

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

FINANCIAL STATEMENTS

DECEMBER 31, 2024

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, 2024, 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, 2024, 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

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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.

Handwritten signature in dark ink, reading "CS&L CPAs". The letters are cursive and slightly slanted.

CS&L CPAs, P.A.

March 19, 2025
Bradenton, Florida

CIRCLE SQUARE RANCH MASTER ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 809,534
Maintenance assessments receivable	341,377
Due from developer	<u>403,926</u>

TOTAL ASSETS	<u><u>\$ 1,554,837</u></u>
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LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 238,386
Due to related parties	<u>1,180,595</u>

TOTAL LIABILITIES	1,418,981
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FUND BALANCE	<u>135,856</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,554,837</u></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, 2024**

REVENUES

Community service fees	\$ 5,625,622
Working capital assessment	60,802
Developer contributions	1,163,926
TOTAL REVENUES	6,850,350

EXPENSES

Management services	2,977,148
Roadway landscape maintenance	1,381,734
Utilities	2,339,024
Roadways and signage	34,153
Professional fees	28,496
Insurance	83,217
Taxes	6,455
General and administrative	123
TOTAL EXPENSES	6,850,350

EXCESS OF REVENUES OVER (UNDER) EXPENSES

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FUND BALANCE, Beginning of year	135,856
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FUND BALANCE, End of year	<u>\$ 135,856</u>
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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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from members	\$ 5,897,294
Cash received from developer	1,059,082
Cash paid for operating expenses	<u>(6,154,079)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>802,297</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS	802,297
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CASH AND CASH EQUIVALENTS – Beginning of year	<u>7,237</u>
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CASH AND CASH EQUIVALENTS – End of year	<u><u>\$ 809,534</u></u>
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**RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENSES
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

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

Change in operating assets and liabilities:

(Increase) decrease in maintenance assessments receivable	210,870
(Increase) decrease in due from developer	(104,844)
Increase (decrease) in accounts payable	145,056
Increase (decrease) in due to related parties	<u>551,215</u>

Net cash provided (used) by operating activities	<u><u>\$ 802,297</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 MASTER 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 MASTER 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, 2024 and 2023, assessments receivable amounted to \$341,377 and \$552,247 for amounts due, but not received prior to year end. The Master 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 Master 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, 2024 and 2023, 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 2024.

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, 2024, 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, 2024, 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 accounts at commercial banks, which at times may exceed federally insured limits. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 for the current year. At December 31, 2024, deposits at commercial banks exceeded FDIC limits by \$655,727.

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, 2024, Parkway provided net management and maintenance services to the Master Association in the amount of \$2,977,148. This consisted of management fees in the amount of \$243,122 as well as amenities and maintenance services in the amount of \$2,734,026.

At December 31, 2024, the net amount due to related parties was \$1,180,595. The Master Association was also owed \$341,377 from Stone Creek at December 31, 2024, 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, 2024, DCM provided community systems–internet services in the amount of \$2,296,175 to the Master Association, which is included as part of utilities expense. Including in the net amount due to related parties, was \$123,331 due specifically to DCM.

NOTE D – DEVELOPER CONTRIBUTIONS

During 2024, the Master Association's income from members was \$5,625,622 in community service fees and \$60,802 in working capital assessments for a total of \$5,686,424. Total expenses of the Master Association were \$6,850,350. As a result, the net Developer contributions were \$1,163,926. The amount due from the Developer at December 31, 2024 was \$403,926.

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

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, 2025 which is the date the financial statements were available to be issued.