The Pelican Bay Foundation, Inc.

Financial Report
September 30, 2023

Contents

Independent Auditor's Report

Board of Directors
The Pelican Bay Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of The Pelican Bay Foundation, Inc. (the Foundation), which comprise the balance sheet as of September 30, 2023, 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, 2023, 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.

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 a 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 15 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.

Report on Summarized Comparative Information

We have previously audited The Pelican Bay Foundation, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Naples, Florida
January 24, 2024

The Pelican Bay Foundation, Inc.

Balance Sheet
September 30, 2023
With Comparative Totals for September 30, 2022

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2023	Combined Funds 2022
Assets					
Current assets:					
Cash and cash equivalents (Note 1)	$ 2,530,190	$ 10,501,015	$ 902,364	$ 13,933,569	$ 17,122,062
Accounts receivable (Note 8)	140,432	185,806	7,224,125	7,550,363	621,683
Inventories	119,533	-	-	119,533	50,006
Prepaid expenses	1,338,915	-	-	1,338,915	944,969
Due from Funds	5,125	252,219	-	-	-
Total current assets	4,134,195	10,939,040	8,126,489	22,942,380	18,738,720
Property and equipment, net of accumulated depreciation (Note 2)	-	883,122	30,701,833	31,584,955	25,274,659
Right-of-use assets for operating leases, net (Note 9)	613,501	-	-	613,501	-
Other assets	13,760	-	-	13,760	121,113
Total assets	$ 4,761,456	$ 11,822,162	$ 38,828,322	$ 55,154,596	$ 44,134,492
Liabilities and Fund Balances					
Current operating lease liabilities (Note 9)	$ 163,249	$ -	$ -	$ 163,249	$ -
Accounts payable (Note 4)	322,510	125,474	600,472	1,048,456	922,246
Accrued expenses	1,409,584	-	261	1,409,845	930,357
Deferred revenue	953,844	-	-	953,844	1,046,621
Due to Funds	-	-	257,344	-	-
Total current liabilities	2,849,187	125,474	858,077	3,575,394	2,899,224
Line of credit (Note 3)	-	-	1,000,000	1,000,000	-
Long-term liability for operating leases (Note 9)	450,252	-	-	450,252	-
Total liabilities	3,299,439	125,474	1,858,077	5,025,646	2,899,224
Commitments and contingencies (Notes 2, 4 and 8)					
Fund balances:					
Undesignated	1,462,017	11,696,688	35,670,245	48,828,950	39,935,268
Designated fund (Note 7)	-	-	1,300,000	1,300,000	1,300,000
Total fund balances	1,462,017	11,696,688	36,970,245	50,128,950	41,235,268
Total liabilities and fund balances	$ 4,761,456	$ 11,822,162	$ 38,828,322	$ 55,154,596	$ 44,134,492

*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, 2023
With Comparative Totals for Year Ended September 30, 2022

