

**ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

**INDEPENDENT AUDITORS REPORT**

March 18, 2014

To The Board of Directors  
St. Croix at Pelican Marsh Condominium Association, Inc.  
Naples, Florida

I have audited the accompanying balance sheet of St. Croix at Pelican Marsh Condominium Association, Inc. which comprise the balance sheet as of December 31, 2013 and the related statements of assessments, revenues and expenditures, changes in fund balances, and cash flows for the year 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Croix at Pelican Marsh Condominium Association, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year ended accordance with accounting principles generally accepted in the United States of America.



Dennis H. Cook  
Certified Public Accountant

**ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2013**

**ASSETS**

	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash in Bank-Operating	\$ 810,460	\$ 1,137,347	\$ 1,947,807
Accounts Receivable-Owner's (Less Allowance for Uncollectible)	5,848	-	5,848
Prepaid Insurance and expenses	94,847	-	94,847
Due From Reserves	6,662	-	6,662
Deposits	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 917,817</u></b>	<b><u>\$ 1,137,347</u></b>	<b><u>\$ 2,055,164</u></b>

**LIABILITIES AND FUND BALANCES**

<b><u>LIABILITIES</u></b>			
Accounts Payable-Trade	\$ 19,431	\$ -	\$ 19,431
Accrued Wages	-	-	-
Prepaid Assessments	98,496	-	98,496
Due To Operating	<u>-</u>	<u>6,662</u>	<u>6,662</u>
<b>TOTAL LIABILITIES</b>	<b>117,927</b>	<b>6,662</b>	<b>124,589</b>
<b>CONTINGENCIES AND COMMITMENTS (Note 2)</b>			
<b><u>FUND BALANCE</u></b>	<b><u>799,890</u></b>	<b><u>1,130,685</u></b>	<b><u>1,930,575</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 917,817</u></b>	<b><u>\$ 1,137,347</u></b>	<b><u>\$ 2,055,164</u></b>

**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS**

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENDITURES

AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2013

	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<b>ASSESSMENTS AND REVENUES:</b>			
Maintenance Fees Assessed	\$ 1,042,694	\$ 138,106	\$ 1,180,800
Interest Income	354	1,611	1,965
Other Income-Utilities and Owner Fees	125,106	-	125,106
Misc. Income-Late Fees, Applications, Etc	<u>23,688</u>	<u>-</u>	<u>23,688</u>
<b>TOTALS</b>	<u>1,191,842</u>	<u>139,717</u>	<u>1,331,559</u>
<b>EXPENDITURES:</b>			
Bad Debts & Uncollected			
Assessment	89,368	-0-	89,368
Cable TV	118,575	-0-	118,575
Grounds, Lake, Fountain	90,568	-0-	90,568
Pool Maintenance & Repair	15,737	-0-	15,737
Insurance	271,408	-0-	271,408
Legal & Accounting	5,423	-0-	5,423
Management Fees	28,080	-0-	28,080
Office, Printing, Postage & Misc.	18,844	-0-	18,844
Pest Control	6,000	-0-	6,000
Repairs, Gates, Supplies & Roofing	57,241	15,394	72,635
Salaries-Admin/Maintenance	86,543	-0-	86,543
Taxes, Licenses & Permits	27,507	-0-	27,507
Telephone & Fire Alarm	23,455	-0-	23,455
Utilities & Trash	195,059	-0-	195,059
Fire Equipment Maintenance	10,731	-0-	10,731
Security-Service	19,334	-0-	19,334
Interest Expense-Insurance	<u>-</u>	<u>-0-</u>	<u>-</u>
<b>TOTALS</b>	<u>1,063,873</u>	<u>15,394</u>	<u>1,079,267</u>
Excess of Expenditures Over Revenues	127,969	124,323	252,292
FUND BALANCES, OPENING-1-1-13	<u>671,921</u>	<u>1,006,362</u>	<u>1,678,283</u>
FUND BALANCES, ENDING-12-31-13	<u>\$ 799,890</u>	<u>\$ 1,130,685</u>	<u>\$ 1,930,575</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2013

Cash Flows From Operational Activities:

Cash Received From Unit Owners	\$ 1,105,989
Other	148,794
Interest Income	1,965
Cash Paid to Vendors and Employees	( 999,217)
Interest Paid	( <u>          </u> )
Net Cash Provided From Operating Activities	257,531

Cash Flows For Investing Activities: -0-

Cash Flows From Financing Activities: -0-

NET INCREASE IN CASH 257,531

CASH, BEGINNING OF YEAR 1,690,276

CASH, END OF YEAR \$ 1,947,807

RECONCILIATION OF NET REVENUE (EXPENDITURES) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net Income	\$ 252,292
Adjustments to Reconcile Net Expenditures:	
Depreciation	-
Accounts Receivable	6,259
Prepaid Expenses & Deposits	4,657
Accounts Payable	( 13,975)
Accrued Expenses	( <u>          </u> )
Prepaid Assessments	<u>8,298</u>
Total Adjustments	<u>5,239</u>

