

The Pelican Bay Foundation, Inc.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

September 30, 2025 and 2024



The Pelican Bay Foundation, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Balance Sheets	4
Statements of Revenues, Expenses and Changes in Fund Balances	6
Statements of Cash Flows	8
Notes to Financial Statements	10
Supplementary Information	
Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)	21

Independent Auditor's Report

To the Board of Directors
The Pelican Bay Foundation, Inc.

Opinion

We have audited the financial statements of The Pelican Bay Foundation, Inc. (the "Foundation"), which comprise the balance sheet as of September 30, 2025, the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2025, and the changes in its fund balances and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Foundation at September 30, 2024 were audited by other auditors whose report dated December 20, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on future major repairs and replacements on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Boca Raton, Florida
December 18, 2025

The Pelican Bay Foundation, Inc.

**Balance Sheet
September 30, 2025**

	Operating Fund	Capital Fund	Replacement Fund	2025
<u>Assets</u>				
Current assets				
Cash and cash equivalents (Notes 1 and 8)	\$ 6,166,209	\$ 12,583,436	\$ 8,542,575	\$ 27,292,220
Accounts receivable	209,517	170,000	3,036	382,553
Inventories	228,984	-	-	228,984
Prepaid expenses	1,547,842	-	28,362	1,576,204
Due from funds	-	-	27,119	-
	-	-	27,119	-
Total current assets	8,152,552	12,753,436	8,601,092	29,479,961
Property and equipment, net of accumulated depreciation (Note 2)	-	5,313,046	25,218,340	30,531,386
Right-of-use assets for operating leases, net (Note 11)	416,872	-	-	416,872
Other assets	35,851	-	2,400	38,251
	35,851	-	2,400	38,251
Total assets	<u>\$ 8,605,275</u>	<u>\$ 18,066,482</u>	<u>\$ 33,821,832</u>	<u>\$ 60,466,470</u>
<u>Liabilities and Fund Balances</u>				
Current liabilities				
Accounts payable	\$ 354,976	\$ 1,373,815	\$ 95,503	\$ 1,824,294
Accrued expenses	1,604,390	-	-	1,604,390
Deferred revenue	1,000,061	-	-	1,000,061
Current operating lease liabilities (Note 11)	208,053	-	-	208,053
Due to funds	27,119	-	-	-
	27,119	-	-	-
Total current liabilities	3,194,599	1,373,815	95,503	4,636,798
Long-term liability for operating leases (Note 11)	208,706	-	-	208,706
Total liabilities	3,403,305	1,373,815	95,503	4,845,504
Commitments and contingencies (Notes 2, 6 and 10)				
Fund balances				
Undesignated	3,201,970	16,692,667	33,726,329	53,620,966
Designated fund (Note 9)	2,000,000	-	-	2,000,000
	2,000,000	-	-	2,000,000
Total fund balances	5,201,970	16,692,667	33,726,329	55,620,966
Total liabilities and fund balances	<u>\$ 8,605,275</u>	<u>\$ 18,066,482</u>	<u>\$ 33,821,832</u>	<u>\$ 60,466,470</u>

*Eliminated in the combination of funds.

See Notes to Financial Statements.

The Pelican Bay Foundation, Inc.

**Balance Sheet
September 30, 2024**

	Operating Fund	Capital Fund	Replacement Fund	2024
<u>Assets</u>				
Current assets				
Cash and cash equivalents (Notes 1 and 8)	\$ 4,433,278	\$ 13,504,035	\$ 8,399,192	\$ 26,336,505
Accounts receivable (Note 10)	375,844	-	5,945	381,789
Inventories	175,082	-	-	175,082
Prepaid expenses	1,376,212	-	44,572	1,420,784
Due from funds	-	254,803	42,760	-
	<u>6,360,416</u>	<u>13,758,838</u>	<u>8,492,469</u>	<u>28,314,160</u>
Total current assets				
Property and equipment, net of accumulated depreciation (Note 2)	-	1,476,648	27,568,388	29,045,036
Right-of-use assets for operating leases, net (Note 11)	450,251	-	-	450,251
Other assets	24,230	-	-	24,230
	<u>\$ 6,834,897</u>	<u>\$ 15,235,486</u>	<u>\$ 36,060,857</u>	<u>\$ 57,833,677</u>
<u>Liabilities and Fund Balances</u>				
Current liabilities				
Accounts payable	\$ 233,321	\$ 91,447	\$ 841,233	\$ 1,166,001
Accrued expenses	1,317,172	-	525	1,317,697
Deferred revenue	1,384,650	-	-	1,384,650
Deferred hurricane assessments (Note 10)	219,378	237,795	1,233,050	1,690,223
Current operating lease liabilities (Note 11)	177,002	-	-	177,002
Due to funds	297,563	-	-	-
	<u>3,629,086</u>	<u>329,242</u>	<u>2,074,808</u>	<u>5,735,573</u>
Total current liabilities				
Long-term liability for operating leases (Note 11)	273,249	-	-	273,249
	<u>3,902,335</u>	<u>329,242</u>	<u>2,074,808</u>	<u>6,008,822</u>
Total liabilities				
Commitments and contingencies (Notes 2, 6 and 10)				
Fund balances				
Undesignated	1,632,562	14,906,244	33,986,049	50,524,855
Designated fund (Note 9)	1,300,000	-	-	1,300,000
	<u>2,932,562</u>	<u>14,906,244</u>	<u>33,986,049</u>	<u>51,824,855</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 6,834,897</u>	<u>\$ 15,235,486</u>	<u>\$ 36,060,857</u>	<u>\$ 57,833,677</u>

*Eliminated in the combination of funds.