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2023 (Note 8)	Combined Funds 2022
Revenues:					
Membership assessments (Note 1)	$ 11,823,772	$ -	$ -	$ 11,823,772	$ 10,118,813
Food sales	481,960	-	-	481,960	3,805,515
Beverage sales	178,191	-	-	178,191	2,107,219
Tennis fees and retail sales, including beach store	280,333	-	-	280,333	301,041
Fitness and community center	437,110	-	-	437,110	349,268
Guest card fees	439,299	-	-	439,299	701,144
Investment income	151,229	346,607	66,934	564,770	98,214
Other, including member rental application fees	419,753	-	-	419,753	505,180
	14,211,647	346,607	66,934	14,625,188	17,986,394
Expenses:					
Restaurants	2,165,273	-	-	2,165,273	7,063,706
Transportation	1,046,824	-	-	1,046,824	1,493,787
Facilities maintenance	915,434	-	-	915,434	1,163,290
Tennis	836,858	-	-	836,858	782,678
Beach operations	397,911	-	-	397,911	413,736
General and administrative	3,041,077	-	-	3,041,077	2,804,087
Information technology	972,910	-	-	972,910	902,107
Fitness and community center	919,179	-	-	919,179	827,210
Covenant enforcement and security	894,528	-	-	894,528	998,169
Legal fees	201,078	-	-	201,078	139,733
Insurance	1,242,208	-	-	1,242,208	903,762
Other	17	17,184	71,149	88,350	198,445
	12,633,297	17,184	71,149	12,721,630	17,690,710
Excess (deficiency) of revenues over expenses before other revenues (expenses) (Note 8)	1,578,350	329,423	(4,215)	1,903,558	295,684
Other revenues (expenses):					
Depreciation	-	-	(3,049,210)	(3,049,210)	(3,558,497)
Loss on write-off and disposition of property and equipment (Notes 2 and 8)	-	-	(691,532)	(691,532)	(1,622,238)
Hurricane assessments (Note 8)	443,173	-	-	443,173	-
Hurricane expenses (Note 8)	(2,443,173)	-	(106,500)	(2,549,673)	(113,769)
Hurricane insurance proceeds (Note 8)	-	-	355,053	355,053	188,177
	(2,000,000)	-	(3,492,189)	(5,492,189)	(5,106,327)
(Deficiency) excess of revenues over expenses	(421,650)	329,423	(3,496,404)	(3,588,631)	(4,810,643)
Fund balances:					
Beginning	3,183,667	8,600,568	29,451,033	41,235,268	40,077,425
Hurricane assessments (Note 8)	-	207,872	7,224,129	7,432,001	-
Capital resale contributions (Note 1)	-	2,805,000	-	2,805,000	3,823,580
Replacement reserve assessment (Notes 1 and 6)	-	-	2,245,312	2,245,312	2,144,906
Property and equipment purchases transferred to Replacement Fund	-	(246,175)	246,175	-	-
Fund advance (Note 8)	(1,300,000)	-	1,300,000	-	-
Ending	$ 1,462,017	$ 11,696,688	$ 36,970,245	$ 50,128,950	$ 41,235,268

See notes to financial statements.

The Pelican Bay Foundation, Inc.

Statement of Cash Flows
Year Ended September 30, 2023
With Comparative Totals for Year Ended September 30, 2022

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2023	Combined Funds 2022
Cash flows from operating activities:					
(Deficiency) excess of revenues over expenses	$ (421,650)	$ 329,423	$ (3,496,404)	$ (3,588,631)	$ (4,810,643)
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash (used in) provided by operating activities:					
Depreciation	-	-	3,049,210	3,049,210	3,558,497
Loss on write-off and disposition of property and equipment	-	-	691,532	691,532	1,622,238
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	61,660	(185,806)	(6,804,534)	(6,928,680)	(616,308)
Inventories	(69,527)	-	-	(69,527)	83,221
Prepaid expenses	(393,946)	-	-	(393,946)	(239,519)
Other assets	(10,300)	62,367	-	52,067	(29,656)
Increase (decrease) in:					
Accounts payable	(298,170)	-	20,988	(277,182)	(48,700)
Accrued expenses	479,227	-	261	479,488	(149,005)
Deferred revenue	(92,777)	-	-	(92,777)	(15,565)
Net cash (used in) provided by operating activities	(745,483)	205,984	(6,538,947)	(7,078,446)	(645,440)
Cash flows from investing activities:					
Disbursements for property and equipment	-	(602,869)	(9,044,777)	(9,647,646)	(2,289,827)
Proceeds from the disposition of property and equipment	-	-	-	-	593,810
Decrease in other assets	-	-	55,286	55,286	20,889
Net cash used in investing activities	-	(602,869)	(8,989,491)	(9,592,360)	(1,675,128)
Cash flows from financing activities:					
Proceeds from line of credit	-	-	1,000,000	1,000,000	-
Proceeds from Hurricane assessments	-	207,872	7,224,129	7,432,001	
Proceeds from capital resale contributions	-	2,805,000	-	2,805,000	3,823,580
Proceeds from replacement reserve assessment	-	-	2,245,312	2,245,312	2,144,906
Interfund activity	(1,296,961)	(254,488)	1,551,449	-	-
Net cash (used in) provided by financing activities	(1,296,961)	2,758,384	12,020,890	13,482,313	5,968,486
Net (decrease) increase in cash and cash equivalents	(2,042,444)	2,361,499	(3,507,548)	(3,188,493)	3,647,918
Cash and cash equivalents:					
Beginning	4,572,634	8,139,516	4,409,912	17,122,062	13,474,144
Ending	$ 2,530,190	$ 10,501,015	$ 902,364	$ 13,933,569	$ 17,122,062
Supplemental schedules of noncash investing and financing activities:					
Property and equipment included in accounts payable	$ -	$ 22,354	$ 155,128	$ 177,482	$ 79,917
Construction in progress and construction retainage included in accounts payable	$ -	$ 103,120	$ 414,162	$ 517,282	$ 211,455
Transfer of property and equipment purchases from the Capital Fund to the Replacement Fund	$ -	$ (246,175)	$ 246,175	$ -	$ -
Right-of-use assets obtained by incurring operating lease liabilities	$ 680,565	$ -	$ -	$ 680,565	$ -

