

Circle C Homeowners Association, Inc.

Audited Financial Statements

For the Year Ended December 31, 2023

Circle C Homeowners Association, Inc.

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Circle C Homeowners Association, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of Circle C Homeowners Association, Inc. (a non-profit corporation) which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in members' equity 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 Circle C Homeowners Association, Inc. as of December 31, 2023, and the results of its operations and 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 Audit of the Financial Statements section of our report. We are required to be independent of Circle C Homeowners Association, Inc. and to meet our ethical responsibilities in accordance with 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.

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, 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 Circle C Homeowners Association, Inc.'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 Responsibility 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 one 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, including omissions, are

considered material if there is 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 through 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 Circle C Homeowners Association, Inc.'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 Circle C Homeowners Association, Inc.'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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on pages 16 and 17 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Austin, Texas
June 24, 2024



Circle C Homeowners Association, Inc.

Balance Sheet

December 31, 2023

	<u>2023</u>
Assets	
Current Assets	
Cash - Operating	\$ 81,279
Cash - Payroll	36,170
Cash - Reserves	3,060,105
Accounts Receivable, net	160,943
Accounts Receivable - Other	110,869
Prepaid Expenses	<u>33,415</u>
Total Current Assets	<u>3,482,781</u>
Fixed Assets	
Fixed Assets, Net of Depreciation	<u>2,617,517</u>
Total Assets	<u><u>\$ 6,100,298</u></u>
Liabilities and Members' Equity	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 13,687
Credit Cards Payable	57,406
Swimming Deposits	3,119
Payroll Taxes Payable	819
Prepaid Assessments	32,165
Security Deposit Payable	<u>500</u>
Total Current Liabilities	<u>107,696</u>
Members' Equity	
Undesignated	<u>5,992,602</u>
Total Members' Equity	<u>5,992,602</u>
Total Liabilities and Members' Equity	<u><u>\$ 6,100,298</u></u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Statement of Revenues and Expenses

For the Year Ended December 31, 2023

	<u>2023</u>
Revenues	
Assessments	\$ 4,522,104
Aquatics Income	341,992
Landscape Reimbursements	126,600
Resale Certificates	47,700
Transfer Fees	36,343
Rowell HOA	112,266
Cove at Circle C HOA	18,072
Late Fees	31,309
Facility Rentals	86,267
Rental Income	11,778
Other Income	2,995
Credit Card Rewards	11,500
Architectural Review Fees	13,355
Interest Income	116,659
Total Revenues	<u>5,478,940</u>
Expenses	
Common Area Services	
Landscaping	1,642,628
Common Area Holiday Lighting	53,115
Landscape Repairs	128,766
Landscape Water Utilities	296,720
Landscape Electric Utilities	35,586
Tree Care	76,624
Fence Repairs and Maintenance	681
Electrical Repairs and Maintenance	11,127
Neighborhood Repairs and Maintenance	24,334
Non-contract Landscape	20,387
Total Common Area Services	<u>2,289,968</u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Statement of Revenues and Expenses
(continued)

For the Year Ended December 31, 2023

	<u>2023</u>
Financial Management	
Financial Management Services	111,316
Resale Certificate Expense	10,450
Lien Filing Fees	7,214
Bank Charges/Credit Card Fees	71,688
Annual Audit and Tax Return Preparation Fees	10,859
Total Financial Management	<u>211,527</u>
Aquatics Expenses	
Administrative	53,579
Supplies - Pool, Chemicals, and Swim Team	109,514
Maintenance - Pool	103,913
Maintenance - Building	64,176
Payroll - Staff	1,125,228
Payroll - Programming Staff	27,758
Payroll - Swim Team	115,445
Utilities - Water	39,848
Utilities - Electricity	40,772
Utilities - Natural Gas	22,422
Utilities - Telephone/Internet/Camera	19,195
Total Aquatics Expenses	<u>1,721,850</u>
Architectural Review	<u>11,390</u>
Legal Services	<u>17,891</u>
Property Taxes	<u>16,620</u>
Insurance	
Insurance - Property and Liability	90,912
Insurance - Auto	5,422
Insurance - Directors and Officers	14,165
Insurance - Workers Compensation	20,765
Total Insurance	<u>131,264</u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Statement of Revenues and Expenses
(continued)

For the Year Ended December 31, 2023

	<u>2023</u>
Community Enhancement	
Donations	500
Association Memberships	2,495
Total Community Enhancement	<u>2,995</u>
Circle C Community Center	
CCCC Water	7,440
CCCC Electricity	20,201
CCCC Telephone/Internet	8,203
Events Salaries	11,583
CCCC Building Maintenance	32,819
Total Circle C Community Center	<u>80,246</u>
HOA Operations	
Office Supplies	4,976
Office Equipment and Maintenance	10,132
Owned Vehicle Expense	3,989
Postage/Delivery HOA Office	18,371
Web Operations HOA Office	2,987
Printing HOA Office	5,541
HOA Meetings	4,969
Deed Restrictions	2,878
HOA Special Events	33,782
Reserve Study Update	5,350
Total HOA Operations	<u>92,975</u>
HOA Management	
Management Salaries	214,308
Management Payroll Taxes	15,907
Mileage Reimbursement	5,494
Insurance - Health	42,580
Total HOA Management	<u>278,289</u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Statement of Revenues and Expenses
(continued)

