

ON TOP OF THE WORLD
(CENTRAL) OWNERS ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS

FEBRUARY 28, 2023

**ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
On Top of the World (Central) Owners Association, Inc.
Ocala, Florida

Opinion

We have audited the accompanying financial statements of On Top of the World (Central) Owners Association, Inc. (the Association), which comprise the balance sheet as of February 28, 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 Association as of February 28, 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 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

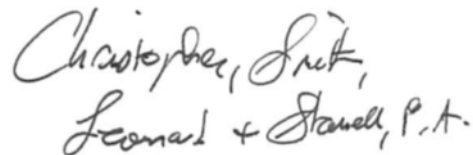
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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

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.

A handwritten signature in dark ink, reading "Christopher, Smith, Leonard & Stanell, P.A." in a cursive script.

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

May 26, 2023
Bradenton, Florida

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
BALANCE SHEET
FEBRUARY 28, 2023

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 8,634	\$ 118,597	\$ 127,231
Maintenance assessments receivable, net	60,400	-	60,400
Special assessments receivable	-	73,426	73,426
TOTAL CURRENT ASSETS	<u>69,034</u>	<u>192,023</u>	<u>261,057</u>
TOTAL ASSETS	<u>\$ 69,034</u>	<u>\$ 192,023</u>	<u>\$ 261,057</u>
<u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Due to Parkway Maintenance & Management Marion, LLC – Assessments	\$ 59,861	\$ -	\$ 59,861
Due to Master Association	3,613	-	3,613
Due to Parkway Maintenance & Management Marion, LLC – Special Assessments	-	192,023	192,023
Prepaid assessments	5,560	-	5,560
TOTAL LIABILITIES	<u>69,034</u>	<u>192,023</u>	<u>261,057</u>
FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 69,034</u>	<u>\$ 192,023</u>	<u>\$ 261,057</u>

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

**ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2023**

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
REVENUES			
Assessments:			
Community service fees	\$ 18,676,421	\$ -	\$ 18,676,421
Special assessments	-	2,361,095	2,361,095
Rental income	14,700	-	14,700
TOTAL REVENUES	18,691,121	2,361,095	21,052,216
EXPENSES			
Gate operations	419,533	-	419,533
Building and ground maintenance	9,535,853	-	9,535,853
Outside and building lighting	125,012	-	125,012
Cable	720,059	-	720,059
Solid waste collection	230,473	-	230,473
Insurance	1,623,212	-	1,623,212
Recreation	3,984,714	-	3,984,714
General and administrative	444,629	-	444,629
ACH rebates	104,448	-	104,448
Repairs and maintenance – rentals	2,963	-	2,963
Master association fees	1,497,658	-	1,497,658
Taxes	2,567	-	2,567
Special assessment expenses	-	2,361,095	2,361,095
TOTAL EXPENSES	18,691,121	2,361,095	21,052,216
EXCESS OF REVENUES OVER (UNDER) EXPENSES	-	-	-
FUND BALANCE, Beginning of year	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ -

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

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2023

	Operating Fund	Special Assessment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from members	\$ 18,687,129	\$ 2,384,396	\$ 21,071,525
Cash paid for management services and ACH fees	(17,202,333)	(2,265,799)	(19,468,132)
Cash paid to Circle Square Ranch Master Association	(1,498,936)	–	(1,498,936)
Cash received from rental of units	14,700	–	14,700
NET CASH PROVIDED BY OPERATING ACTIVITIES	560	118,597	119,157
NET CHANGE IN CASH AND CASH EQUIVALENTS	560	118,597	119,157
CASH AND CASH EQUIVALENTS –Beginning of year	8,074	–	8,074
CASH AND CASH EQUIVALENTS –End of year	<u>\$ 8,634</u>	<u>\$ 118,597</u>	<u>\$ 127,231</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 expenses to net cash provided by operating activities:			
(Increase) Decrease in assets:			
Assessments receivable	11,947	–	11,947
Special assessments receivable	–	23,301	23,301
Increase (Decrease) in liabilities:			
Accounts payable	(10,148)	–	(10,148)
Accounts payable–special assessment	–	95,296	95,296
Prepaid assessments	(1,239)	–	(1,239)
Net cash provided by operating activities	<u>\$ 560</u>	<u>\$ 118,597</u>	<u>\$ 119,157</u>

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

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION

On Top of the World (Central) Owners Association, Inc., (the Association), was incorporated on April 19, 1985 as a not-for-profit corporation in the State of Florida for the purpose of maintaining and administering community property and improvements, administering and enforcing the covenants and restrictions, and collecting and disbursing assessments and charges. The Association is a homeowners association under Chapter 720, Florida Statutes. At February 28, 2023, the development governed by the Association consisted of 4,755 residential units located in Ocala, Florida. The Association was turned over from the developer to the owners in 1983. The board of directors are elected bi-annually.

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. Currently, the Association utilizes an Operating Fund and a Special Assessment 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. Also included in the community service fees are the Master Association fees. Assessments are determined annually by the Board and approved in the annual operating budget. Assessments are charged to members on a per unit basis.

Pursuant to the Declaration of Covenants, Restrictions, Easements, Charges and Liens of the Association, assessments are allocated to members based on the members' share of the total annual requirement. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to place liens on the properties of members whose assessments are two months delinquent.

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

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Member Assessments and Revenue Recognition–continued

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.