See notes to financial statements.

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.

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 (increased from $7,500 effective September 1, 2022), 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 year ended September 30, 2023, were $2,805,000.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Replacement reserve assessments: The Foundation also levies an annual replacement reserve assessment ($312 per unit for 2023), 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 $2,245,312 in replacement fund assessments for the year ended September 30, 2023.

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: All revenue 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, 2023, deferred revenue consists primarily of fiscal year 2024 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.

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 ($1,636 per unit for 2023) 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 $11,823,772 in operating assessments for the year ended September 30, 2023.

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 and insurance proceeds: The Foundation records hurricane assessments and insurance proceeds in the period in which the related hurricane expenditures are made (see Note 8).

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Total revenue recognized at a point in time and over time was as follows for the year ended September 30, 2023:

Revenue recognized at a point in time	$ 3,599,642
Revenue recognized over time	11,823,772
	$ 15,423,414

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 statement of revenues, expenses and changes in fund balances. Accordingly, these taxes are not included in gross revenue.

Operating income (loss)/performance measurement: The Foundation considers the excess (deficiency) of revenues over expenses before other revenues (expenses) to be operating income (loss) for performance measurement purposes as this is the line item budgeted for financial management and internal reporting purposes.

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, 2023, the Foundation has invested $9,566,730 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.

Accounts receivable: Accounts receivable, which consist principally of assessments from members, are carried at the original amount less an estimate made for doubtful receivables when applicable, based on a review of all outstanding amounts on a monthly basis. The Foundation does not maintain a member charge system for food and beverage or other charges to residents. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

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

	Years
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.

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 statement to comply with the provision of the Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Comparative amounts: The financial statements include certain prior-year summarized comparative information in total but not by funds. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheet as a right-of-use (ROU) asset representing the ROU an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of revenues, expenses and changes in fund balances. The Foundation adopted Topic 842 on October 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on October 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Foundation elected the package of practical expedients under the transition guidance within Topic 842, in which the Foundation does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on October 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available.

Reclassifications: Certain reclassifications have been made to the 2022 financial statements in order to conform with the 2023 presentation. These reclassifications had no effect on fund balances.

Subsequent events: Management of the Foundation has evaluated subsequent events through January 24, 2024, the date on which the financial statements were available to be issued (see Note 3).

Note 2. Property and Equipment

Property and equipment consist of the following as of September 30, 2023:

Equipment and furniture	$ 10,912,026
Transportation equipment	980,810
Boardwalks and other land improvements	12,006,042
Buildings and improvements	24,935,050
Tennis courts and equipment	1,464,828
	50,298,756
Less accumulated depreciation	25,247,120
	25,051,636
Construction in progress, $883,122 in the Capital Fund and $5,650,197 in the Replacement Reserve Fund	6,533,319
	$ 31,584,955

Note 2. Property and Equipment (Continued)

During the year ended September 30, 2023, the Foundation wrote-off and disposed of property and equipment with a total original cost of $2,993,177 and accumulated depreciation of $2,301,645. The Foundation received no cash proceeds and recognized a loss on write-off and disposition of property and equipment of $691,532. The write-off and disposition of property and equipment included the remaining items related to Hurricane Ian. The Foundation disposed of assets that were damaged in the hurricane with a total original cost of $441,098 and accumulated depreciation of $270,897 (see Note 8). The loss on write-off and disposition of property and equipment related to Hurricane Ian was $170,201.