See Notes to Financial Statements.

The Pelican Bay Foundation, Inc.

**Statement of Revenues, Expenses and Changes in Fund Balances
Year Ended September 30, 2025**

	Operating Fund	Capital Fund	Replacement Fund	2025
Revenues				
Membership assessments (Note 1)	\$ 13,991,945	\$ -	\$ -	\$ 13,991,945
Food sales	4,801,214	-	-	4,801,214
Beverage sales	2,798,136	-	-	2,798,136
Racquet fees and retail sales, including beach store	419,693	-	-	419,693
Fitness and community center	438,921	-	-	438,921
Guest card fees	898,792	-	-	898,792
Investment income	224,675	572,971	338,367	1,136,013
Other, including member rental application fees	526,609	-	-	526,609
Total revenues	24,099,985	572,971	338,367	25,011,323
Expenses				
Restaurants	10,562,542	-	-	10,562,542
Transportation	1,656,978	-	-	1,656,978
Facilities maintenance	1,508,843	-	-	1,508,843
Racquet	898,717	-	-	898,717
Beach operations	557,362	-	-	557,362
General and administrative	3,697,231	-	-	3,697,231
Information technology	1,115,503	-	-	1,115,503
Fitness and community center	1,350,415	-	-	1,350,415
Covenant enforcement and security	1,191,788	-	-	1,191,788
Legal fees	396,036	-	-	396,036
Insurance	1,749,071	-	-	1,749,071
Other	-	116,320	303,028	419,348
Total expenses	24,684,486	116,320	303,028	25,103,834
Excess (deficiency) of revenues over expenses before other revenues (expenses) (Note 1)	(584,501)	456,651	35,339	(92,511)
Other revenues (expenses)				
Gain on sale of assets (Note 5)	3,010,000	-	-	3,010,000
Other revenue	33,600	-	-	33,600
Grant revenue	-	170,000	-	170,000
Depreciation	-	-	(4,361,462)	(4,361,462)
Loss on write-off and disposition of property and equipment (Note 3 and 10)	-	(549,138)	(574,566)	(1,123,704)
Hurricane expenses (Note 10)	(575,594)	-	-	(575,594)
Tax expense	(187,786)	-	-	(187,786)
Total other revenues (expenses)	2,280,220	(379,138)	(4,936,028)	(3,034,946)
Excess (deficiency) of revenues over expenses	1,695,719	77,513	(4,900,689)	(3,127,457)
Fund balances				
Beginning	2,932,562	14,906,244	33,986,049	51,824,855
Hurricane assessments (Note 10)	573,689	105,480	1,011,053	1,690,222
Capital resale contributions (Note 1)	-	2,540,000	-	2,540,000
Replacement reserve assessments (Notes 1 and 7)	-	-	2,693,346	2,693,346
Property and equipment transferred to Replacement Fund	-	(936,570)	936,570	-
Ending	\$ 5,201,970	\$ 16,692,667	\$ 33,726,329	\$ 55,620,966

See Notes to Financial Statements.

The Pelican Bay Foundation, Inc.

