

The Pelican Bay Foundation, Inc.

Financial Report
September 30, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Balance sheet	3
Statement of revenues, expenses and changes in fund balances	4
Statement of cash flows	5
Notes to financial statements	6-11
Supplementary information on future major repairs and replacements (unaudited)	12



RSM US LLP

Independent Auditor's Report

Board of Directors
The Pelican Bay Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Pelican Bay Foundation, Inc. (the Foundation), which comprise the balance sheet as of September 30, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pelican Bay Foundation, Inc. as of September 30, 2021, 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.

Other Matter

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board 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 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Naples, Florida
December 15, 2021

The Pelican Bay Foundation, Inc.

Balance Sheet

September 30, 2021

With Comparative Totals for September 30, 2020

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds	
				2021	2020
Assets					
Current assets:					
Cash (Note 1)	\$ 481,550	\$ 47,860	\$ 373,251	\$ 902,661	\$ 1,134,891
Investments (Note 1)	4,173,204	4,982,198	3,416,081	12,571,483	7,272,605
Accounts receivable, net of allowance for doubtful accounts of \$1,373 in 2021	5,375	-	-	5,375	98,503
Inventories	133,227	-	-	133,227	150,154
Prepaid expenses	705,450	-	-	705,450	676,496
Total current assets	5,498,806	5,030,058	3,789,332	14,318,196	9,332,649
Property and equipment, net of accumulated depreciation (Note 2)	-	211,424	28,456,592	28,668,016	30,637,588
Other assets	5,147	31,024	76,175	112,346	116,473
Total assets	\$ 5,503,953	\$ 5,272,506	\$ 32,322,099	\$ 43,098,558	\$ 40,086,710
Liabilities and Fund Balances					
Accounts payable (Note 4)	\$ 681,395	\$ 21,874	\$ 176,316	\$ 879,585	\$ 786,309
Accrued expenses	1,077,791	21	1,550	1,079,362	881,808
Deferred revenue	1,062,186	-	-	1,062,186	1,035,483
Total liabilities	2,821,372	21,895	177,866	3,021,133	2,703,600
Commitment and contingencies (Note 4)					
Fund balances:					
Undesignated	1,382,581	5,250,611	32,144,233	38,777,425	36,083,110
Designated fund (Note 7)	1,300,000	-	-	1,300,000	1,300,000
Total fund balances	2,682,581	5,250,611	32,144,233	40,077,425	37,383,110
Total liabilities and fund balances	\$ 5,503,953	\$ 5,272,506	\$ 32,322,099	\$ 43,098,558	\$ 40,086,710

See notes to financial statements.

The Pelican Bay Foundation, Inc.

Statement of Revenues, Expenses and Changes in Fund Balances
Year Ended September 30, 2021
With Comparative Totals for Year Ended September 30, 2020

