The Pelican Bay Foundation, Inc.

Financial Report
September 30, 2024

Contents

RSM US LLP

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, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Naples, Florida
December 20, 2024

The Pelican Bay Foundation, Inc.

Balance Sheet
September 30, 2024
With Comparative Totals for September 30, 2023

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2024	Combined Funds 2023	
Assets						
Current assets:						
Cash and cash equivalents (Notes 1 and 6)	$ 4,433,278	$ 13,504,035	$ 8,399,192	$ 26,336,505	$ 13,933,569	
Accounts receivable (Note 8)	375,844	-	5,945	381,789	7,550,363	
Inventories	175,082	-	-	175,082	119,533	
Prepaid expenses	1,376,212	-	44,572	1,420,784	1,338,915	
Due from funds	-	254,803	42,760	-	-	*
Total current assets	6,360,416	13,758,838	8,492,469	28,314,160	22,942,380	
Property and equipment, net of accumulated depreciation (Note 2)	-	1,476,648	27,568,388	29,045,036	31,584,955	
Right-of-use assets for operating leases, net (Note 9)	450,251	-	-	450,251	613,501	
Other assets	24,230	-	-	24,230	13,760	
Total assets	$ 6,834,897	$ 15,235,486	$ 36,060,857	$ 57,833,677	$ 55,154,596	
Liabilities and Fund Balances						
Current operating lease liabilities (Note 9)	$ 177,002	$ -	$ -	$ 177,002	$ 163,249	
Accounts payable	233,321	91,447	841,233	1,166,001	1,048,456	
Accrued expenses	1,317,172	-	525	1,317,697	1,409,845	
Deferred revenue	1,384,650	-	-	1,384,650	953,844	
Deferred hurricane assessments (Note 8)	219,378	237,795	1,233,050	1,690,223	-	
Due to funds	297,563	-	-	-	-	*
Total current liabilities	3,629,086	329,242	2,074,808	5,735,573	3,575,394	
Line of credit (Note 3)	-	-	-	-	1,000,000	
Long-term liability for operating leases (Note 9)	273,249	-	-	273,249	450,252	
Total liabilities	3,902,335	329,242	2,074,808	6,008,822	5,025,646	
Commitments and contingencies (Notes 2, 4 and 8)						
Fund balances:						
Undesignated	1,632,562	14,906,244	33,986,049	50,524,855	50,128,950	
Designated fund (Note 7)	1,300,000	-	-	1,300,000	-	
Total fund balances	2,932,562	14,906,244	33,986,049	51,824,855	50,128,950	
Total liabilities and fund balances	$ 6,834,897	$ 15,235,486	$ 36,060,857	$ 57,833,677	$ 55,154,596	

*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, 2024
With Comparative Totals for Year Ended September 30, 2023

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2024	Combined Funds 2023
Revenues:					
Membership assessments (Note 1)	$ 13,254,769	$ -	$ -	$ 13,254,769	$ 11,823,772
Food sales	3,758,170	-	-	3,758,170	481,960
Beverage sales	2,128,210	-	-	2,128,210	178,191
Tennis fees and retail sales, including beach store	285,910	-	-	285,910	280,333
Fitness and community center	424,837	-	-	424,837	437,110
Guest card fees	683,850	-	-	683,850	439,299
Investment income	159,974	532,799	183,263	876,036	564,770
Other, including member rental application fees	420,523	-	-	420,523	419,753
	21,116,243	532,799	183,263	21,832,305	14,625,188
Expenses:					
Restaurants	8,015,993	-	-	8,015,993	2,165,273
Transportation	1,628,714	-	-	1,628,714	1,046,824
Facilities maintenance	1,395,826	-	-	1,395,826	915,434
Tennis	815,773	-	-	815,773	836,858
Beach operations	552,774	-	-	552,774	397,911
General and administrative	3,378,611	-	-	3,378,611	3,041,077
Information technology	1,100,430	-	-	1,100,430	972,910
Fitness and community center	1,052,596	-	-	1,052,596	919,179
Covenant enforcement and security	1,215,491	-	-	1,215,491	894,528
Legal fees	241,058	-	-	241,058	201,078
Insurance	1,548,345	-	-	1,548,345	1,242,208
Other	87	3,026	188,731	191,844	88,350
	20,945,698	3,026	188,731	21,137,455	12,721,630
Excess (deficiency) of revenues over expenses before other revenues (expenses) (Note 1)	170,545	529,773	(5,468)	694,850	1,903,558
Other revenues (expenses):					
Depreciation	-	-	(3,649,558)	(3,649,558)	(3,049,210)
Loss on write-off and disposition of property and equipment (Notes 2 and 8)	-	-	(5,526,632)	(5,526,632)	(691,532)
Hurricane assessments (Note 8)	37,523	-	-	37,523	443,173
Hurricane expenses (Note 8)	(37,523)	-	-	(37,523)	(2,549,673)
Hurricane insurance proceeds (Note 8)	-	-	-	-	355,053
	-	-	(9,176,190)	(9,176,190)	(5,492,189)
Excess (deficiency) of revenues over expenses	170,545	529,773	(9,181,658)	(8,481,340)	(3,588,631)
Fund balances:					
Beginning	1,462,017	11,696,688	36,970,245	50,128,950	41,235,268
Hurricane assessments (Note 8)	-	318,050	4,491,385	4,809,435	7,432,001
Capital resale contributions (Note 1)	-	2,713,000	-	2,713,000	2,805,000
Replacement reserve assessment (Notes 1 and 6)	-	-	2,654,810	2,654,810	2,245,312
Property and equipment purchases transferred to Replacement Fund	-	(351,267)	351,267	-	-
Fund advance (Note 8)	1,300,000	-	(1,300,000)	-	-
Ending	$ 2,932,562	$ 14,906,244	$ 33,986,049	$ 51,824,855	$ 50,128,950

