CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Candler Hills Neighborhood Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2021, 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 Association as of December 31, 2021, 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 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 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

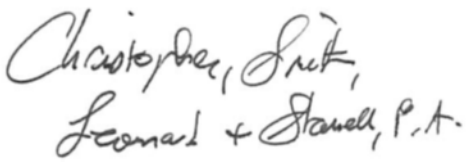
BRADENTON 1001 3rd Avenue West, Suite 700 Bradenton, FL 34205 ph 941.748.1040
SARASOTA 1515 Ringling Boulevard, Suite 900 Sarasota, FL 34236 ph 941.954.4040
TAMPA 101 East Kennedy Boulevard, Suite 1460 Tampa, FL 33602 ph 813.490.4490
WWW.CSLCPA.COM

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 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 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.



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

March 21, 2022
Bradenton, Florida

CANDLER HILLS NEIGHBORHOOD ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS		
Cash	$	489,646
Prepaid expenses		130
TOTAL ASSETS	**$**	**489,776**

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES		
Accounts payable	$	52,808
Due to developer		39
Due to management company		436,929
TOTAL LIABILITIES		489,776
FUND BALANCE		-
TOTAL LIABILITIES AND FUND BALANCE	**$**	**489,776**

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, 2021

REVENUES	
Community service fees	$ 4,311,166
Working capital assessment	63,125
Interest income	540
TOTAL REVENUES	4,374,831
EXPENSES	
Gate operations	208,173
Management services agreement	2,703,619
Grounds maintenance	520,075
Master Association fees	668,036
Insurance	8,360
Garbage collection	135,149
Irrigation-common areas	393
Utilities	30,841
Outside and building lighting	40,107
General and administrative	9,234
Professional fees	16,678
ACH rebate fees	28,466
Repairs & maintenance-other	5,700
TOTAL EXPENSES	4,374,831
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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members	$ 4,374,291
Cash paid to developer	(1,311)
Interest income received	540
Cash paid for operating expenses	(5,119,784)
NET CASH USED BY OPERATING ACTIVITIES	(746,264)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(746,264)
CASH AND CASH EQUIVALENTS - Beginning of year	1,235,910
CASH AND CASH EQUIVALENTS - End of year	**$ 489,646**
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:	
EXCESS OF REVENUES OVER EXPENSES	$ -
Adjustments to reconcile excess of revenues over expenditures to net cash used by operating activities:	
Change in operating assets and liabilities:	
(Increase) decrease in prepaid expenses	10,530
Increase (decrease) in due to developer	(1,311)
Increase (decrease) in accounts payable	(44,810)
Increase (decrease) in due to management company	(710,673)
Net cash used by operating activities	**$ (746,264)**

The accompanying notes are an integral part of these 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, 2021, the development governed by the Association consisted of 1,307 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 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

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, 2021, 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 2021 was $668,036.

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, 2020 and 2021, 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 2021.

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, 2021, 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, 2021, 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.

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, 2021, Parkway provided management services in the amount of $2,703,619 to the Association. At December 31, 2021, $436,929 is due to Parkway.

NOTE D - DEVELOPER GUARANTEE

During 2021, 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.

NOTE D - DEVELOPER GUARANTEE - CONTINUED

The Association's income from members was $4,311,166 in community service fees, $63,125 in working capital assessments and $540 in interest income, for a total of $4,374,831. Total expenses of the Association were $4,374,831. As a result, there were no Developer contributions during 2021. The amount due to the Developer at December 31, 2021 was $39.

NOTE E - CONTINGENCY

Management of the Association is continuing to evaluate the risks associated with the COVID-19 pandemic. Management of the Association has implemented risk mitigation procedures regarding the impact 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 21, 2022 which is the date the financial statements were available to be issued.