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds	
				2021	2020
Revenues:					
Membership assessments (Note 1)	\$ 9,857,969	\$ -	\$ -	\$ 9,857,969	\$ 9,424,334
Grant revenue (Note 1)	-	-	-	-	1,126,760
Food sales	3,030,054	-	-	3,030,054	2,913,686
Beverage sales	1,744,397	-	-	1,744,397	1,453,360
Tennis fees and retail sales, including beach store	293,206	-	-	293,206	267,970
Fitness and community center	295,044	-	-	295,044	343,306
Guest card fees	610,448	-	-	610,448	466,883
Investment income	10,978	283	412	11,673	63,454
Other, including member rental application fees	642,891	-	-	642,891	422,587
	16,484,987	283	412	16,485,682	16,482,340
Expenses:					
Restaurants	5,933,259	-	-	5,933,259	6,140,017
Transportation	1,447,076	-	-	1,447,076	1,276,746
Facilities maintenance	1,161,419	-	-	1,161,419	1,126,364
Tennis	697,927	-	-	697,927	711,197
Beach operations	349,384	-	-	349,384	317,478
General and administrative	3,140,999	-	-	3,140,999	3,058,241
Information technology	951,885	-	-	951,885	852,834
Fitness and community center	771,910	-	-	771,910	820,692
Covenant enforcement and security	881,605	-	-	881,605	776,556
Legal fees	162,564	-	-	162,564	176,646
Insurance	702,959	-	-	702,959	615,733
Other	50,699	1,391	216,331	268,421	269,330
	16,251,686	1,391	216,331	16,469,408	16,141,834
Excess (deficiency) of revenues over expenses before other expenses	233,301	(1,108)	(215,919)	16,274	340,506
Other expenses:					
Depreciation	-	-	(3,506,793)	(3,506,793)	(3,328,704)
Loss on disposition of property and equipment (Note 2)	-	-	(159,874)	(159,874)	(186,367)
	-	-	(3,666,667)	(3,666,667)	(3,515,071)
Excess (deficiency) of revenues over expenses	233,301	(1,108)	(3,882,586)	(3,650,393)	(3,174,565)
Fund balances:					
Beginning	2,449,280	1,442,547	33,491,283	37,383,110	36,400,908
Capital resale contributions (Note 1)	-	4,277,940	-	4,277,940	2,259,820
Replacement reserve assessment (Notes 1 and 6)	-	-	2,066,768	2,066,768	1,896,947
Property and equipment purchases transferred to Replacement Fund	-	(468,768)	468,768	-	-
Ending	\$ 2,682,581	\$ 5,250,611	\$ 32,144,233	\$ 40,077,425	\$ 37,383,110

See notes to financial statements.

The Pelican Bay Foundation, Inc.

**Statement of Cash Flows
Year Ended September 30, 2021
With Comparative Totals for Year Ended September 30, 2020**

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds	
				2021	2020
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$ 233,301	\$ (1,108)	\$ (3,882,586)	\$ (3,650,393)	\$ (3,174,565)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:					
Depreciation	-	-	3,506,793	3,506,793	3,328,704
Loss on disposition of property and equipment	-	-	159,874	159,874	186,367
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	93,128	-	-	93,128	(25,415)
Inventories	16,927	-	-	16,927	(49,793)
Prepaid expenses	(28,954)	-	-	(28,954)	(18,999)
Other assets	255	(9,007)	-	(8,752)	13,735
Increase (decrease) in:					
Accounts payable	40,750	-	(1,520)	39,230	(345,400)
Accrued expenses	196,178	(174)	1,550	197,554	205,972
Deferred revenue	26,703	-	-	26,703	169,030
Net cash provided by (used in) operating activities	578,288	(10,289)	(215,889)	352,110	289,636
Cash flows from investing activities:					
Disbursements for property and equipment	-	(534,067)	(1,119,267)	(1,653,334)	(7,561,647)
Proceeds from the sale of equipment	-	-	10,285	10,285	30,100
Purchases of investments	(9,817,336)	(6,349,397)	(3,264,502)	(19,431,235)	(13,068,324)
Redemptions of investments	8,999,994	2,610,235	2,522,128	14,132,357	15,699,832
(Increase) decrease in other assets	-	-	12,879	12,879	(69,612)
Net cash used in investing activities	(817,342)	(4,273,229)	(1,838,477)	(6,929,048)	(4,969,651)
Cash flows from financing activities:					
Proceeds from capital resale contributions	-	4,277,940	-	4,277,940	2,259,820
Proceeds from replacement reserve assessment	-	-	2,066,768	2,066,768	1,896,947
Net cash provided by financing activities	-	4,277,940	2,066,768	6,344,708	4,156,767
Net (decrease) increase in cash	(239,054)	(5,578)	12,402	(232,230)	(523,248)
Cash:					
Beginning	720,604	53,438	360,849	1,134,891	1,658,139
Ending	\$ 481,550	\$ 47,860	\$ 373,251	\$ 902,661	\$ 1,134,891
Supplemental schedules of noncash investing and financing activities:					
Property and equipment included in accounts payable	\$ -	\$ 17,628	\$ 22,351	\$ 39,979	\$ 33,645
Construction in progress and construction retainage included in accounts payable	\$ -	\$ 4,245	\$ 155,787	\$ 160,032	\$ 112,320
Transfer of property and equipment purchases from the Capital Fund to the Replacement Fund	\$ -	\$ (468,768)	\$ 468,768	\$ -	\$ -

See notes to financial statements.