See notes to financial statements.

The Pelican Bay Foundation, Inc.

Statement of Cash Flows
Year Ended September 30, 2024
With Comparative Totals for Year Ended September 30, 2023

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds 2024	Combined Funds 2023
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	$ 170,545	$ 529,773	$ (9,181,658)	$ (8,481,340)	$ (3,588,631)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:					
Depreciation	-	-	3,649,558	3,649,558	3,049,210
Loss on write-off and disposition of property and equipment	-	-	5,526,632	5,526,632	691,532
Change in right-of-use assets for operating leases	163,250	-	-	163,250	(613,501)
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(235,412)	185,806	7,218,180	7,168,574	(6,928,680)
Inventories	(55,549)	-	-	(55,549)	(69,527)
Prepaid expenses	(37,297)	-	(44,572)	(81,869)	(393,946)
Other assets	(10,470)	-	-	(10,470)	52,067
Increase (decrease) in:					
Accounts payable	(89,189)	10,876	302,404	224,091	(277,182)
Accrued expenses	(92,412)	-	264	(92,148)	479,488
Operating lease liabilities	(163,250)	-	-	(163,250)	613,501
Deferred revenue	430,806	-	-	430,806	(92,777)
Deferred hurricane assessments	219,378	237,795	1,233,050	1,690,223	-
Net cash provided by (used in) operating activities	300,400	964,250	8,703,858	9,968,508	(7,078,446)
Cash flows from investing activities:					
Disbursements for property and equipment	-	(989,696)	(5,753,121)	(6,742,817)	(9,647,646)
Decrease in other assets	-	-	-	-	55,286
Net cash used in investing activities	-	(989,696)	(5,753,121)	(6,742,817)	(9,592,360)
Cash flows from financing activities:					
(Repayments) proceeds on line of credit	-	-	(1,000,000)	(1,000,000)	1,000,000
Proceeds from hurricane assessments	-	318,050	4,491,385	4,809,435	7,432,001
Proceeds from capital resale contributions	-	2,713,000	-	2,713,000	2,805,000
Proceeds from replacement reserve assessment	-	-	2,654,810	2,654,810	2,245,312
Interfund activity	1,602,688	(2,584)	(1,600,104)	-	-
Net cash provided by financing activities	1,602,688	3,028,466	4,546,091	9,177,245	13,482,313
Net increase (decrease) in cash and cash equivalents	1,903,088	3,003,020	7,496,828	12,402,936	(3,188,493)
Cash and cash equivalents:					
Beginning	2,530,190	10,501,015	902,364	13,933,569	17,122,062
Ending	$ 4,433,278	$ 13,504,035	$ 8,399,192	$ 26,336,505	$ 13,933,569
Supplemental schedules of noncash investing and financing activities:					
Property and equipment included in accounts payable	$ -	$ -	$ -	$ -	$ 177,482
Construction in progress and construction retainage included in accounts payable	$ -	$ 80,571	$ 507,647	$ 588,218	$ 517,282
Transfer of property and equipment purchases from the Capital Fund to the Replacement Fund	$ -	$ (351,267)	$ 351,267	$ -	$ -
Right-of-use assets obtained by incurring operating lease liabilities	$ -	$ -	$ -	$ -	$ 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, 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, 2024 and 2023, were $2,713,000 and $2,805,000, respectively.