**Statement of Revenues, Expenses and Changes in Fund Balances
Year Ended September 30, 2024**

	Operating Fund	Capital Fund	Replacement Fund	2024
Revenues				
Membership assessments (Note 1)	\$ 13,254,769	\$ -	\$ -	\$ 13,254,769
Food sales	3,758,170	-	-	3,758,170
Beverage sales	2,128,210	-	-	2,128,210
Racquet fees and retail sales, including beach store	285,910	-	-	285,910
Fitness and community center	424,837	-	-	424,837
Guest card fees	683,850	-	-	683,850
Investment income	159,974	532,799	183,263	876,036
Other, including member rental application fees	420,523	-	-	420,523
Total revenues	21,116,243	532,799	183,263	21,832,305
Expenses				
Restaurants	8,015,993	-	-	8,015,993
Transportation	1,628,714	-	-	1,628,714
Facilities maintenance	1,395,826	-	-	1,395,826
Racquet	815,773	-	-	815,773
Beach operations	552,774	-	-	552,774
General and administrative	3,378,611	-	-	3,378,611
Information technology	1,100,430	-	-	1,100,430
Fitness and community center	1,052,596	-	-	1,052,596
Covenant enforcement and security	1,215,491	-	-	1,215,491
Legal fees	241,058	-	-	241,058
Insurance	1,548,345	-	-	1,548,345
Other	87	3,026	188,731	191,844
Total expenses	20,945,698	3,026	188,731	21,137,455
Excess (deficiency) of revenues over expenses before other revenues (expenses) (Note 1)	170,545	529,773	(5,468)	694,850
Other revenues (expenses)				
Depreciation	-	-	(3,649,558)	(3,649,558)
Loss on write-off and disposition of property and equipment (Note 2)	-	-	(5,526,632)	(5,526,632)
Hurricane assessments (Note 10)	37,523	-	-	37,523
Hurricane expenses (Note 10)	(37,523)	-	-	(37,523)
Total other (expenses)	-	-	(9,176,190)	(9,176,190)
Excess (deficiency) of revenues over expenses	170,545	529,773	(9,181,658)	(8,481,340)
Fund balances				
Beginning	1,462,017	11,696,688	36,970,245	50,128,950
Hurricane assessments (Note 2)	-	318,050	4,491,385	4,809,435
Capital resale contributions (Note 1)	-	2,713,000	-	2,713,000
Replacement reserve assessments (Notes 1 and 8)	-	-	2,654,810	2,654,810
Property and equipment purchases transferred to	-	(351,267)	351,267	-
Fund advance (Note 9)	1,300,000	-	(1,300,000)	-
Ending	\$ 2,932,562	\$ 14,906,244	\$ 33,986,049	\$ 51,824,855

See Notes to Financial Statements.

The Pelican Bay Foundation, Inc.

**Statement of Cash Flows
Year Ended September 30, 2025**

	Operating Fund	Capital Fund	Replacement Fund	2025
Cash flows from operating activities				
Excess (deficiency) of revenues over expenses	\$ 1,695,719	\$ 77,513	\$ (4,900,689)	\$ (3,127,457)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities				
Depreciation	-	-	4,361,462	4,361,462
Loss on write-off and disposition of property and equipment	-	549,138	574,566	1,123,704
Change in right-of-use assets for operating leases	169,351	-	-	169,351
Changes in assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	166,327	(170,000)	2,909	(764)
Inventories	(53,902)	-	-	(53,902)
Prepaid expenses	(171,630)	-	16,210	(155,420)
Other assets	(11,621)	-	-	(11,621)
(Increase) decrease in liabilities				
Accounts payable	121,655	(10,876)	(316,063)	(205,284)
Accrued expenses	287,218	-	(525)	286,693
Operating lease liabilities	(169,464)	-	-	(169,464)
Deferred revenue	(384,589)	-	-	(384,589)
Deferred hurricane assessments	(219,378)	(237,795)	(1,233,050)	(1,690,223)
Net cash provided by (used in) operating activities	<u>1,429,686</u>	<u>207,980</u>	<u>(1,495,180)</u>	<u>142,486</u>
Cash flows from investing activities				
Purchase of property and equipment	-	(4,028,862)	(2,079,077)	(6,107,939)
Decrease in other assets	-	-	(2,400)	(2,400)
Net cash used in investing activities	<u>-</u>	<u>(4,028,862)</u>	<u>(2,081,477)</u>	<u>(6,110,339)</u>
Cash flows from financing activities				
Proceeds from hurricane assessments	573,689	105,480	1,011,053	1,690,222
Proceeds from capital resale contributions	-	2,540,000	-	2,540,000
Proceeds from replacement reserve assessment	-	-	2,693,346	2,693,346
Interfund activity	(270,444)	254,803	15,641	-
Net cash provided by financing activities	<u>303,245</u>	<u>2,900,283</u>	<u>3,720,040</u>	<u>6,923,568</u>
Net increase (decrease) in cash and cash equivalents	1,732,931	(920,599)	143,383	955,715
Cash and cash equivalents, beginning	<u>4,433,278</u>	<u>13,504,035</u>	<u>8,399,192</u>	<u>26,336,505</u>
Cash and cash equivalents, end	<u>\$ 6,166,209</u>	<u>\$ 12,583,436</u>	<u>\$ 8,542,575</u>	<u>\$ 27,292,220</u>
Right-of-use assets obtained by incurring operating lease liabilities	<u>\$ 119,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,984</u>
Property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 16,150</u>	<u>\$ 25,176</u>	<u>\$ 41,326</u>
Construction in progress and construction retainage included in accounts payable	<u>\$ -</u>	<u>\$ 1,277,094</u>	<u>\$ (454,843)</u>	<u>\$ 822,251</u>
Transfer of property and equipment purchases from the Capital Fund to the Replacement Fund	<u>\$ -</u>	<u>\$ (936,570)</u>	<u>\$ 936,570</u>	<u>\$ -</u>

See Notes to Financial Statements.

The Pelican Bay Foundation, Inc.

