Pelican Cove Condominium Association, Inc.

Financial Statements

December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Pelican Cove Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Pelican Cove Condominium Association, Inc., which comprise the balance sheet as of December 31, 2025, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Pelican Cove Condominium Association, Inc. as of December 31, 2025, and the results of its operations 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. 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 Pelican Cove Condominium Association, Inc. 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 Pelican Cove Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Pelican Cove Condominium Association, Inc.'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 Pelican Cove Condominium Association, Inc.'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund expenses and schedule of replacement fund activity are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements 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, which 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.

Sarasota, Florida

July 29, 2026

Pelican Cove Condominium Association, Inc.

Balance Sheet

December 31, 2025

ASSETS

	Operating Fund	Replacement Fund	Total
Current assets:			
Cash and cash equivalents	$ 2,303,576	514,953	2,818,529
Certificates of deposit	-	215,651	215,651
Assessments receivable, net	73,418	-	73,418
Prepaid expenses	1,500,467	-	1,500,467
Due (to) from other fund	12,626	(12,626)	-
Property and equipment, net	34,839	-	34,839
Total assets	$ 3,924,926	717,978	4,642,904

LIABILITIES AND FUND BALANCES

	Operating Fund	Replacement Fund	Total
Current liabilities:			
Accounts payable	$ 104,332	153,877	258,209
Accrued expenses	127,662	-	127,662
Prepaid assessments	82,084	-	82,084
Deferred special assessments	1,142,842	-	1,142,842
Amounts held for others (Legacy)	132,099	-	132,099
Deferred income	98,685	-	98,685
Accrued income tax	30,969	-	30,969
Contract liabilities	-	564,101	564,101
Total current liabilities	1,718,673	717,978	2,436,651
Fund balances:	2,206,253	-	2,206,253
Total liabilities and fund balances	$ 3,924,926	717,978	4,642,904

See accompanying notes to financial statements.

Pelican Cove Condominium Association, Inc.

Statement of Revenues, Expenses and Changes in Fund Balances
Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total
Revenues:			
Maintenance fees	$ 6,667,498	2,084,062	8,751,560
Special assessment	1,043,683	-	1,043,683
Harbor slip fees	63,053	-	63,053
Interest	87,170	45,127	132,297
Insurance claim	134,532	-	134,532
Application fees	38,227	-	38,227
Other	84,165	-	84,165
Total revenues	8,118,328	2,129,189	10,247,517
Expenses:			
Administration	779,900		779,900
Gate house	250,623	-	250,623
Service and utilities	678,111	-	678,111
Maintenance	1,253,237	-	1,253,237
Grounds maintenance	845,645		845,645
Equipment expenditures	54,393	-	54,393
Uninsured losses	1,292,719	-	1,292,719
Insurance expense	2,605,089	-	2,605,089
Depreciation	8,392	-	8,392
Replacement	-	2,129,189	2,129,189
Total expenses	7,768,109	2,129,189	9,897,298
Excess of revenues over expenses	350,219	-	350,219
Fund balance - January 1	1,856,034	-	1,856,034
Fund balance - December 31	$ 2,206,253	-	2,206,253

See accompanying notes to financial statements.

Pelican Cove Condominium Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess of revenues over expenses	$ 350,219	-	350,219
Adjustments:			
Depreciation	8,392	-	8,392
(Increase) decrease in:			-
Assessments receivable	(23,004)	-	(23,004)
Prepaid expenses	(1,220,593)	-	(1,220,593)
Due (to) other fund	26,261	(26,261)	-
Increase (decrease) in:			
Accounts payable	(91,229)	107,877	16,648
Accrued expenses	2,782	-	2,782
Prepaid assessments	3,424	-	3,424
Deferred special assessments	1,142,842	-	1,142,842
Legacy funds	(18,919)	-	(18,919)
Deferred income	98,685	-	98,685
Accrued income tax	7,035	-	7,035
Contract liabilities	-	(1,242,464)	(1,242,464)
Total adjustments	(64,324)	(1,160,848)	(1,225,172)
Cash flows from operating activities	285,895	(1,160,848)	(874,953)
Cash flows from investing activities:			
Purchases of certificates of deposits	-	(215,651)	(215,651)
Proceeds from maturities	-	670,468	670,468
Cash flows from investing activities	-	454,817	454,817
Net increase (decrease) in cash and cash equivalents	285,895	(706,031)	(420,136)
Cash and cash equivalents - beginning of year	2,017,681	1,220,984	3,238,665
Cash and cash equivalents - end of year	$ 2,303,576	514,953	2,818,529
Cash paid for income taxes	$ 23,934		

See accompanying notes to financial statements.