NET CASH PROVIDED FOR OPERATING ACTIVITIES \$ 257,531

INCOME TAXES PAID 2013 \$-0-

NO NON-CASH TRANSACTIONS IN 2013.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

NOTE A: NATURE OF ORGANIZATION

St. Croix at Pelican Marsh Condominium Association, Inc. (the "Association"), which is located in Naples, Florida was incorporated and commenced operations on April 15, 2005, under the laws of Florida as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 718, and the provisions of the Declaration of Condominium. The Association consists of 360 residential units.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Fund Accounting

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for the future major repairs and replacements and disbursements from the fund generally may be made for designated purposes only.

Converter Replacement Fund

A converter replacement fund is statutorily required in the State of Florida, when existing Buildings are converted to ownership as residential condominiums. The Developer has Elected to provide the statutory warranties pursuant to the provisions of Section 718.618 (6), Florida Statutes.

The Association prepared its financial statements on the accrual basis of accounting and in accordance with the Common Interest Realty Association Industry Audit Guide promulgated by the American Institute of Certified Public Accountants and in the accordance with Section 718.307(4)(c) of the Florida Statutes.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The income and expenses of the Association are allocated to unit owners based on the number of units. The quarterly assessment for each homeowner in 2013 was \$820 which included \$96 in reserves. Assessments receivable at the balance sheet date represents fees due from unit owners and unearned assessment income represents future fees paid in advance by members.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners, and those assets are not deemed to be severable. As a result, commonly owned assets are not recorded on the Association's financial statements. Assets not recorded on the books of the Association include the clubhouse, pool, roadways and various office equipment.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Association to make estimates and assumptions that affect the reported amounts of assets, 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.

Income Taxes

The Association has selected a December 31 year end and has filed its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income, less a portion of allocated Association expenses. The Association's income tax for the year ended 2013 was \$-0- using the 1120H method of tax filing. There are no open Federal or State tax years under audit, however years ending after December 31, 2010 remain subject to examination.

Concentration of Credit Risk

The Association maintains accounts at various financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billing to unit owners who pay quarterly assessments. The Association may continue to experience credit losses in the future.

Fair Value of Financial Instruments

The carrying value of cash, prepaids, payables and unearned assessment income approximate fair value due to the short maturity of these financial instruments.

Cash and Cash Equivalents – Cash equivalents are temporary cash investments with a maturity of three or fewer months when purchased. These investments include accrued interest and are carried at the lower of cost or market. Cash reported in the reserve fund represent amounts reserved for future repairs and replacements.

Subsequent Events – In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 18, 2013, the date of issue of this Financial Statements.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE C: REPLACEMENT FUND

Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless funding is waived or modified by the unit owners at a unit owner meeting. These funds are generally not available for expenditures for normal operations.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on current replacement costs, using the straight-line method. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessment, or delay repairs and replacements until funds are available. A new reserve study was received in December 2013 and will be used in the year 2014 funding.

NOTE D: CONVERTER REPLACEMENT FUNDS

According to requirements of the State of Florida, when existing improvements are converted to ownership as a residential condominium, the Developer shall establish replacement fund accounts for capital expenditures and deferred maintenance, or give warranties (as provided in the Statutes) or post a surety bond (as provided in the Statutes). The Developer has elected to provide the statutory warranties pursuant to the provisions of Section 718.618(6), Florida Statutes.

NOTE E: ASSESSMENTS RECEIVABLE

Primarily represents the quarterly assessments due from homeowners aged less than 90 days. The member assessment receivable over 90 days at December 31, 2013 was \$513,648. This amount has been fully reserved and is included in bad debt on the statement of revenues, expenses and changes in fund balances from conversion.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Liens have been filed on several properties and may result in future collections of the amounts charged to bad debt in 2013.



ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013

NOTE F: REQUIRED RESERVE FUND

Under Florida Statutes the Association is required to accumulate funds for future major repairs and replacements. These funds are to be segregated and held primarily in interest bearing accounts.

The future reserves are funded and based on the engineering study of the completed buildings on October 24, 2012. To be used in 2014. The pooling method is used.

The reserves to be funded for: Reserves	Annually	\$ <u>241,050</u>
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**DENNIS H. COOK**

Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY FINANCIAL INFORMATION**

March 18, 2014

To The Board of Directors  
St. Croix at Pelican Marsh Condominium Association, Inc.  
Naples, Florida

The other financial information on pages 8 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other financial information on the future major repairs and replacements on the future major repairs and replacements on page 8 is not a required part of the basic financial statements but is other financial information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other financial information. However, I did not audit the information and express no opinion on it.