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

Replacement reserve assessments: The Foundation also levies an annual replacement reserve assessment ($358 and $312 per unit for 2024 and 2023, 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 $2,654,810 and $2,245,312 in replacement fund assessments for the years ended September 30, 2024 and 2023, 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, 2024, deferred revenue consists primarily of fiscal year 2025 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, 2022, the opening balances of accounts receivable and deferred revenue were $621,683 and $1,046,621, respectively.

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 ($1,834 and $1,636 per unit for 2024 and 2023, 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 $13,254,769 and $11,823,772 in operating assessments for the years ended September 30, 2024 and 2023, 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).

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 years ended September 30:

	2024	2023
Revenue recognized at a point in time	$ 7,739,023	$ 2,679,819
Revenue recognized over time	13,254,769	11,823,772
	$ 20,993,792	$ 14,503,591

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, 2024 and 2023, are not comparable due to Hurricane Ian's impact on operations throughout fiscal year 2023 (see Note 8).

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, 2024 and 2023, the Foundation has invested $20,615,697 and $9,566,730, 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.

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.

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.

Allowance for credit losses: The Foundation adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, on October 1, 2023. ASU 2016-13 requires the use of an impairment methodology that reflects an estimate of expected credit losses, measured over the contractual life of an instrument, based on information about past events, current conditions, and forecasts of future economic conditions. There was no material impact as a result of adopting Topic 326.

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

Accounts receivable: Accounts receivable primarily consist of assessment amounts due from members. 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 income when received.

The Foundation records an allowance for credit losses 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 $31,672 as of September 30, 2024. Prior to adoption of ASU 2016-13, the Foundation recorded an allowance for doubtful accounts based on current and historical information. The Foundation recorded an allowance for doubtful accounts of $1,610 as of September 30, 2023.

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:

	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 FASB Accounting Standards Codification.

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

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.

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, 2023, from which the summarized information was derived.

Reclassifications: Certain reclassifications have been made to the 2023 financial statements in order to conform with the 2024 presentation. These reclassifications had no effect on fund balances.

Subsequent events: Management of the Foundation has evaluated subsequent events through December 20, 2024, the date on which the financial statements were available to be issued (see Notes 2 and 8).

Note 2. Property and Equipment

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

	2024	2023
Equipment and furniture	$ 9,973,685	$ 10,912,026
Transportation equipment	1,007,482	980,810
Boardwalks and other land improvements	11,553,642	12,006,042
Buildings and improvements	20,364,216	24,935,050
Tennis courts and equipment	1,378,907	1,464,828
	44,277,932	50,298,756
Less accumulated depreciation	21,426,804	25,247,120
	22,851,128	25,051,636
Construction in progress, $1,476,648 (2024) and $883,122 (2023) in the Capital Fund and $4,717,260 (2024) and $5,650,197 (2023) in the Replacement Reserve Fund	6,193,908	6,533,319
	$ 29,045,036	$ 31,584,955

During the year ended September 30, 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 $13,000,675 and accumulated depreciation of $7,474,043 for 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 8). The loss on write-off and disposition of property and equipment related to Hurricane Helene was $$4,418.

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 recognized a loss on write-off and disposition of property and equipment of $691,532, which is inclusive of disposed property and equipment related to Hurricane Ian damage 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.

As of September 30, 2024, the Foundation has outstanding construction contract commitments of approximately $1,115,000. 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 (8.50% as of September 30, 2024) and a maturity date of November 28, 2025. 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, 2024. The outstanding balance on the line of credit was $1,000,000 as of September 30, 2023.

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.

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. As of September 30, 2024, the Foundation has finalized conceptual design and budget details for an approximate total of $262,000 and in October 2024, the Foundation entered into related construction contracts (see Note 2).

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).

Note 4. Commitments and Contingencies (Continued)

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 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 statement of revenues, expenses and changes in fund balances was $217,000 and $151,747 for the years ended September 30, 2024 and 2023, respectively.

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, 2024 and 2023, totaled $8,399,192 and $902,364, respectively.

The Foundation follows the policy of having its common property reviewed by an independent replacement reserve analysis company, which was most recently updated in 2024. 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 2025 budget includes $2,783,000 ($385 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, 2024.