At February 28, 2023 and February 28, 2022, assessments receivable from current owners totaled \$81,400 and \$116,347, respectively for amounts due, but not received prior to year-end. An allowance for doubtful accounts has been established in the amount of \$21,000 and \$44,000, respectively. The Association's allowance for uncollectible accounts is based on past experience and specific evaluation of account balances, as well as credit worthiness. In addition, the Association also has \$125,105 and \$144,621 at February 28, 2023 and February 28, 2022, respectively, of past due amounts from prior owners for unpaid assessments, legal fees, interest and other items. Although, the Association continues efforts to collect on these past due accounts, the accounts related to past owners are all considered uncollectible, and as a result fully reserved for.

Assessments are collected in the month the assessment is due. At the end of the month all assessments collected are remitted to Parkway Maintenance & Management Marion, LLC, (Note C), which is the management company of the Association. All master association fees collected are remitted to Circle Square Ranch Master Association on a monthly basis.

Assessments received in advance of the period to which they apply are recorded as assessments received in advance. At February 28, 2023 and February 28, 2022 there were \$5,560 and \$6,799, respectively, of assessments received in advance.

Delinquent Assessments

The Association's policy is to retain legal counsel, place liens and pursue foreclosure on delinquent homeowners. At February 28, 2023, the Association had \$69,780 of delinquent assessments receivable on lienied units. The Association has foreclosed on 1 unit as a result of non-payment of assessments. During the year, the Association collected rental income on foreclosed units in the amount of \$14,700 as a means of replacing the uncollected assessments. Additional foreclosed units may be rented in the future based on their condition and extent of repairs needed. All costs incurred to keep foreclosed units in rental condition are paid by Parkway and included in expenses of the Association.

The following unit was foreclosed on by the Association prior to February 28, 2023:

8552 – SW 93rd Place, #B

Special Assessments

The Board may levy additional, special assessments as needed for the capital repair or replacement not included in the budget. Pursuant to the management agreement, if capital repairs or replacements in excess of \$10,000, (which are not

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Special Assessments – Continued

included in the annual budget), are deemed necessary by management, a majority of the members of the Association Board of Directors must approve the work to be paid for by special assessment. Special assessments must be levied on a pro rata basis against only those homes actually benefiting from the work performed. Special assessments revenue is recognized in the period that the expense for which it was levied is incurred and the performance obligation is satisfied.

Working Capital Assessment – Master Association

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. The working capital assessment does not apply to any unit in an existing development created prior to May 18, 2004.

Resales

Resales of units are recorded at the date of the sale at the negotiated sales price, upon closing.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended February 28, 2023, the Association will be taxed as a regular corporation. Membership income is exempt from taxation. However, all other amounts received by the Association, such as resales and rental income, do not qualify as exempt function income and are taxed, net of related expenses, at normal corporate rates. There were no material amounts of income tax expense or related liabilities for the year ended February 28, 2023, and, as a result, no provision for income taxes has been recorded. The Association has not been informed of any pending IRS audit. However, the previous three tax years are subject to IRS examination.

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.

Common Property

The Association has no common properties. The land upon which the dwellings exist is leased to the unit owners from other entities and is not a part of the Association. The amenities and roadways are owned by a separate entity.

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C – MANAGEMENT AND MAINTENANCE

The Association has contracted with Parkway Maintenance & Management Marion, LLC (Parkway), as an independent contractor to perform and carry out the functions and duties of the Association as set forth in the organizing documents of the Association.

The contract price is determined annually based on the amounts determined by Parkway as necessary to pay the monthly common expenses of the Association as described in the management agreement. The Board of Directors passes a budget annually, which assesses the members a Community Service Fee. As noted in the approved budget, the Community Service Fee remitted to Parkway pays for gate operations, building and ground maintenance, outside and building lighting, water and sewer services, solid waste collection, insurance, recreation, and general and administrative costs.

All assessments collected in accordance with the budgeted monthly assessments per unit net of the Master Association fees, are remitted to Parkway. Parkway's services include providing or contracting for services and maintenance on behalf of the Association, which includes maintaining the common areas and properties as described in the management agreement and also to contract for other services such as recreational facilities, water and sewer services, exterior lighting, solid waste collection and other necessary services. Under the terms of the management agreement, Parkway is also responsible for procuring property and general liability insurance as specified in the Declaration of Covenants.

NOTE D – RELATED PARTY TRANSACTIONS

Members of the Board of Directors of the Association are elected by members of the Association every two years. The Association has contracted with a management company, Parkway Maintenance & Management Marion, LLC, to perform the duties and functions of the Association (Note C). Parkway has contracted with Sidney Colen & Associates, Ltd. (SCA) to provide recreation amenities on behalf of the Association. A member of the Association's Board of Directors has an interest in Parkway and SCA. In addition, certain members of the Association's Board of Directors are officers of Parkway and/or SCA. During the year ended February 28, 2023, the Association paid Parkway \$17,095,318 for management services and \$2,265,799 related to special assessments. At February 28, 2023, the Association owed \$59,861 to Parkway for member assessments receivable, and \$192,023 for special assessments receivable.

ON TOP OF THE WORLD (CENTRAL) OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – SPECIAL ASSESSMENTS

The Board has approved special assessments for the purpose of roof replacements. During the current fiscal year, there were 163 dwellings which had roof replacements completed. Amounts levied for roof replacement were spent as intended.

The total amount levied and expensed for the above roof replacements was \$2,361,095, of which \$73,426 was receivable at February 28, 2023. Management has evaluated the special assessment receivable and has determined that all amounts are collectible as of February 28, 2023. At February 28, 2022, the roof replacement receivable was \$96,727.

NOTE G – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 26, 2023, which is the date the financial statements were available to be issued.