Pelican Cove Condominium Association, Inc.

Notes to Financial Statements
December 31, 2025

Note 1 – Nature of Operation:

Pelican Cove Condominium Association, Inc. ("the Association") is a statutory condominium association incorporated in the State of Florida on July 24, 1973. The Association is responsible for the operation and maintenance of the common property of Pelican Cove Condominium. Pelican Cove Condominium consists of 731 residential units located on approximately 75 acres in Sarasota, Florida.

Assessments against the owners of the units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of Pelican Cove Condominium Association, Inc. and allocated among the units based on square footage. Common property expenses include building exteriors, pool, and paved areas.

All policy decisions are formulated by the Association's board of directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the board of directors based upon anticipated maintenance and other operating requirements of the Association.

Note 2 – Summary of Significant Accounting Policies:

Fund Accounting
The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting and prepares its financial statements on the accrual basis of accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

> General 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 future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Member Assessments
Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of historical loss levels and an analysis of the collectibility of individual accounts. The Association's policy is to retain legal counsel to collect delinquent assessments. An allowance for expected credit losses of $4,059 was deemed necessary as of December 31, 2025. The balances of assessments receivable as of the beginning and end of the year were $54,443 and $77,477, respectively.

Revenue from member assessments is reported net of amounts deemed uncollectible from members.

Note 2 – Summary of Significant Accounting Policies – Continued:

Contract Liabilities – Replacement Fund
The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement assessments. During the current period, the Association assessed and received $841,598 for the replacement fund. The balances of contract liabilities – replacement fund as of the beginning and end of the year were $1,806,565 and $564,101, respectively.

Revenues from special assessments for a particular purpose are recognized as revenue when the related costs are incurred.

Allocation of Income and Expenses
The allocation of income and expenses to Association members, as indicated in the condominium documents, is based on the various square footages of the units, with twenty-nine different sizes and allocation rates currently being used.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes
Associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2025, the Association elected to be taxed as a regular corporation. As a regular corporation the Association is taxed on its non-member income, such as interest earnings and newsletter advertising, at 21% for Federal purposes and 5.5% for state purposes subject to exemptions. Member income, which consists primarily of member assessments, is not taxable. Income tax expense for year ending December 31, 2025 was $30,969.

Certain revenues and expenses per the financial statements are treated differently for tax purposes according to the Internal Revenue Code Sections and Revenue Rulings pertaining to homeowner associations. As a result, taxable income does not bear any relationship to excess (deficiency) of revenues over expenses per page 2.

Management has evaluated the effect of accounting standards regarding accounting for uncertainty in income taxes. In that regard, management has evaluated all tax positions that could have a significant effect on the financial statements and determined the Association has no uncertain tax positions at December 31, 2025 that could materially affect the financial statements.

The federal tax returns of the Association are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Note 2 – Summary of Significant Accounting Policies – Continued:

Property and Equipment
Real property and common areas acquired by the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title to at cost.

Depreciation
It is the Associations' policy to capitalize property and equipment over $3,000. Lesser amounts are expensed. Purchased property and equipment are carried at cost. The Association's property and equipment are depreciated using the straight-line method over estimated useful lives of 3 to 10 years.

Cash and Cash Equivalents
For the purposes of the statement of cash flows, the Association considers all highly liquid investment instruments with an original maturity of three months or less when purchased to be cash equivalents.

Note 3 – Uninsured Cash Balances:

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Funds are invested according to the Association's bylaws in primary bank accounts insured by the FDIC and in sweep accounts to minimize exposure. There were no uninsured cash balances at December 31, 2025.

The Association maintains investment accounts that are not insured by the FDIC or Government backed. The value of those accounts approximate $428,126 at December 31, 2025 and are covered by the Securities Investor Protection Corporation (SIPC) up to $500,000 and by an additional $1 billion from Lloyd's of London.

Note 4 – Property and Equipment:

Property and equipment consisted of office equipment, vehicles, gym equipment, and furniture owned by the Association which are recorded at cost.

