

**CIRCLE SQUARE RANCH MASTER
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2023

CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Board of Directors of
Circle Square Ranch Master
Association, Inc.
Ocala, Florida

Opinion

We have audited the accompanying financial statements of Circle Square Ranch Master Association, Inc. (the Master Association), which comprise the balance sheet as of December 31, 2023, and the related statements of revenues and expenses and changes in fund balance, 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 the Master Association as of December 31, 2023, 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 the Master Association 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 Master Association'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

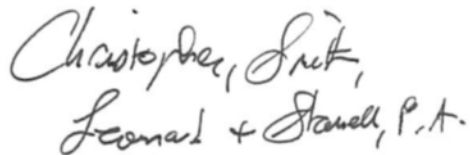
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 the 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 the Master Association'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 Master Association'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.

A handwritten signature in cursive script that reads "Christopher, Smith, Leonard & Stanell, P.A.".

**CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.**

March 19, 2024
Bradenton, Florida

CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 7,237
Maintenance assessments receivable	552,247
Due from developer	<u>299,082</u>

TOTAL ASSETS	<u>\$ 858,566</u>
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LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 93,330
Due to affiliates	<u>629,380</u>

TOTAL LIABILITIES	722,710
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FUND BALANCE	<u>135,856</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 858,566</u>
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The accompanying notes are an integral part of these financial statements.

**CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023**

REVENUES

Community service fees	\$ 4,872,414
Working capital assessment	77,398
Developer contributions	<u>650,058</u>
TOTAL REVENUES	5,599,870

EXPENSES

Management services	2,474,433
Roadway landscape maintenance	986,529
Utilities	2,069,527
Roadways and signage	16,933
Professional fees	23,926
Insurance	22,050
Taxes	6,411
General and administrative	<u>61</u>
TOTAL EXPENSES	5,599,870

EXCESS OF REVENUES OVER (UNDER) EXPENSES -

FUND BALANCE, Beginning of year 135,856

FUND BALANCE, End of year \$ 135,856

The accompanying notes are an integral part of these financial statements.

**CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from members	\$ 4,638,772
Cash received from developer	350,976
Cash paid for operating expenses	<u>(5,238,318)</u>

NET CASH (USED) BY OPERATING ACTIVITIES	<u>(248,570)</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	(248,570)
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CASH AND CASH EQUIVALENTS – Beginning of year	<u>255,807</u>
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CASH AND CASH EQUIVALENTS – End of year	<u><u>\$ 7,237</u></u>
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**RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ -
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Adjustments to reconcile excess of revenues over expenditures
to net cash used by operating activities:

Change in operating assets and liabilities:

(Increase) decrease in maintenance assessments receivable	(311,040)
(Increase) decrease in prepaid expenses	1,500
(Increase) decrease in due from developer	(299,082)
Increase (decrease) in accounts payable	18,428
Increase (decrease) in due to affiliates	<u>341,624</u>

Net cash (used) by operating activities	<u><u>\$ (248,570)</u></u>
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The accompanying notes are an integral part of these financial statements.

CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION

Circle Square Ranch Master Association, Inc., (the Master Association), was incorporated on May 20, 2004 as a not-for-profit corporation in the State of Florida. The Master Association is composed of Neighborhood Associations within Circle Square Ranch, On Top of The World Communities, LLC, located in Ocala, Florida. Members of the Master Association are On Top of the World Central Owners Association, Inc., Candler Hills Neighborhood Association, Inc. (Candler Hills), Indigo East Neighborhood Association, Inc. (Indigo East), Stone Creek Community Association, Inc. (Stone Creek) and Weybourne Landing Neighborhood Association, Inc. (Weybourne). The Master Association's duties are defined in the Declaration of Covenants, Conditions and Restrictions. On Top of the World Communities, LLC is the developer for all of the Neighborhood Associations, with the exception of Stone Creek.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Master Association prepares its financial statements on the accrual basis of accounting. The Master Association maintains its accounts using fund accounting. The Master Association currently utilizes an Operating Fund.

Future Major Repairs and Replacements

The Master Association has not estimated the remaining useful lives and replacement costs of the structures and/or their components.

THE BUDGET OF THE ASSOCIATION 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 THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

Member Assessments and Revenue Recognition

Master Association members are subject to monthly assessments, referred to as community service fees (CSF), to provide for the common expenses and operation of the Master Association. Assessments are determined annually by the Board of Directors and approved in the annual operating budget. Member assessments are recognized in the period to which they apply.