During the year ended September 30, 2022, the Foundation wrote-off and disposed of property and equipment with a total original cost of $6,079,191 and accumulated depreciation of $3,863,143. The Foundation received cash proceeds of $593,810, including hurricane insurance proceeds of $419,591, and recognized a loss on write-off and disposition of property and equipment of $1,622,238. The write-off and disposition of property and equipment was primarily a result of Hurricane Ian. The Foundation disposed of assets that were damaged in the hurricane with a total original cost of $4,591,851 and accumulated depreciation of $2,726,552 (see Note 8). The loss on write-off and disposition of property and equipment related to Hurricane Ian was $1,445,708.

As of September 30, 2023, the Foundation has outstanding construction contract commitments of approximately $2,068,000.

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 (8.50% as of September 30, 2023). The line of credit is collateralized by all annual or quarterly assessments and special assessments levied now or in the future. During fiscal year 2023, the maturity date on the line of credit was extended through November 28, 2023. As a result of Hurricane Ian (see Note 8), Foundation funds have been depleted and the Foundation borrowed on the line of credit. The outstanding balance on the line of credit was $1,000,000 as of September 30, 2023.

Subsequent event: On December 11, 2023, the Foundation obtained a line of credit with the same terms as described above and a maturity date of November 28, 2025.

Note 4. 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. As of September 30, 2023, $139,632 of advanced collections are included in accounts payable in the Operating Fund.

Note 4. Commitments and Contingencies (Continued)

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, worth an estimated $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 is authorized by the County to take possession, which is yet to occur, and has a 30-year term. The Foundation and County are in the initial 180 days allowed to agree on capital improvement details and if not agreed upon in this timeframe, may choose to terminate by written notice from either party. The Foundation intends to proceed with the agreement and is working to finalize conceptual design and budget details.

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.

Paycheck Protection Program (PPP): In April 2020, the Foundation received a U.S. Small Business Administration (SBA) PPP loan under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) for $1,126,760. The Foundation applied for and in November 2021 received full forgiveness of the loan. During the year ended September 30, 2020, the Foundation recorded grant revenue in the amount of $1,126,760 on the statement of revenues, expenses and changes in fund balances. The SBA reserves the right to audit any PPP loan, for eligibility and other criteria, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation of six years after the PPP loan was forgiven and to provide that documentation to the SBA upon request.

Note 5. Retirement Plan

The Foundation sponsors a 401(k) employee savings and retirement plan for the benefit of its employees. All year-round employees at least 21 years of age and having nine months of continuous service are eligible to participate in the plan. The Foundation has the right, but not the obligation, to elect annually to match employees' contributions to the plan for the benefit of its employees. In fiscal year 2023, the Foundation's contributions matched 100% of the first 4% of each participant's compensation. The employer matching contributions vest immediately. Retirement plan expense recognized in the statement of revenues, expenses and changes in fund balances was $151,747 for the year ended September 30, 2023.

Note 6. 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, 2023, totaled $902,364.

Note 6. Major Repairs and Replacements (Continued)

The Foundation follows the policy of having its common property reviewed by an independent replacement reserve analysis company, which was most recently completed in 2023. These reviews include 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 2024 budget includes $2,605,000 ($358 per unit) of replacement reserve assessments.

Note 7. 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 $1,300,000 as of September 30, 2023.

Note 8. Hurricane Ian

On September 28, 2022, the Foundation's facilities sustained significant damage related to Hurricane Ian; therefore, 2023 operating results are not comparable to 2022. Hurricane related revenues and expenditures are as follows for the years ended September 30:

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2023	Combined Funds 2022
Hurricane assessments	$ 443,173	$ -	$ -	$ 443,173	$ -
Hurricane insurance proceeds	-	-	355,053	355,053	188,177
Hurricane expenses	(2,443,173)	-	(106,500)	(2,549,673)	(113,769)
	(2,000,000)	-	248,553	(1,751,447)	74,408
Property and equipment expenditures	-	(207,872)	(7,472,682)	(7,680,554)	-
	(2,000,000)	(207,872)	(7,224,129)	(9,432,001)	74,408
Loss on write-off and disposition of property and equipment, net	-	-	(170,201)	(170,201)	(1,445,708)
	$ (2,000,000)	$ (207,872)	$ (7,394,330)	$ (9,602,202)	$ (1,371,300)