**Statement of Cash Flows
Year Ended September 30, 2024**

	Operating Fund	Capital Fund	Replacement Fund	2024
Cash flows from operating activities				
Excess (deficiency) of revenues over expenses	\$ 170,545	\$ 529,773	\$ (9,181,658)	\$ (8,481,340)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities				
Depreciation	-	-	3,649,558	3,649,558
Loss on write-off and disposition of property and equipment	-	-	5,526,632	5,526,632
Change in right-of-use assets for operating leases	163,250	-	-	163,250
Changes in assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	(235,412)	185,806	7,218,180	7,168,574
Inventories	(55,549)	-	-	(55,549)
Prepaid expenses	(37,297)	-	(44,572)	(81,869)
Other assets	(10,470)	-	-	(10,470)
(Increase) decrease in liabilities				
Accounts payable	(89,189)	10,876	302,404	224,091
Accrued expenses	(92,412)	-	264	(92,148)
Operating lease liabilities	(163,250)	-	-	(163,250)
Deferred revenue	430,806	-	-	430,806
Deferred hurricane assessments	219,378	237,795	1,233,050	1,690,223
Net cash provided by operating activities	<u>300,400</u>	<u>964,250</u>	<u>8,703,858</u>	<u>9,968,508</u>
Cash flows from investing activities				
Disbursements for property and equipment	<u>-</u>	<u>(989,696)</u>	<u>(5,753,121)</u>	<u>(6,742,817)</u>
Net cash used in investing activities	<u>-</u>	<u>(989,696)</u>	<u>(5,753,121)</u>	<u>(6,742,817)</u>
Cash flows from financing activities				
(Repayments) proceeds on line of credit	-	-	(1,000,000)	(1,000,000)
Proceeds from hurricane assessments	-	318,050	4,491,385	4,809,435
Proceeds from capital resale contributions	-	2,713,000	-	2,713,000
Proceeds from replacement reserve assessment	-	-	2,654,810	2,654,810
Interfund activity	<u>1,602,688</u>	<u>(2,584)</u>	<u>(1,600,104)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,602,688</u>	<u>3,028,466</u>	<u>4,546,091</u>	<u>9,177,245</u>
Net increase in cash and cash equivalents	1,903,088	3,003,020	7,496,828	12,402,936
Cash and cash equivalents, beginning	<u>2,530,190</u>	<u>10,501,015</u>	<u>902,364</u>	<u>13,933,569</u>
Cash and cash equivalents, end	<u><u>\$ 4,433,278</u></u>	<u><u>\$ 13,504,035</u></u>	<u><u>\$ 8,399,192</u></u>	<u><u>\$ 26,336,505</u></u>
Construction in progress in construction and retainage included in accounts payable	<u>\$ -</u>	<u>\$ 80,571</u>	<u>\$ 507,647</u>	<u>\$ 588,218</u>
Transfer of property and equipment purchases from the Capital Fund to the Replacement Fund	<u>\$ -</u>	<u>\$ (351,267)</u>	<u>\$ 351,267</u>	<u>\$ -</u>

See Notes to Financial Statements.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

Note 1 - Nature of organization and significant accounting policies

Nature of organization

The Pelican Bay Foundation, Inc. (the "Foundation") is a master homeowners' association located in North Naples, Florida in Collier County, incorporated in the state of Florida on May 1, 1979. Pelican Bay is a private community situated alongside two and one-half miles of gulf beaches with a backdrop of native Florida mangroves and consists of approximately 7,200 units, including single-family homes, condominium subdivisions and commercial units. The Foundation is responsible for operating and maintaining the common and recreational areas, property and equipment, providing security services to the common areas and operating restaurant facilities for its members.

Members are restricted in the use of common property by the rules and regulations in the Foundation's governing documents.

A summary of the Foundation's significant accounting policies follows:

Fund accounting

The Foundation uses fund accounting as the manner of organizing and managing accounting transactions by which resources for various purposes are classified for financial accounting and reporting purposes. A fund is an accounting entity with a self-balancing set of accounts consisting of assets, liabilities and a fund balance. Separate accounts are maintained for each fund to ensure observance of limitations and restrictions placed on the use of the resources.

The funds of the Foundation are the Operating, Capital and Replacement Funds. The accounting and reporting purposes of each fund are as follows:

Operating Fund: Those activities which provide for the daily operations and maintenance of the common and recreational areas.

Capital Fund: Those activities associated with the enhancement and improvement of common and recreational areas. Capital purchases from the Capital Fund are transferred to the Replacement Fund when placed into service.

Replacement Fund: Those activities associated with the replacement of existing equipment, furnishings, land improvements and other facilities. The fund includes transfers of property and equipment from the Capital Fund, depreciation, accumulated depreciation and gain or loss on sale and write-off of property and equipment.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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, cash equivalents and concentration risk

The Foundation considers all money market funds and highly-liquid investments to be cash equivalents. The Foundation maintains funds in accounts which, at times, may exceed Federal Deposit Insurance Corporation or Securities Investor Protection Corporation ("SIPC") insured limits. Accounts that may exceed the SIPC limit are investments in U.S. government-backed securities. As of September 30, 2025 and 2024, the Foundation has invested \$20,181,526 and \$20,615,697,

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

respectively, in treasury portfolio money market mutual funds maintaining a net asset value of \$1 per share. The Foundation has not experienced any losses on such accounts.

