




**KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC**  
*Certified Public Accountants*

## MEMORANDUM

**TO:** Michelle Davis  
**FROM:** Stephanie Freetly   
**DATE:** June 21, 2022  
**SUBJECT:** The Association of Pelican Point, Inc.

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Please find enclosed 2 bound and 1 unbound copy of Pelican Point's 2021 financial statements.

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

December 31, 2021  
(With Comparative Totals for 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, 2021, 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.

We are required to be independent of The Association of Pelican Point, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **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.

### **Report on Summarized Comparative Information**

We previously reviewed The Association of Pelican Point's 2020 financial statements and in our report dated March 5, 2021, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.



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

### **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 12-14 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.

### **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 15 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

June 15, 2022

**The Association of Pelican Point, Inc.**  
Balance Sheet  
December 31, 2021  
(With comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total (memo only)
				(Unaudited)
<b>Assets</b>				
Cash	\$ 291,358	\$ 701,677	\$ 993,035	\$ 899,146
Assessments receivable	114	-	114	160
Prepaid insurance	23,725	-	23,725	20,238
Prepaid expenses	6,244	-	6,244	2,896
Prepaid income tax	2,488	-	2,488	3,876
Utility deposit	2,096	-	2,096	2,096
	\$ 326,025	\$ 701,677	\$ 1,027,702	\$ 928,412
<b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 13,735	\$ -	\$ 13,735	\$ 13,119
Prepaid assessments	14,696	-	14,696	12,936
Deferred revenue	8,187	-	8,187	12,117
Contract liabilities	-	701,677	701,677	595,919
	36,618	701,677	738,295	634,091
<b>Fund Balance</b>	289,407	-	289,407	294,321
	\$ 326,025	\$ 701,677	\$ 1,027,702	\$ 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, 2021

(With comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total (memo only)
				(Unaudited)
<b>Revenues</b>				
Regular assessments	\$ 342,576	\$ 12,262	\$ 354,838	\$ 359,850
Interest and other income	21,681	1,812	23,493	30,090
	364,257	14,074	378,331	389,940
<b>Expenses</b>				
General and administrative	73,360	-	73,360	67,046
Building and equipment	66,299	-	66,299	62,247
Recreational facilities	9,868	-	9,868	6,120
Landscape and grounds	28,261	-	28,261	26,948
Utilities	191,383	-	191,383	182,972
Capital improvements	-	14,074	14,074	32,371
	369,171	14,074	383,245	377,704
<b>Excess (deficit) of revenues over expenses</b>	(4,914)	-	(4,914)	12,236
<b>Fund Balance, beginning of year</b>	294,321	-	294,321	282,085
<b>Fund Balance, end of year</b>	\$ 289,407	\$ -	\$ 289,407	\$ 294,321

See accompanying notes to financial statements.

**The Association of Pelican Point, Inc.**  
Statement of Cash Flows  
Year ended December 31, 2021  
(With comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total (memo only)
				(Unaudited)
<b>Cash flows from operating activities:</b>				
Assessments collected	\$ 344,382	\$ 118,020	\$ 462,402	\$ 461,536
Interest and other income received	21,681	1,812	23,493	30,090
Cash paid for expenditures	(377,932)	(14,074)	(392,006)	(381,889)
Net cash provided by (used for) operating activities	(11,869)	105,758	93,889	109,737
<b>Net increase (decrease) in cash</b>	(11,869)	105,758	93,889	109,737
<b>Cash, beginning of year</b>	303,227	595,919	899,146	789,409
<b>Cash, end of year</b>	\$ 291,358	\$ 701,677	\$ 993,035	\$ 899,146
<b>Reconciliation of excess (deficit) of revenues over expenses to net cash provided by operating activities:</b>				
Excess (deficit) of revenues over expenses	\$ (4,914)	\$ -	\$ (4,914)	\$ 12,236
(Increase) decrease in:				
Assessments receivable	46	-	46	(405)
Prepaid insurance	(3,487)	-	(3,487)	(2,540)
Prepaid expenses	(3,348)	-	(3,348)	168
Prepaid income tax	1,389	-	1,389	303
Increase (decrease) in:				
Accounts payable	615	-	615	1,814
Prepaid assessments	1,760	-	1,760	6,061
Deferred revenue	(3,930)	-	(3,930)	(3,930)
Contract liabilities	-	105,758	105,758	96,030
Net cash provided by (used for) operating activities	\$ (11,869)	\$ 105,758	\$ 93,889	\$ 109,737

See accompanying notes to financial statements.

**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.

**Member Assessments**

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

**Common Property and Equipment**

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 reflected in the Association's financial statements. The Association's policy is to expense property in the year it is purchased



**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, 2021, 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, 2021.

**Subsequent Events**

Management has evaluated subsequent events through June 15, 2022, 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, 2021, 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 2018, 2019, 2020 and 2021 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 \$118,920 has been included in the 2022 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 1<sup>st</sup>, 2019. In 2021, \$3,930 was recognized, with \$8,187 remaining as deferred over the term of the contract.

**Note 7 – Contingencies**

The Association is a party to various legal actions normally associated with associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in the opinion of management, would not be material to the future financial condition of the Association.

