

**CANDLER HILLS NEIGHBORHOOD
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS**

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Independent Auditor's Report

To the Board of Directors
Candler Hills Neighborhood
Association, Inc.
Ocala, Florida

We have audited the accompanying financial statements of Candler Hills Neighborhood Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2020, 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.

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 Candler Hills Neighborhood Association, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*

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

March 18, 2021
Bradenton, Florida

CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 1,235,910
Prepaid expenses	<u>10,660</u>

TOTAL ASSETS	<u><u>\$ 1,246,570</u></u>
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LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 97,618
Due to developer	1,350
Due to management company	<u>1,147,602</u>

TOTAL LIABILITIES	1,246,570
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FUND BALANCE

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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,246,570</u></u>
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The accompanying notes are an integral part of these financial statements.

**CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020**

REVENUES

Community service fees	\$ 3,761,096
Working capital assessment	66,943
Interest income	903
TOTAL REVENUES	3,828,942

EXPENSES

Gate operations	226,775
Management services agreement	2,248,970
Grounds maintenance	481,540
Master Association fees	597,675
Insurance	6,039
Garbage collection	121,973
Irrigation-common areas	263
Utilities	30,729
Outside and building lighting	40,974
General and administrative	3,592
Professional fees	19,856
ACH rebate fees	25,394
Repairs & maintenance-other	24,654
Taxes	508
TOTAL EXPENSES	3,828,942

EXCESS OF REVENUES OVER EXPENSES -

FUND BALANCE, Beginning of year -

FUND BALANCE, End of year **\$ -**

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

**CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members	\$ 3,828,039
Cash received from developer	1,292
Interest income received	903
Cash paid for operating expenses	(3,539,850)
Income taxes paid	<u>(508)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>289,876</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	289,876
CASH AND CASH EQUIVALENTS – Beginning of year	<u>946,034</u>
CASH AND CASH EQUIVALENTS – End of year	<u><u>\$ 1,235,910</u></u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
EXCESS OF REVENUES OVER EXPENSES	\$ -
Adjustments to reconcile excess of revenues over expenditures to net cash provided by operating activities:	
Change in operating assets and liabilities:	
(Increase) decrease in prepaid expenses	(10,530)
Increase (decrease) in due to developer	1,292
Increase (decrease) in accounts payable	33,503
Increase (decrease) in due to management company	<u>265,611</u>
Net cash provided by operating activities	<u><u>\$ 289,876</u></u>

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

**CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ORGANIZATION

Candler Hills Neighborhood Association, Inc., (the Association), was incorporated on May 20, 2004 as a not-for-profit corporation in the State of Florida for the purpose of carrying out the duties and exercising the powers imposed or conferred upon the Association pursuant to the Declaration of Covenants, Conditions and Restrictions. The Association is a homeowners association under Chapter 720, Florida Statutes. At December 31, 2020, the development governed by the Association consisted of 1,180 residential units located in Ocala, Florida. On Top of the World Communities, LLC is the Developer.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Future Major Repairs and Replacements

The 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 RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO THE PROVISIONS OF 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

Association members are subject to monthly assessments, referred to as community service fees (CSF), to provide for the common expenses and operation of the Association. Assessments are determined annually by the Board and approved in the annual operating budget. Assessments are charged to members on a per unit basis. Member assessments are collected in the month due.

Pursuant to the Declaration of Covenants, Conditions and Restrictions of the Association, assessments are allocated to members based on the members' share of the total annual requirement. The Association's policy is to place liens on the properties of members whose assessments are two months delinquent. There were no material amounts of accounts receivable at December 31, 2020, for member assessments.

Association members are also subject to a monthly assessment for operation of Circle Square Ranch Master Association, Inc. (Master Association). Assessments are determined annually by the Master Association's Board and approved in its annual operating budget. Assessments are charged to members on a per unit basis, are recognized in the period to which they apply, and are included in the line community service fees in the statement of revenues and expenses and changes in fund balance. The Association collects the fees and remits to the Master Association. The total collected and remitted in 2020 was \$597,675.

CANDLER HILLS NEIGHBORHOOD 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 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, 2019 and 2020, there were no material assessments received in advance.

Special Assessments

The Board 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 2020.

Working Capital Assessment

Association:

Pursuant to the Declaration of Covenants, Conditions, and Restrictions, the Association shall be paid a one-time only contribution to working capital equal to two twelfths of the annual assessment rate applicable to each residential unit. The contribution is due at the earlier of the time of closing or upon occupancy.

Master:

Pursuant to the Declaration of Covenants, Conditions, and Restrictions, the Association shall collect and remit to Circle Square Ranch Master Association, a one time working capital contribution equal to two twelfths of the annual assessments due the Master Association.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2020, the 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 and rental income is non-membership income and is subject to income taxes. At December 31, 2020, there were no material amounts of income taxes payable. The Association has no ongoing federal, state or local tax audits; however, the Association's past three tax years remain open to inspection by the Internal Revenue Service.

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. Actual results could differ from those estimates.

CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Common Property

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

Cash and Cash Equivalents

The 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 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 Association believes that it is not exposed to any significant credit risk from cash and cash equivalents.

NOTE C – RELATED PARTIES

Pursuant to the Declaration of Covenants, Conditions and Restrictions, the Developer is entitled to designate all members of the Board of Directors of the Association until owners other than the developer own 90% of all residential units ultimately to be administered by the Association.

The Association has contracted with Parkway Maintenance & Management, LLC, (Parkway), to perform management and maintenance services, as well as provide for the use of amenities. A member of the Association's Board of Directors has an ownership interest in, and is an officer of Parkway. The amenities provided are also owned by a related party. During the year ended December 31, 2020, Parkway provided management services in the amount of \$2,248,970 to the Association. At December 31, 2020, \$1,147,602 is due to Parkway.

NOTE D – DEVELOPER GUARANTEE

During 2020, the Developer guaranteed the excess of operating expenses over assessments and other income. In accordance with the Declaration of Covenants, Conditions and Restrictions for the Association: Until not later than when the Developer is no longer entitled to appoint a majority of the members of the Board of the Association, the Developer may pay the operating expenses incurred by the Association in excess of the assessments receivable from other owners and other income of the Association. So long as the Developer pays the shortfall described in the preceding sentence, the Developer shall be exempt from payment of assessments with respect to residential units in the Association owned by the Developer.

The Developer may at any time deliver written notice to the Association of its election to stop paying the operating deficits of the Association. Following the termination or expiration of the Developer's shortfall payments, the Developer shall commence paying in accordance with the Declaration the applicable per residential unit assessments for each assessable residential unit then owned by the Developer, prorated for the year in which such payment commences.

CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – DEVELOPER GUARANTEE – CONTINUED

The Association's income from members was \$3,761,096 in community service fees, \$66,943 in working capital assessments and \$903 in interest income, for a total of \$3,828,942. Total expenses of the Association were \$3,828,942. As a result, there were no Developer contributions during 2020. The amount due to the Developer at December 31, 2020 was \$1,350.

NOTE E – CONTINGENCY

Management of the Association is evaluating the risks associated with the COVID-19 pandemic. Management of the Association is in the process of implementing risk mitigation as to the risk of impact, if any, of COVID-19 related to all aspects of the Association's business transactions with members and vendors and human interaction within and outside of the Association. However, the Association cannot at this time, make a determination on the ultimate impacts of the COVID-19 pandemic.

NOTE F – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 18, 2021, which is the date the financial statements were available to be issued.