In August 2023, the Board approved a Hurricane Ian assessment of $2,195 per residential unit. The assessment was based on Hurricane Ian related costs estimated to total approximately $16,400,000. The total assessment was reduced by an estimated $2,000,000 because the Foundation experienced Operating Fund income of $1,940,390 during the year ended September 30, 2023, as a result of expenses not incurred due to closure of the facilities. The Foundation has recognized Hurricane Ian assessments totaling $7,875,174 related to expenditures incurred as of September 30, 2023. As of September 30, 2023, Hurricane Ian assessments included in accounts receivable totaled $7,420,276 (Operating Fund - $10,342; Capital Fund - $185,806; Replacement Fund - $7,224,128). The Foundation will recognize the remaining Hurricane Ian assessments of approximately $6,500,000 in fiscal 2024 when the related expenditures are incurred. Hurricane Ian assessments are payable consistent with fiscal 2024 assessments.

Note 8. Hurricane Ian (Continued)

As a result of Hurricane Ian expenditures, cash and cash equivalents have been depleted in the Replacement Fund and will be replenished upon receipt of Hurricane Ian assessments. The Operating Fund has also advanced $1,300,000 to the Replacement Fund and the Replacement Fund has borrowed $1,000,000 on the line of credit (see Note 3). The Replacement Fund will repay the Operating Fund $1,300,000 with funds received from Hurricane Ian assessments in fiscal 2024.

As of September 30, 2022, insurance proceeds of $607,768 were included in accounts receivable and received in November 2022. Additional insurance proceeds of $355,053 were recorded for the year ended September 30, 2023. Hurricane Ian insurance claims are closed.

Note 9. Leases

The Foundation has two operating lease agreements for transportation vehicles with 48 month terms and discount rates of 3.54% and 3.97%. 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. Operating lease cost, including interest of $10,177, was $77,241 for the year ended September 30, 2023.

Supplemental balance sheet information related to leases is as follows as of September 30, 2023:

Weighted-average remaining lease term	3.58 years
Weighted-average discount rate	1.87%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet as of September 30, 2023, are as follows:

Years ending September 30:		
2024	$	183,461
2025		183,461
2026		183,461
2027		106,219
		656,602
Less imputed interest		43,101
Present value of future minimum lease payments		613,501
Less current portion		163,249
Long-term portion	$	450,252

The Pelican Bay Foundation, Inc.

Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)
September 30, 2023

The Foundation engaged an independent replacement reserve analysis company to conduct a Full Reserve Study in fiscal year 2023 to estimate the remaining useful lives and the replacements costs of the components of common property. A rate of return of 2% was used by the replacement reserve analyst to determine the funding requirements. The study includes an inflation factor of 5%, 3% and 2% for 2024, 2025 and thereafter, respectively and a rate of return of 2% annually.

The following table is based on the 2023 independent reserve study and presents significant information over a 30-year period on the fixed assets as of the fiscal year ended September 30, 2023:

	Estimated Remaining Lives (Years)	Estimated Future Replacement Costs
Apartments	0-29	7,811,478
Commons office	0-34	4,120,531
Community center	0-25	14,100,591
Computers and electronics	0-5	5,849,978
Furniture, beach, umbrellas, boxes and cabanas	0-4	3,041,304
Landscaping	0-8	1,384,384
Miscellaneous	0-29	3,938,849
North beach facility	0-29	14,388,566
North boardwalk	1-15	3,556,268
Parks	0-19	3,206,301
Security system	1-2	902,761
South beach facility	0-28	15,541,840
South boardwalk	1-15	3,959,363
South tennis center	0-29	3,302,096
Spa	0-27	727,397
Tram paths	2-19	1,248,890
Tram stations	1-25	2,168,299
Utility infrastructure	0	2,224,919
Vehicles	0-9	8,214,691
		$ 99,688,505

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, 2023, the Replacement Fund has net current assets (current assets less current liabilities) of $6,268,412 for future major repairs and replacements.