Ownership transactions

Proceeds from capital resale contributions, replacement reserve assessments and hurricane assessments (Capital and Replacement Funds) are accounted for as owner transactions because of various rights and obligations of the members making such payments.

Capital resale contributions

The Foundation currently levies a resale capital contribution on the transferee of a conveyance of a plot or unit of \$10,000, unless approved for a one-time only member exemption, which allows a member to move from one plot to another without the resale capital contribution. Resale capital contributions are accounted for in the Capital Fund and are designated for the Foundation's future capital acquisitions and are recognized when received. Total capital resale contributions received for the years ended September 30, 2025 and 2024 were \$2,540,000 and \$2,713,000, respectively.

Replacement reserve assessments

The Foundation also levies an annual replacement reserve assessment (\$385 and \$358 per unit for 2025 and 2024, respectively), which is accounted for in the Replacement Fund and is designated for the future replacement of capitalized assets (see Note 6). The Foundation recognizes the assessments when received and determines the annual replacement fund assessment using the pooling method. The Foundation collected from its members \$2,693,346 and \$2,654,810 in replacement fund assessments for the years ended September 30, 2025 and 2024, respectively.

The state of Florida requires that entities with nonstatutory reserves set forth the following disclosure:

The budget of the Foundation does not provide for fully funded reserve accounts for capital expenditures and deferred maintenance that may result in special assessments regarding those items. Owners may elect to provide for fully funded reserve accounts, pursuant to section 720.303(6), Florida Statutes, upon obtaining approval of a majority of the total voting interests of the Foundation by vote of the members at a meeting or by written consent.

The budget of the Foundation provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in our governing documents. Because the owners have not elected to provide for reserve accounts pursuant to section 720.303(6), Florida Statutes, these funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute (see Note 6).

Revenue recognition

The Foundation records revenue with its members in accordance the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. All revenue with members is recorded based on fixed transaction prices and any right to return goods does not significantly impact the Foundation's revenue. The Foundation records accounts receivable when it has the unconditional right to issue an invoice and receive payment regardless of whether revenue has been recognized. When consideration is received and revenue has not yet been recognized, a contract liability (deferred revenue) is also recorded. As of September 30, 2025, deferred revenue consists primarily of fiscal year 2026 membership assessments collected in advance. The Foundation does not recognize revenue in advance of the right to invoice and, therefore, has not recorded a contract asset. As of October 1, 2024, the opening balances of accounts receivable and deferred revenue were \$7,550,363 and \$953,844, respectively.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

Membership operating assessments

The Foundation records membership operating assessments as revenue ratably over the period in which those billings relate, which is when the Foundation's performance obligation is satisfied. Operating assessments (\$1,936 and \$1,834 per unit for 2025 and 2024, respectively) are assessed to all members for the operating expenses associated with maintaining the common and recreation areas of the Foundation. The Foundation billed to its members \$13,991,945 and \$13,254,769 in operating assessments for the years ended September 30, 2025 and 2024, respectively.

Food, beverage, sports and recreation activities and member services

The Foundation records food, beverage, sports and recreation activities and member services revenue from Foundation facilities upon delivery of these goods and services to the member, which is when the Foundation's performance obligation is satisfied.

Hurricane assessments

The Foundation records hurricane assessments (Operating Fund) in the period in which the related hurricane expenditures are made (see Note 8).

Total revenue recognized at a point in time and over time was as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Revenue recognized at a point in time	\$ 10,108,040	\$ 7,739,023
Revenue recognized over time	<u>13,991,945</u>	<u>13,254,769</u>
	<u>\$ 24,099,985</u>	<u>\$ 20,993,792</u>

The Foundation collects and remits sales and use taxes from members at the point of sale for retail transactions and reports such amounts under the net method on the balance sheet. Accordingly, these taxes are not included in gross revenue.

Interest income

Interest income is recognized when earned.

Operating income (loss)/performance measurement

The Foundation considers the excess (deficiency) of revenues over expenses before other revenues (expenses) to be operating income for performance measurement purposes as this is the line item budgeted for financial management and internal reporting purposes. The operating results as of years ended September 30, 2025 and 2024, are not comparable due to Hurricane Ian, Helene and Milton's impact on operations.

Fair value measurements

U.S. GAAP establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Foundation's fair value measurements for money market funds (included in cash and cash equivalents) are considered to be Level 1.

Accounts receivable

Accounts receivable primarily consist of assessment amounts due from members as well as grants. The Foundation does not maintain a member charge system for food and beverage or other charges to residents. An account receivable is considered to be past due if any portion of the receivable is outstanding for more than one month. Interest, at 18% annually, is recognized when charged on member receivables that are outstanding for more than one month. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recognized as a reversed adjustment to bad debt when received.

The Foundation records an allowance for credit losses in accordance with ASU 2016-13, measured over the contractual life of the receivable based on an assessment of historical collection activity and current and forecasted future economic conditions. The Foundation recorded an allowance for credit losses of \$22,544 and \$31,672 as of September 30, 2025 and 2024, respectively.