A summary of property and equipment as of December 31, 2025 was as follows:

Machinery and equipment	$	373,679
Office equipment		108,711
Total property and equipment		482,390
Less: accumulated depreciation		(447,551)
Net property and equipment	$	34,839

Note 5 – Pension Plan:

The Association maintains a 401(k) profit sharing plan. Employees may contribute amounts as prescribed by IRS guidelines. The Association matches 50% of employee contributions, up to a maximum of 8% of their annual salary. Pension expense for 2025 totaled $59,220.

Note 6 – Future Major Repairs and Replacements:

The Association's bylaws and Florida Statutes require that the Association prepare its annual budget with calculations of estimates of future costs for the repair and/or replacement of certain common property. These calculations provide the basis for the establishment and ratable funding of reserves over a period of time.

In 2022, the Florida Legislature enacted comprehensive condominium safety legislation requiring condominium associations with buildings three (3) stories or higher to perform a Structural Integrity Reserve Study ("SIRS") at least once every ten (10) years. The SIRS requirement applies to all associations meeting the height criteria and establishes statutory minimum reserve funding obligations for certain critical building components.

The law identifies specific structural and life-safety components that must be included in the SIRS, including, but not limited to, the building's roof, load-bearing walls, primary structural systems, fireproofing and fire protection systems, plumbing, electrical systems, waterproofing and exterior painting, windows, and other items as defined by Florida Statutes.

The completed SIRS provides an estimate of the remaining useful life and replacement cost for each required component and determines the statutorily required annual funding levels necessary to maintain those components in a safe and serviceable condition.

As a result of these legislative requirements, the Association has separated its reserves into two categories:

> **SIRS Reserves** – Mandatory statutory reserves established for the structural integrity components identified in the SIRS. These reserves are required to be funded in accordance with the funding schedule provided in the most recent SIRS and cannot be waived or reduced.
>
> **Non-SIRS Reserves** – All other reserves established for future major repairs and replacements or other purposes not included in the SIRS. Funding these reserves must be included in the Association's annual budget but funding may be waived or reduced by the unit owners in accordance with Florida Statutes.

As permitted by Florida law, associations are allowed to calculate reserve funding levels in one of two ways: the component method or the pooling method. Under the component method reserves are established, funded, and accounted for by individual components. These components must then be maintained separate from each other. The pooling method allows funding to be calculated based on the cash needs of future expenditures as a whole rather than by component. Reserve funds are allowed to be "pooled" and used for any authorized purpose.

<u>Note 6 – Future Major Repairs and Replacements – Continued:</u>

The Board of Directors annually reviews the major components of common property. In 2024, the Board obtained a Structural Integrity Reserve Study and a study for Non-SIRS components. The table included in the unaudited supplementary information on future major repairs and replacements is based on these studies. The studies included a three percent estimate for investment earnings, three percent estimate for inflation on expenditures and a three percent increase in assessments per year through the fifteenth year of funding.

The Board is funding major repairs and replacements over the remaining useful lives of the components based on estimates of current replacement costs using the pooling method. Amounts previously accumulated are considered in determining the annual funding requirement. The pooling method calculation performed by the Association for 2025 called for full funding of SIRS reserves of $65,318 and Non-SIRS reserves of $776,280. These amounts were included in the adopted 2025 budget.

Actual expenditure may vary from the estimated replacement costs. These variances could be material. Consequently, the amounts accumulated in this fund may not be adequate to fund the major repair or replacement. If additional funds are needed, the Association may increase regular assessments, pass a special assessment or delay the repair or replacement.

<u>Note 7 – Special Assessments:</u>

During the year, a special assessment was approved to fund repair costs associated with Hurricanes Milton and Helene. Total expenses are estimated at $2,293,014. Insurance proceeds of approximately $106,489 are expected to offset a portion of these costs, resulting in a net assessment of $2,186,525. The total assessment and year-to-date activity are presented below. Any unspent amounts are reported on the balance sheet as deferred special assessments.

Purpose	Amount Assessed	Current Year Expenditures	Insurance Claim	Amount Deferred
Hurricane cleanup and repair	$ 2,186,525	(1,178,215)	134,532	1,142,842

<u>Note 8 – Contingent Liability:</u>

The Association's current windstorm insurance policy contains a 10% deductible clause. Based on the $155,898,886 insured valuation of the buildings and carports, the first 10%, or $15,589,889 would be the responsibility of the Association.