Pursuant to the Declaration of Covenants, Conditions and Restrictions of the Master Association, each Neighborhood Association is liable for their allocable share of the annual assessment budget levied by the Master Association. Each individual unit within each Neighborhood Association is assessed their allocable share of these assessments, by the Neighborhood Associations. At December 31, 2023 and 2022, assessments receivable amounted to \$552,247 and \$241,207 for amounts due, but not received prior to year end. The Association determines a credit loss allowance based on a review of the current status of existing receivables and management's estimate as to their collectability, as well as evaluation of current conditions, and reasonable and supportable forecasts of future losses to determine estimated credit losses. The Association evaluated its receivables and determined that no credit loss allowance was necessary.

**CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Member Assessments and Revenue Recognition – continued

Member assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Master Association's performance obligation related to its operating assessments (CSF) is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners.

Assessments received in advance of the period to which they apply are recorded as assessments received in advance. At December 31, 2023 and 2022, there were no material assessments received in advance.

Special Assessments

The Board of Directors may levy additional special assessments as needed for special projects not included in the budget. Special assessments revenue is recognized in the period that the expense for which it was levied is incurred and the performance obligation is satisfied. There were no special assessments in 2023.

Working Capital Assessment

Pursuant to the Declaration of Covenants, Conditions, and Restrictions, each Neighborhood Association shall pay to the Master Association for each unit under the jurisdiction of that Neighborhood Association, a one time only contribution to working capital equal to two twelfths of the annual assessment rate applicable to each residential unit. The working capital assessment does not apply to any unit in an existing development created prior to May 18, 2004.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2023, the Master Association elected to be taxed as a homeowners' association and has elected to file Form 1120H. As a homeowners' association, membership income is exempt from taxation. Interest income is non-membership income and is subject to income taxes. At December 31, 2023, there were no material amounts of income taxes payable. The Master Association has no ongoing federal, state or local tax audits; however, the Master Association's past three tax years remain open to inspection by the Internal Revenue Service.

Common Property

The Master Association has no common properties. The amenities and roadways are owned by separate entities.

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 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. Accordingly, actual results could differ from those estimates.

CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The Master Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

The Master Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in the past related to bank deposits in excess of insured limits. The Master Association believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Adoption of New Accounting Standard

Effective January 1, 2023, the Master Association adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including assessments receivable.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for assessments receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current practice, which generally require that a loss be incurred before it is recognized.

The adoption of this accounting standard update had no effect on fund balance as initially reported.

NOTE C – RELATED PARTIES

The Developer is entitled to designate all members of the Board of Directors of the Master Association until owners other than the Developer own 90% of all units to be administered by the Master Association, as specified in the Declaration of Covenants, Conditions and Restrictions.

The Master Association has contracted with Parkway Maintenance & Management Marion, LLC, (Parkway) to perform management and maintenance services, as well as provide amenities. A member of the Master Association’s Board of Directors has an ownership interest in Parkway. In addition, certain members of the Board of Directors are officers of Parkway. The amenities provided are also owned by a related party. During the year ended December 31, 2023, Parkway provided net management and maintenance services to the Master Association in the amount of \$2,474,433. This consisted of management fees in the amount of \$217,708 as well as amenities and maintenance services in the amount of \$2,256,725.

CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C – RELATED PARTIES – CONTINUED

At December 31, 2023, the net amount due to related parties was \$330,298. The Master Association was also owed \$552,247 from Stone Creek at December 31, 2023, all of which was received subsequent to year end.

The Master Association has contracted with Digital Communication Media, Inc. (DCM) to provide community systems–internet services for the benefit of Association members. Certain members of the Master Association’s Board of Directors have an ownership interest in DCM. During the year ended December 31, 2023, DCM provided community systems–internet services in the amount of \$2,026,098 to the Master Association, which is included as part of utilities expense.

NOTE D – DEVELOPER CONTRIBUTIONS

During 2023, the Master Association’s income from members was \$4,872,414 in community service fees and \$77,398 in working capital assessments for a total of \$4,949,812. Total expenses of the Master Association were \$5,599,870. As a result, the net Developer contributions were \$650,058. The amount due from the Developer at December 31, 2023 was \$299,082.

NOTE E – GEOGRAPHIC EXPOSURE TO CATASTROPHIC LOSS

The Master Association has possible exposure to catastrophic losses based on the location of the property. These catastrophes can be caused by various events, including hurricanes, windstorms, hail and flood, and the incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure by the type of event and severity of the event. The Master Association generally seeks to reduce its exposure to catastrophes through individual risk selection and the purchase of catastrophe insurance. In the event of such a catastrophe, significant special assessments may be necessary to provide for deductibles and retention amounts consistent with insurance policy provisions.

NOTE F – SUBSEQUENT EVENTS

The Master Association has evaluated subsequent events through March 19, 2024 which is the date the financial statements were available to be issued.