Inventories

The food and beverage inventory is stated at average cost. The retail inventory is stated at the lower of cost (first-in, first-out method) or net realizable value.

Property and equipment

The Foundation's policy for recognizing common property as assets in its balance sheet is to recognize commonly-owned assets as common personal property and real property to which it has title. Property and equipment is recorded at cost.

Depreciation

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment and furniture	3-15
Transportation equipment	3-7
Boardwalks and other land improvements	5-30
Buildings and improvements	3-39
Tennis courts and equipment	5-20

Income taxes

The Foundation is incorporated as a nonprofit corporation under the laws of the state of Florida, as contained in Chapter 720 of the Florida Statutes. However, the Foundation is not exempt from federal and state income taxes. For income tax purposes, the Foundation is required to segregate the results of its member activities from its nonmember activities, which includes interest income, and is subject to tax, if any, on nonmember activities.

The Pelican Bay Foundation, Inc.

**Notes to Financial Statements
September 30, 2025**

Due to the nature of the Foundation's operations, the Foundation believes it is remote that it would utilize any loss carryforwards. As a result, it is the Foundation's policy not to record the deferred tax asset and related valuation allowances associated with the carryforwards.

The Foundation has evaluated its tax positions and concluded the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of the Income Tax Topic of the FASB Accounting Standards Codification.

Leases

The Foundation determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right-of-use ("ROU") assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease during the lease term. ROU assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. Lease commencement is the date the Foundation has the right to control the property. When the rate implicit in the lease is not known, the Foundation utilizes the risk-free rate to discount the lease payments. The risk-free rate is based on the United States Treasury rate for treasuries of similar terms to the lease.

Subsequent events

Management of the Foundation has evaluated subsequent events through December 18, 2025, the date on which the financial statements were available to be issued (see Note 2, 3 and 6).

Note 2 - Property and equipment

Property and equipment consist of the following as of September 30:

	2025	2024
Equipment and furniture	\$ 12,550,924	\$ 9,973,685
Transportation equipment	1,084,587	1,007,482
Boardwalks and other land improvements	11,538,635	11,553,642
Buildings and improvements	22,959,168	20,364,216
Tennis courts and equipment	1,416,152	1,378,907
	49,549,466	44,277,932
Less accumulated depreciation	24,459,465	21,426,804
	25,090,001	22,851,128
Construction in progress \$5,313,046 (2025) and \$1,476,648 (2024) in the Capital Fund and \$128,339 (2025) and \$4,717,260 (2024) in the Replacement Reserve Fund	5,441,385	6,193,908
	<u>\$ 30,531,386</u>	<u>\$ 29,045,036</u>

During the years ended September 30, 2025 and 2024, the Foundation conducted a full review of their property and equipment detail and in connection with ongoing renovation projects resulting from hurricane damages and scope changes of those projects, the Foundation wrote-off and disposed of property and equipment with a total original cost of \$2,476,849 and \$13,000,675 and accumulated depreciation of \$1,328,801 and \$7,474,043 for the years ended September 30, 2025 and 2024,

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

respectively. The Foundation recognized a loss on write-off and disposition of property and equipment of \$1,123,704, which is inclusive of disposed property and equipment related to Hurricane Helene and Hurricane Milton damage with a total original cost of \$22,600 and \$60,727, respectively, and accumulated depreciation of \$1,563 and \$21,295, respectively (see Note 9). The loss on write-off and disposition of property and equipment related to Hurricane Helene and Hurricane Milton were \$21,037 and \$39,432, respectively.

During the year ended September 30, 2024, the Foundation recognized a loss on write-off and disposition of property and equipment of \$5,526,632, which is inclusive of disposed property and equipment related to Hurricane Helene damage with a total original cost of \$8,603 and accumulated depreciation of \$4,185 (see Note 9). The loss on write-off and disposition of property and equipment related to Hurricane Helene was \$4,418.

As of September 30, 2025 and 2024, the Foundation has outstanding construction contract commitments of approximately \$1,301,000 and \$1,115,000, respectively. In December 2024, the Foundation entered into contracts related to the Pelican Bay Community Park (see Note 4) with a construction general contractor and court contractor for an approximate total of \$5,253,000.

Note 3 - Line of credit

The Foundation has a revolving line of credit agreement with a bank that provides for short-term borrowings up to \$5,000,000 bearing interest at a variable rate equal to prime (7.25% and 8.0% as of September 30, 2025 and 2024, respectively) and a maturity date of February 26, 2026. The line of credit is collateralized by all annual or quarterly assessments and special assessments levied now or in the future. There was no outstanding balance on the line of credit as of September 30, 2025 and 2024.

Note 4 - Grant revenue

During September 2025, the Foundation received a grant contribution from a private institution. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreement and regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Foundation. The Foundation recorded \$170,000 of grant revenue in the statement of revenues, expenses and changes in fund balances.