The Pelican Bay Foundation, Inc.

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 and replacement reserve assessments 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 \$7,500, 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, 2021 were \$4,277,940.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements

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

Replacement reserve assessments: The Foundation also levies an annual replacement reserve assessment (\$284 per unit for 2021), 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 \$2,066,768 in replacement fund assessments for the year ended September 30, 2021.

The state of Florida requires that entities with non-statutory reserves set forth the following disclosure:

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 the Foundation's 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 the statute, nor are reserves calculated in accordance with that statute (see Note 7).

Revenue recognition: The Foundation records revenue in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The results of operations can be substantially affected by economic conditions and impacted by member disposable income levels and spending habits. All revenue is recorded based on fixed transaction prices and any right to return goods does not significantly impact the Association's revenue. The Association 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, 2021, deferred revenue consists primarily of fiscal year 2022 membership assessments collected in advance. The Association does not recognize revenue in advance of the right to invoice and, therefore, has not recorded a contract asset.

Membership assessments: The Foundation records membership assessments as revenue ratably over the period in which those billings relate, which is when the Foundation's performance obligation is satisfied. Operating assessments (\$1,364 per unit for 2021) are assessed of all members for the operating expenses associated with maintaining the common and recreation areas of the Foundation. The Foundation billed to its members \$9,857,969 in operating assessments for the year ended September 30, 2021.

Food, beverage, sports and recreation activities and member services: The Association 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.

Total revenue recognized at a point in time and over time was as follows for the years ended September 30, 2021:

Revenue recognized at a point in time	\$ 6,627,713
Revenue recognized over time	9,857,969
	<u>\$ 16,485,682</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 statement of revenues, expenses and changes in fund balances. Accordingly, these taxes are not included in gross revenue.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements

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

Operating income (loss)/performance measurement: The Foundation considers the excess (deficiency) of revenues over expenses before other 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 and investments concentration risk: The Foundation maintains funds in accounts which, at times, may exceed FDIC or SIPC insured limits. Accounts that may exceed the SIPC limit are investments in U.S. government-backed securities. The Foundation has not experienced any losses on such accounts.

	Operating Fund	Capital Fund	Replacement Fund	Combined Funds	
				2021	2020
Cash in banks	\$ 226,011	\$ 37,148	\$ 32,097	\$ 295,256	\$ 542,619
Money market funds	255,539	10,712	341,154	607,405	592,272
	<u>\$ 481,550</u>	<u>\$ 47,860</u>	<u>\$ 373,251</u>	<u>\$ 902,661</u>	<u>\$ 1,134,891</u>

Investments: Investments consist of mutual funds in U.S. government-backed securities and are recorded at fair value.

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.

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.

Inventories: The food and beverage inventory is stated at an 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

The Pelican Bay Foundation, Inc.

Notes to Financial Statements

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

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 that 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 ASC.

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 Foundations recurring fair value measurement for the investments as of September 30, 2021, is considered a Level 1 input.

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, 2020, from which the summarized information was derived. As discussed above, certain amounts have been changed in conjunction with the adoption of Topic 606.

Recent accounting pronouncement: In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the guidance, lessees will be required to recognize at the commencement date for all leases (with the exception of short-term leases): (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. This standard will be effective for fiscal years beginning after December 15, 2021, with early application permitted. During preliminary evaluation, the Foundation does not believe the standard will have a material impact on the financial statements.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements

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

Subsequent events: Management of the Foundation has evaluated subsequent events through December 15, 2021, the date on which the financial statements were available to be issued. During fiscal 2020, the Foundation received a Paycheck Protection Program (PPP) loan for \$1,126,760. The Foundation recognized grant revenue of \$1,126,760 by analogizing to International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. In November 2021, the Foundation received full forgiveness of PPP loan from the Small Business Administration.