**Note 8 – Risks and Uncertainties**

In March 2020, a global pandemic was declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The pandemic has significantly impacted the economic conditions in the United States, including disrupting supply chains and affecting production and sales across a range of industries. The extent of the ultimate effects of COVID-19 on the Organization's operating and financial performance cannot be predicted at this time, as they are dependent on many factors, including, but not limited to: (i) the duration and spread of the outbreak, (ii) the impact on our owners, staff, and vendors, and (iii) the impact on the local, state, national and global economies.

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

**Note 9 – Revenue Recognition**

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 \$595,919 and \$701,677 respectively. The effects of the performance obligation approach under ASC 606 results in the following adjustments between income, expenses, and cash flows:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<b>Revenue</b>			
Reserve assessments	\$ 118,020	\$ (105,758)	\$ 12,262
Excess of revenues over expenses	\$ 105,758	\$ (105,758)	\$ -
<b>Cash Flows</b>			
Excess of revenues over expenses	\$ 105,758	\$ (105,758)	\$ -
Increase in contract liabilities	\$ -	\$ 105,758	\$ 105,758



## **SUPPLEMENTARY INFORMATION**

**The Association of Pelican Point, Inc.**  
Schedule of Operating Fund Revenues and Expenses  
Year ended December 31, 2021

	2021		
	Actual	Budget	Variance Favorable (Unfavorable)
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenues</b>			
Regular assessments	\$ 342,576	\$ 342,576	\$ -
Interest and other income	21,681	15,636	6,045
	364,257	358,212	6,045
<b>Expenses</b>			
<b>General and Administrative:</b>			
Management fees	16,800	16,800	-
Professional fees	2,197	3,300	1,103
Licenses and fees	670	684	14
Admin/office supplies	1,371	1,200	(171)
Insurance	46,398	45,900	(498)
Telephone	3,359	3,360	1
Bank fees	1,177	1,608	431
	73,360	72,852	(508)
<b>Building and Equipment:</b>			
Maintenance labor costs	31,739	35,196	3,457
Elevator expenses	15,196	10,608	(4,588)
Laundry equipment	12,590	2,400	(10,190)
Supplies and equipment	9,048	4,800	(4,248)
Security and safety	7,585	4,416	(3,169)
Pest control	2,520	2,220	(300)
Miscellaneous	1,695	600	(1,095)
Transfers from reserves	(14,074)	-	14,074
	66,299	60,240	(6,059)
<b>Recreational Facilities:</b>			
Pool maintenance contract	4,740	5,100	360
Pool repairs and supplies	4,778	600	(4,178)
Pool & spa permits	350	360	10
	9,868	6,060	(3,808)

**The Association of Pelican Point, Inc.**

## Schedule of Operating Fund Revenues and Expenses (continued)

Year ended December 31, 2021

	2021		
	Actual	Budget	Variance Favorable (Unfavorable)
		(Unaudited)	(Unaudited)
<b>Landscape and Grounds:</b>			
Landscape maintenance contract	16,800	16,800	-
Fertilizer/pest control	5,529	5,304	(225)
Tree trimming	2,970	2,580	(390)
Plants/sod/mulch	329	1,200	871
Irrigation maintenance/repairs	2,633	300	(2,333)
	28,261	26,184	(2,077)
<b>Utilities:</b>			
Electric	18,601	18,000	(601)
Water/sewer	66,226	69,720	3,494
Cable	88,407	86,556	(1,851)
Trash removal	17,549	17,400	(149)
Cell phone reimbursement	600	1,200	600
	191,383	192,876	1,493
	369,171	358,212	(10,959)
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ (4,914)</b>	<b>\$ -</b>	<b>\$ (4,914)</b>

See Independent Accountants' Review Report

**The Association of Pelican Point, Inc.**  
Schedule of Changes in Contract Liabilities for Replacement Fund  
Year ended December 31, 2021

Component	Beginning Contract Liabilities	Increases	Decreases	Interfund Transfers	Ending Contract Liabilities
Painting	\$ 66,612	\$ 15,540	\$ -	\$ -	\$ 82,152
Roof	115,145	46,620	-	-	161,765
Laundry machines	40,701	1,200	1,332	-	40,569
Elevator	92,520	34,200	4,575	-	122,145
Pool	12,574	3,600	3,180	-	12,994
Roads	34,986	7,440	-	-	42,426
Seawall	13,431	8,220	-	-	21,651
Deferred maintenance	219,950	1,200	4,987	1,812	217,975
Unallocated interest	-	1,812	-	(1,812)	-
	\$ 595,919	\$ 119,832	\$ 14,074	\$ -	\$ 701,677

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	2022 Approved Budgeting Requirement	Components of Contract Liabilities at 12/31/2021
Painting	2 years	\$ 105,600	\$ 17,400	\$ 82,152
Roof	15-16 years	861,000	43,620	161,765
Laundry machines	0 years	52,800	1,800	40,569
Elevator	5-11 years	444,000	33,060	122,145
Pool	5 years	46,000	6,000	12,994
Roads	1-20 years	139,000	6,000	42,426
Seawall	46 years	500,000	10,440	21,651
Deferred maintenance	12 years	250,000	600	217,975
Unallocated interest	n/a	-	-	-
		\$2,398,400	\$ 118,920	\$ 701,677

See Independent Accountants' Review Report