Note 5 - Sale of assets

In January 2025, The Foundation entered into an agreement ("Agreement") with a vendor. Vendor is engaged in the business of providing telecommunications services to multi-family communities. The vendor paid a \$3,010,000 non-refundable payment for the purchase of all rights, title and interest for the infrastructure, wiring, cables, etc., necessary for the operations of a system to deliver programming and other communications and data services.

Note 6 - Commitments and contingencies

Bulk media services

The Foundation bills members on September 1, and they have the option to pay annually or quarterly. The Foundation's policy is to pass through the cost of bulk media services to its members without profit or loss. Any differences in amounts incurred and billed annually are adjusted in the subsequent year. As such, neither revenues nor expenses are shown in the statement of revenues, expenses and changes in fund balances.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

Management agreement Pelican Bay Community Park ("Park")

On August 22, 2023, the Foundation entered into a management agreement with Collier County ("County"). The County owns a community park within the Pelican Bay planned unit development boundaries. General terms of the agreement include the Foundation making certain capital improvements to the Park to be owned by the County, including construction of parking spaces, new tennis and pickleball courts, and 6,000 square foot building, with total project costs estimated at \$6,000,000. The Foundation will operate and manage racquet sport activities for the public and defined private usage at the park for the term of the agreement, including court rentals and tournaments. The agreement will commence on the date the Foundation completes the construction of the capital improvements and has a 30-year term. The Foundation and County have agreed on capital improvement details and have not chosen to terminate by written notice from either party. Improvements to the park were completed subsequent to year-end and Community park opened to the public on December 2nd, 2025.

Insurance matters

Because the Foundation resides along the Gulf Coast of Florida, catastrophic weather events do represent a risk to its property and equipment. The Foundation has a policy of partially insuring its major fixed assets against catastrophic weather events. A certain portion of its near-gulf capital assets are economically uninsurable. Losses incurred in excess of insurable amounts would be borne by the Foundation. As such, losses from future catastrophic weather events may require special membership assessments and/or funding from existing funds (see Note 8).

Litigation

The Foundation is a party to claims and litigation in the normal conduct of business. The Foundation believes that the outcome of such claims and litigation will not have a material adverse effect on the Foundation's financial condition, cash flows or changes in fund balances.

Termination of members of management

The Foundation entered into two different separation agreements of members of management. As a result of agreements, the Foundation has a commitment to pay the amount of \$183,403 in the next 12 months subsequent to year-end.

Note 7 - Retirement plan

The Foundation sponsors a 401(k) employee savings and retirement plan for the benefit of its employees. All employees at least 21 years of age, having one month of service are eligible to participate in the plan. The Foundation matches 100% of the first 4% of each participant's contributions. Retirement plan expense recognized in the statements of revenues, expenses and changes in fund balances was \$369,463 and \$217,000 for the years ended September 30, 2025 and 2024, respectively.

Note 8 - Major repairs and replacements

The Foundation has set aside funds for future repairs and replacements. Accumulated funds are held in separate accounts and are not available for normal operations. Cash and cash equivalents in the Replacement Fund as of September 30, 2025 and 2024 totaled \$8,542,575 and \$8,399,192, respectively.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements September 30, 2025

The Foundation follows the policy of having its common property reviewed by an independent replacement reserve analysis company, which was most recently updated in 2025. These reviews consider all the in-service common property of the Foundation. The values ascribed to those appraised assets are determined using estimated current replacement costs. Additionally, estimated economic lives are ascribed for purposes of determining annual replacement reserve funding.

The Foundation is fully funding contributions resulting from the study. The fiscal 2026 budget includes \$2,775,432 (\$384 per unit) of replacement reserve assessments.

Note 9 - Designated fund

In response to the Foundation Declaration 6.05(a), in January 2011, the Board of Directors ("Board") of the Foundation approved establishing a contingency fund to enable the Foundation to operate for a period of three months in the event of a disaster, or to provide funds for unanticipated operating expenses as determined by the Board. The contingency fund had a balance of \$2,000,000 and \$1,300,000 as of September 30, 2025 and 2024, respectively.

Note 10 - Hurricanes

In 2024, as a result of Hurricane Ian expenditures, cash and cash equivalents were depleted in the Replacement Fund and replenished upon receipt of Hurricane Ian assessments. The Operating Fund previously advanced \$1,300,000 of Board Designated funds to the Replacement Fund and the Replacement Fund borrowed \$1,000,000 on the line of credit (see Note 3). The Replacement Fund has repaid the Operating Fund \$1,300,000 with funds received from Hurricane Ian assessments in fiscal 2024.

On September 26, 2024, the Foundation's facilities sustained minimal damage related to Hurricane Helene. On October 9, 2024, the Foundation's facilities sustained additional minor damage related to Hurricane Milton. In October 2024, the Board approved to utilize any remaining Hurricane Ian assessments to cover expenditures related to hurricanes Helene and Milton.

The Pelican Bay Foundation, Inc.