Note 2. Property and Equipment

Property and equipment consist of the following as of September 30, 2021:

Equipment and furniture	\$ 13,039,753
Transportation equipment	763,961
Boardwalks and other land improvements	12,093,107
Buildings and improvements	25,515,607
Tennis courts and equipment	1,441,596
	<hr/>
	52,854,024
Less accumulated depreciation	24,804,201
	<hr/>
	28,049,823
Construction in progress, including \$211,424 in the Capital Fund and \$406,769 in the Replacement Reserve Fund	618,193
	<hr/>
	<u>\$ 28,668,016</u>

During the year ended September 30, 2021, the Foundation disposed of property and equipment with a total original cost of \$920,488 and accumulated depreciation of \$750,329. The Foundation received cash proceeds of \$10,285 and recognized a loss on disposition of property and equipment of \$159,874.

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 (3.25% as of September 30, 2021). The line of credit is collateralized by all annual or quarterly assessments and special assessments levied now or in the future and matures on August 30, 2023. As of September 30, 2021, there were no outstanding borrowings on the line of credit agreement and the Foundation made no borrowings under this line of credit in fiscal year 2021.

Note 4. Commitment and Contingencies

Bulk media services: During the year ended September 30, 2021, the Foundation collected \$4,706,074 in bulk media fees billed to members and paid \$4,741,863 to vendors for bulk media fees. 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, 2021, \$496,405 of advanced collections are included in accounts payable in the Operating Fund. It has been determined there is no need for the Foundation to refund bulk media fees to members in the upcoming fiscal year.

The Pelican Bay Foundation, Inc.

Notes to Financial Statements

Note 4. Commitment and Contingencies (Continued)

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.

COVID-19: The Foundation's operations during the year ended September 30, 2021, were disrupted by the COVID-19 pandemic. Effective March 17, 2020, in response to government mandates and out of concern for members and staff, the Foundation closed or significantly curtailed certain revenue-producing activities. Although restrictions eased somewhat during the year, the extent to which the COVID-19 pandemic will affect the Foundation in the future will depend on ongoing developments, which are uncertain as of December 15, 2021, the date the financial statements were available to be issued.

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 2021, the Foundation's contributions for the year ended September 30, 2021, 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 \$254,750 for the year ended September 30, 2021.

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 investments in the Replacement Fund as of September 30, 2021, totaled \$3,789,332.

The Foundation follows the policy of having its common property reviewed periodically by an independent replacement reserve analysis company, which was most recently completed in 2020 and updated internally in 2021. 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 2022 budget includes \$2,168,100 (\$300 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 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, 2021.

The Pelican Bay Foundation, Inc.

**Supplementary Information on Future Major Repairs and Replacements
September 30, 2021 (Unaudited)**

The Foundation engaged an independent replacement reserve analysis company to conduct a Full Reserve Study in fiscal year 2020 to estimate the remaining useful lives and the replacements costs of the components of common property. An inflation factor and rate of return of 2% were used by the replacement reserve analyst to determine the funding requirements.

The following table is based on the 2020 independent reserve study, which was updated internally in 2021, and presents significant information over a 30-year period on the fixed assets as of the fiscal year ended September 30, 2021:

	Estimated Remaining Lives (Years)	Estimated Future Replacement Costs
Apartments	1-65	\$ 7,345,609
Commons office	1-35	3,860,049
Community center	1-30	13,745,568
Computers and electronics	1-8	6,071,884
Furniture, beach, umbrellas, boxes and cabanas	1-6	2,911,480
Landscaping	1-30	1,312,531
Miscellaneous	1-30	2,892,495
North beach facility	1-30	13,657,617
North boardwalk	1-30	3,296,042
Parks	1-40	2,908,797
Security system	1-15	859,772
South beach facility	1-29	14,653,045
South boardwalk	1-30	3,770,822
South tennis center	1-30	2,978,056
Spa	1-40	690,104
Tram paths	1-30	1,175,790
Tram stations	1-65	2,065,047
Utility infrastructure	1-40	2,118,970
Vehicles	1-10	7,663,998
		<u>\$ 93,977,676</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, 2021, the Replacement Fund has net current assets (current assets less current liabilities) of \$3,611,466 for future major repairs and replacements.