Dennis H. Cook  
Certified Public Accountant

**ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.**

**OTHER FINANCIAL INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS (UNAUDITED)**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

The Association uses a pool funded basis for reserves.

<u>Components</u>	<u>Life Expectancy</u>	<u>Years Remaining</u>	<u>Cost</u>
Common Elements:			
Painting Reserve	7	2	\$ 352,245
Paving	10	5	339,618
Roof Replacement	20	11	2,300,320
Pool Refinish	14	10	26,376
Pool Facilities	21	21	55,056
Carports	25	21	1,127,672
Fire Alarm	25	5	199,262
Site Elements	25	2	<u>81,555</u>
			<u>\$ 4,482,104</u>
Beginning Cash Balance 1-1-13			\$ 1,013,025
Pooled Funding			139,717
Charges and Loan Payments			( 15,395)
Ending Cash Balance 12-31-13			<u>\$ 1,137,347</u>

Annual funding under the pooling method will be \$241,050.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

SCHEDULE OF OPERATING FUND REVENUES AND ASSESSMENTS,

EXPENSES AND CAPITAL TRANSACTIONS – ACTUAL AND BUDGET

FOR THE YEAR ENDED DECEMBER 31, 2013

	ACTUAL "AUDITED"	APPROVED BUDGET "UNAUDITED"	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES AND ASSESSMENTS</b>			
Maintenance Fee Assessment	\$ 1,180,800	\$1,180,800	\$ -
Interest	1,965	-	1,965
Other-Water Reimb., Misc.	<u>148,794</u>	115,998	<u>32,796</u>
Total Revenues & Assessments	1,331,559	1,296,798	34,761
<b>EXPENSES</b>			
Office/ Maintenance Payroll & Taxes	110,665	106,858	( 3,807)
Management Fees	28,080	28,080	( - )
Accounting Fees	4,750	4,500	( 250)
Legal Fees (Net)	<u>673</u>	<u>10,000</u>	<u>9,327</u>
	144,168	149,438	5,270
<b>Maintenance &amp; Operating Expenses</b>			
Repairs, Pool	15,737	11,600	( 4,137)
Security Service	19,334	19,240	( 94)
General Maintenance & Sewer	26,336	21,050	( 5,286)
Pest Control	6,000	6,000	-
Grounds-Contract & Maintenance	90,568	86,674	( 3,894)
Entry Gate Cameras & System	30,903	7,500	( 23,403)
Fire Protection	10,731	20,270	9,539
Clubhouse, Fitness	<u>-</u>	<u>2,500</u>	<u>2,500</u>
	199,609	174,834	( 24,775)
<b>Taxes, Licenses &amp; Fees</b>			
Other Taxes	1,945	3,252	1,307
Florida Condo Fees	<u>1,440</u>	<u>1,440</u>	<u>-</u>
	3,385	4,692	1,307
<b>Utilities</b>			
Electric	39,037	40,620	1,583
Water & Sewer	84,587	85,000	413
Telephone & Fire Alarms	23,455	23,004	( 451)
Trash	71,435	85,224	13,789
Cable TV	<u>118,575</u>	<u>115,430</u>	<u>( 3,145)</u>
	337,089	349,278	12,189

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

SCHEDULE OF OPERATING FUND REVENUES AND ASSESSMENTS,

EXPENSES AND CAPITAL TRANSACTIONS – ACTUAL AND BUDGET (continued)

FOR THE YEAR ENDED DECEMBER 31, 2013

	ACTUAL "AUDITED"	APPROVED BUDGET "UNAUDITED"	VARIANCE FAVORABLE (UNFAVORABLE)
Administration			
Office Expense	18,844	17,208	( 1,636)
Misc. Administration	-	7,500	7,500
Bad Debts	<u>89,368</u>	<u>125,000</u>	<u>35,632</u>
	108,212	149,708	41,496
Insurance			
Property, Liability & Interest	<u>271,408</u>	<u>330,742</u>	<u>59,334</u>
Total Expenses (Excluding Depreciation)	1,063,871	1,158,692	94,821
EXCESS OF EXPENSES OVER REVENUES AND ASSESSMENTS (Excluding Depreciation)	267,688	138,106	129,582
CAPITAL TRANSACTIONS Reserves Paid-Painting & Paving	( <u>138,106</u> )	( <u>138,106</u> )	<u>-</u>
EXCESS OF EXPENSES OVER REVENUES AND ASSESSMENTS (Excluding Depreciation) AND CAPITAL TRANSACTIONS	\$ <u>129,582</u>	\$ <u>-0-</u>	\$ <u>129,582</u>