Note 8. Hurricanes

On September 28, 2022, the Foundation's facilities sustained significant damage related to Hurricane Ian. 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.

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. Subsequently, 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.

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

	Operating	Capital	Replacement	Combined Funds		
	Fund	Fund	Fund	2024	2023	2022
Hurricane assessments	$ 37,523	$ 318,050	$ 4,491,385	$ 4,846,958	$ 7,875,174	$ -
Hurricane Ian insurance proceeds	-	-	-	-	355,053	188,177
Hurricane Ian expenses	(23,063)	-	-	(23,063)	(2,549,673)	(113,769)
Hurricane Helene expenses	(14,460)	-	-	(14,460)	-	-
	-	318,050	4,491,385	4,809,435	5,680,554	74,408
Hurricane Ian — property and equipment expenditures	-	(318,050)	(4,490,309)	(4,808,359)	(7,680,554)	-
Hurricane Helene — property and equipment expenditures	-	-	(1,076)	(1,076)	-	-
	-	-	-	-	(2,000,000)	74,408
Hurricane Ian — loss on write-off and disposition of property and equipment, net	-	-	-	-	(170,201)	(1,445,708)
Hurricane Helene — loss on write-off and disposition of property and equipment, net	-	-	(4,418)	(4,418)	-	-
	$ -	$ -	$ (4,418)	$ (4,418)	$ (2,170,201)	$ (1,371,300)

As of September 30, 2024 and 2023, Hurricane Ian assessments included in accounts receivable totaled approximately $156,000 and $7,420,000 respectively (Operating Fund—$156,000 and $10,000; Capital Fund - $0 and $186,000; Replacement Fund—$0 and $7,224,000). As of September 30, 2024, the Foundation has $1,690,223 of hurricane assessments included in current liabilities on the accompanying balance sheet as deferred hurricane assessments.

Note 8. Hurricanes (Continued)

The remaining hurricane assessments will be recognized in fiscal year 2025 when the related expenditures for hurricanes Ian, Helene and Milton are incurred. As of December 20, 2024, the date on which the financial statements were available to be issued, the Foundation estimates approximate hurricane expenditures as follows:

Hurricane Ian	$ 809,000
Hurricane Helene	154,000
Hurricane Milton	592,000
	$ 1,555,000

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. The components of lease expense are as follows for the years ended September 30:

	2024	2023
Operating lease cost, including interest of $20,211 (2024) and $10,177 (2023)	$ 183,461	$ 77,241

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

	2024	2023
Weighted-average remaining lease term	2.58 years	3.58 years
Weighted-average discount rate	1.88%	1.87%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet as of September 30, 2024, are as follows:

Years ending September 30:	
2025	$ 183,461
2026	183,461
2027	106,219
	473,141
Less imputed interest	22,890
Present value of future minimum lease payments	450,251
Less current portion	177,002
Long-term portion	$ 273,249

The Pelican Bay Foundation, Inc.

Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)
September 30, 2024

The Foundation engaged an independent replacement reserve analysis company to conduct a Level II Property Wellness Reserve Study in fiscal year 2023 to estimate the remaining useful lives and the replacements costs of the components of common property. During 2024, a Level III Property Wellness Reserve Study program was completed. A 2.0% rate of return was used by the replacement reserve analyst to determine the funding requirements. The study includes an inflation factor of 3.5% 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, 2024:

	Estimated Remaining Lives (Years)	Estimated Future Replacement Costs
Apartments	0-30	$ 10,013,790
Commons office	0-30	6,010,976
Community center	0-27	20,481,973
Computers and electronics	0-6	7,223,664
Furniture, beach, umbrellas, boxes and cabanas	0-5	4,405,475
Landscaping	0-20	2,628,383
Miscellaneous	0-19	6,275,308
North beach facility	0-29	25,079,295
North boardwalk	7-22	4,464,696
Parks	1-19	1,573,008
Security system	0-5	2,661,880
South beach facility	0-39	28,546,442
South boardwalk	1-21	4,459,641
South tennis center	0-39	4,701,484
Spa	0-29	1,013,093
Tram paths	0-19	1,416,983
Tram stations	0-22	2,610,946
Utility infrastructure	0	3,056,163
Vehicles	0-9	11,556,845
		$ 148,180,045

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, 2024, the Replacement Fund has net current assets (current assets less current liabilities) of $6,417,661 for future major repairs and replacements.