**Notes to Financial Statements
September 30, 2025**

Hurricane related revenues and expenditures are as follows for the years ended September 30:

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2025
Hurricane assessments	\$ 573,689	\$ 105,480	\$ 1,011,053	\$ 1,690,222
Hurricane Ian expenses	(455)	-	-	(455)
Hurricane Helene expenses	(104,875)	-	-	(104,875)
Hurricane Milton expenses	(468,359)	-	-	(468,359)
	-	105,480	1,011,053	1,116,533
Hurricane Ian - property and equipment expenditures	-	(27,162)	(366,188)	(393,350)
Hurricane Helene - property and equipment expenditures	-	(17,239)	(21,873)	(39,112)
Hurricane Milton - property and equipment expenditures	-	(61,079)	(622,992)	(684,071)
	-	-	-	-
Hurricane Helene - loss on write-off and disposition of property and equipment, net	-	-	(21,037)	(21,037)
Hurricane Milton - loss on write-off and disposition of property and equipment, net	-	-	(39,432)	(39,432)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,469)</u>	<u>\$ (60,469)</u>
	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2024
Hurricane assessments	\$ 37,523	\$ 318,050	\$ 4,491,385	\$ 4,846,958
Hurricane Ian expenses	(23,063)	-	-	(23,063)
Hurricane Helene expenses	(14,460)	-	-	(14,460)
	-	318,050	4,491,385	4,809,435
Hurricane Ian - property and equipment expenditures	-	(318,050)	(4,490,309)	(4,808,359)
Hurricane Helene - property and equipment expenditures	-	-	(1,076)	(1,076)
	-	-	-	-
Hurricane Ian - loss on write- off and disposition of property and equipment, net	-	-	(4,418)	(4,418)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,418)</u>	<u>\$ (4,418)</u>

The Pelican Bay Foundation, Inc.

**Notes to Financial Statements
September 30, 2025**

As of September 30, 2025 and 2024, Hurricane Ian assessments included in accounts receivable totaled approximately \$0 and \$156,000, respectively (Operating Fund - \$0 and \$156,000; Capital Fund - \$0; Replacement Fund - \$0). There were \$0 and \$1,690,223 as of September 30, 2025 and 2024, respectively, hurricane assessments included in current liabilities on the accompanying balance sheet as deferred hurricane assessments.

Note 11 - Leases

The Foundation has various operating lease agreements primarily related to transportation vehicles with 48-month terms and discount rates between 3.54% and 4.41%. The Foundation's leases do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Operating lease expense is recorded in the related departmental expense on the statement of revenues, expenses and changes in fund balances. The components of lease expense are as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Operating lease costs, including interest of \$14,029 (2025) and \$20,211 (2024)	<u>\$ 202,320</u>	<u>\$ 183,461</u>

Supplemental balance sheet information related to leases is as follows as of September 30:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term	2.47 years	2.58 years
Weighted-average discount rate	2.52%	1.88%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet as of September 30, 2025, are as follows:

<u>Years ending September 30,</u>		
2026	\$	223,695
2027		138,407
2028		31,723
2029		26,663
2030		<u>13,332</u>
		433,820
Less imputed interest		<u>(17,061)</u>
Present value of future minimum lease payments		416,759
Less current portion		<u>(208,053)</u>
Long-term portion	\$	<u>208,706</u>

Supplementary Information

The Pelican Bay Foundation, Inc.

**Required Supplementary Information on
Future Major Repairs and Replacements (Unaudited)
September 30, 2025**

The Foundation engaged an independent replacement reserve analysis company to conduct a Level III Property Wellness Reserve Study in fiscal year 2024 to estimate the remaining useful lives and the replacements costs of the components of common property. During 2025, a Level II Property Wellness Reserve Study program was completed. A 2.7% rate of return was used by the replacement reserve analyst to determine the funding requirements. The study includes an inflation factor of 3.7% annually.

The following table is based on the independent reserve study and presents significant information over a 30-year period on the fixed assets as of the fiscal year ended September 30, 2025:

	Estimated remaining lives (in years)	Estimated future replacement costs
Apartments	0-30	\$ 8,335,991
Commons office	0-30	11,303,216
Community center	0-27	20,453,236
Furniture, beach, umbrellas, boxes and cabanas	0-5	4,371,032
Landscaping	0-20	2,741,556
Miscellaneous	0-19	6,214,706
North beach facility	0-29	31,859,326
North boardwalk	7-22	5,135,085
Parks	1-19	1,209,200
Security system	0-5	1,596,378
South beach facility	0-39	34,924,242
South beach boardwalk	1-21	6,326,938
South tennis center	0-39	4,068,276
Spa	0-29	386,148
Tram paths	0-19	1,286,910
Tram stations	0-22	2,323,161
Utility infrastructure	0	3,203,579
Vehicles	0-9	13,017,079
		<u>\$ 158,756,059</u>

The Foundation does not establish separate accounts for each major component of the Replacement Fund. The Foundation does calculate replacement costs for specific assets. As of September 30, 2025, the Replacement Fund has net current assets (current assets less current liabilities) of \$8,505,589 for future major repairs and replacements.

See Independent Auditor's Report.



Independent Member of Nexia

cohnreznick.com