$ 12,236	\$ -	\$ 12,236

See Independent Accountants' Review Report

The Association of Pelican Point, Inc.Schedule of Changes in Contract Liabilities for Replacement Fund
Year ended December 31, 2020

Component	Beginning Contract Liabilities	Increases	Decreases	Interfund Transfers	Ending Contract Liabilities
Painting	\$ 54,684	\$ 15,528	\$ 3,600	\$ -	\$ 66,612
Roof	68,525	46,620	-	-	115,145
Laundry machines	32,376	10,212	1,887	-	40,701
Elevator	80,002	33,144	20,626	-	92,520
Pool	10,330	3,096	852	-	12,574
Roads	28,902	6,084	-	-	34,986
Seawall	5,211	8,220	-	-	13,431
Deferred maintenance	219,859	2,304	5,406	3,193	219,950
Unallocated interest	-	3,193	-	(3,193)	-
	\$ 499,889	\$ 128,401	\$ 32,371	\$ -	\$ 595,919

See Independent Accountants' Review Report

The Association of Pelican Point, Inc.
Supplementary Information on Future Major
Repairs and Replacements (Unaudited)

In connection with preparing the budget, the Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The following table is based on the study and presents significant information about the components of common property:

Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2021 Approved Budgeting Requirement	Components of Contract Liabilities at 12/31/2020
Painting	3 years	\$ 105,600	\$ 15,540	\$ 66,612
Roof	16-17 years	861,000	46,620	115,145
Laundry machines	1 year	52,800	1,200	40,701
Elevator	6-12 years	438,000	34,200	92,520
Pool	6 years	32,000	3,600	12,574
Roads	2-21 years	114,000	7,440	34,986
Seawall	47 years	400,000	8,220	13,431
Deferred maintenance	13 years	250,000	1,200	219,950
Unallocated interest	n/a	-	-	-
		\$2,253,400	\$ 118,020	\$ 595,919

See Independent Accountants' Review Report