<u>Note 9 – Subsequent Events</u>:

Subsequent events have been evaluated through July 29, 2026, which is the date the financial statements were available to be issued.

Pelican Cove Condominium Association, Inc.

Schedule of Expenses - Operating Fund
Year Ended December 31, 2025

ADMINISTRATION		
Salaries, benefits and taxes	$	559,729
Recognition program		7,060
Applicant processing fees		1,324
Uniforms and safety equipment		6,260
Education and licenses		4,103
Accounting and audit		11,388
Legal fees		30,625
Printing		12,029
P.C. News printing and posting		155
Telephone		12,310
Office supplies		16,174
Annual condo fees		2,985
Pool permits		1,475
Income and corporate taxes		30,969
Professional services		2,600
Office equipment		11,405
Postage		1,639
Technology		19,843
Interest		34,200
Other		13,627
Total administration		779,900
GATE HOUSE		
Salaries, benefits and taxes		247,241
Other		3,382
Total Gatehouse		250,623
SERVICES AND UTILITIES		
Cable television contract		11,342
Electric service		66,123
Water service		169,776
Sewer service		348,595
Natural gas service		35,096
Garbage service		15,326
Termite service		31,853
Total services and utilities		678,111

Continued on page 10

Pelican Cove Condominium Association, Inc.

Schedule of Expenses - Operating Fund - Continued
Year Ended December 31, 2025

BUILDING MAINTENANCE	
Salaries, benefits and taxes	$ 866,091
Water shutoff and service	9,110
Tools and equipment	3,233
Building supplies	119,892
Sewer cleanout and service	48,503
Housekeeping supplies	7,034
Pool operations	31,495
HVAC maintenance and repairs	9,485
Electrical supplies	17,146
Recreational maintenance	25,369
Building drainage	10,003
Roof repairs	6,340
Carport roof repairs	18,761
Pest control	8,624
Other - nonbudgeted maintenance	72,151
Total building maintenance	1,253,237
GROUNDS MAINTENANCE	
Salaries, benefits and taxes	658,766
Tree trimming	73,754
Tree planting	2,392
Lawn fertilization	1,525
Pond maintenance	1,823
Irrigation maintenance	10,024
Vehicle and equipment repair	18,539
Sod	1,220
Ornamental planting	15,696
Rock and shell	3,938
Gas and oil	3,714
Tools and equipment	7,877
Stepping stones and concrete	2,070
Other - nonbudgeted maintenance	44,307
Total grounds maintenance	845,645
CAPITAL EQUIPMENT	
Office equipment	4,666
Machinery and equipment	24,000
Solar array	25,727
Total capital equipment	54,393
HURRICANE RECOVERY AND LOSSES	1,292,719
INSURANCE	2,605,089
DEPRECIATION	8,392
Total operating fund expenses	$ 7,768,109

Pelican Cove Condominium Association, Inc.

Schedule of Replacement Fund Activity
Year Ended December 31, 2025

	Non-SIRS	SIRS	Total
Beginning balance	$ 1,744,619	61,946	1,806,565
Transfer	(94,382)	94,382	-
Balance after transfer	1,650,237	156,328	1,806,565
Revenues			
Pooling assessment	776,280	65,318	841,598
Interest	45,127	-	45,127
Total revenues	821,407	65,318	886,725
Expenses			
Roof	(1,658,149)	-	(1,658,149)
Common facilities	(290,176)	-	(290,176)
Harbor	(4,200)	-	(4,200)
Paint	(145,433)	-	(145,433)
Roads	(18,731)	-	(18,731)
Electrical	-	(12,500)	(12,500)
Total expenses	(2,116,689)	(12,500)	(2,129,189)
Ending balance	$ 354,955	209,146	564,101

Pelican Cove Condominium Association, Inc.

Supplementary Information on Future Major Repairs and Replacements

December 31, 2025

(unaudited)

The following is significant information on reserves derived from a 2024 reserve study.

	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost
Non-SIRS components		
Roof	1-22	$ 4,626,970
Common facilities	1-29	4,493,483
Harbor	1-15	1,538,527
Paint	1-2	179,265
Roads	1-17	1,438,860
SIRS components		
Roof	3-18	616,955
Structure	4	40,800
Plumbing	10	263,160
Electrical	1-6	75,000
Waterproofing and exterior painting	4	63,750