For the Year Ended December 31, 2023

	<u>2023</u>
Maintenance Operations	
Maintenance Payroll	216,772
Pool Technicians	61,001
Maintenance Payroll Taxes	15,495
Tools and Supplies	4,879
Other Maintenance Operating Expenses	7,083
Total Maintenance Operations	<u>305,230</u>
Capital and Reserve Expenses	
SC Pool Covers	8,130
SC Lane Lines	9,827
SC Lounge Chairs	2,000
SC Bench/Table Replacement	11,495
CC Lounge Chairs	2,324
CC Refinish Splash Pad	3,587
Splash Pad Surface/Boll	6,775
CC Sewage Grinder Pumps	16,106
CC Replace/Repair Deck	1,136
SC AC Replacement	10,691
Node Clock Replacement	78,094
Rock Work	25,006
CCN Improvement	74,310
Construction Repairs	50,421
Storm Damage	426,138
Avana Pool Leak Repair	13,800
SC Pool/Renovation	37,558
Total Capital and Reserve Expenses	<u>777,398</u>
Depreciation	<u>169,245</u>
Total Expenses	<u>6,106,888</u>
Excess of Revenues Over/(Under) Expenses	<u><u>\$ (627,948)</u></u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Statement of Changes in Members' Equity

For the Year Ended December 31, 2023

	Operating Fund	Reserve - Amenity Center	Totals 2023
Members' Equity - Beginning of Year	<u>\$ 5,617,743</u>	<u>\$ 1,002,807</u>	<u>\$ 6,620,550</u>
Excess of Revenues Over/(Under) Expenses	(627,948)	-	(627,948)
Transfers Between Funds	<u>1,002,807</u>	<u>(1,002,807)</u>	<u>-</u>
Members' Equity - End of Year	<u><u>\$ 5,992,602</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,992,602</u></u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2023

	<u>2023</u>
Cash Flows from Operating Activities:	
Excess of Revenues Over/(Under) Expenses	\$ (627,948)
Depreciation	169,245
Changes in Operating Assets and Liabilities	
(Increase) Decrease in Accounts Receivable, net	(34,505)
(Increase) Decrease in Accounts Receivable - Other	(110,869)
(Increase) Decrease in Prepaid Expenses	(13,553)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(9,523)
Increase (Decrease) in Credit Cards Payable	19,035
Increase (Decrease) in Swimming Deposits	(57)
Increase (Decrease) in Payroll Taxes Payable	(704)
Increase (Decrease) in Prepaid Assessments	<u>11,626</u>
Net Cash Provided/(Used) by Operating Activities	<u>(597,253)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(597,253)
Cash and Cash Equivalents at Beginning of Year	<u>3,774,807</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,177,554</u></u>
Supplemental Disclosure	
Income Taxes Paid	<u><u>\$ -</u></u>
Interest Paid	<u><u>\$ -</u></u>
Summary of Cash Accounts	
Cash - Operating	\$ 81,279
Cash - Payroll	36,170
Cash - Reserves	<u>3,060,105</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,177,554</u></u>

See accompanying notes to financial statements.

Circle C Homeowners Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 1 - Nature of Organization

Circle C Homeowners Association, Inc. (the "Association") was incorporated on March 8, 1988 under the Texas Non-profit Corporation Act for the purpose of operating, managing and administering the affairs of its membership. This Association contains approximately 5,622 residential lots. The Association is located in Austin, Travis County, Texas.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Association uses the accrual basis method of accounting. Using this method of accounting, revenues and accounts receivables are recognized when earned regardless of when cash is received. Revenues received prior to being earned are reported as prepaid assessments. Expenses and accounts payable are recognized when the obligation is incurred regardless of when cash is disbursed. Expenses paid before being obligated are reported as prepaid expenses.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in checking and money market accounts, time deposits, certificates of deposits and all highly liquid instruments with maturities of twelve months or less.

Revenue and Revenue Recognition

The Association recognizes revenue from homeowner assessments over the assessment period, which is generally one year. The assessments are used to cover the costs of operating the Association, maintaining the common elements and improvements, and providing for facility repair and replacement. Assessments for 2023 were \$407 on a semiannual basis and \$814 per year per site.

Homeowner assessments paid in advance are deferred to the year to which they relate. Due to the nature and timing of the performance and/or transfer of services and products, substantially all deferred revenue at December 31st of each year is recognized in the following year.

The allowance for credit losses was \$48,074 at December 31, 2023.

Circle C Homeowners Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Recognition of Assets

The value of common areas is not reflected in the financial statements as title to these assets is vested in the individual single family residence owners on an undivided basis. Accordingly, expenditures relating to the improvement of common areas are expensed as incurred and are not capitalized in the accompanying balance sheet.

Personal property consists of various equipment, vehicles, furniture and fixtures, and a playscape. These assets are presented on the balance sheet at their historical cost less an allowance for depreciation. Depreciation is calculated using the straight-line method over a useful life of five to thirty years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Revenue from Contracts with Customers

The following table provides information about significant changes in homeowner assessments paid in advance for the year ended December 31, 2023:

	<u>2023</u>
Assessments paid in advance, beginning of year	\$ 40,643
Homeowner assessments and fees revenue recognized	(4,522,104)
Collections of homeowner assessments and fees	4,513,626
Assessments paid in advance, end of year	<u>\$ 32,165</u>

Note 4 - Federal Income Taxes

The Association has elected to be taxed under Internal Revenue Code Section 528 which allows the Association to exclude exempt function income from gross income. Exempt function income consists of owner assessments or other fees the Association receives from members as owners of the Association services. Taxable non-member income arises from amounts received from non-members of the Association including interest earned on reserve funds. Income tax of \$0 for 2023 is reflected in these financial statements.

Circle C Homeowners Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note 4 - Federal Income Taxes (continued)

The Association should no longer be subject to IRS examination for tax years prior to 2020.

Note 5 - Property and Equipment

Equipment consisted of the following:

	<u>2023</u>
Land	\$ 15,598
Equipment	291,093
Vehicles	64,517
Furniture and Fixtures	49,235
Computer Equipment	27,400
Circle C Community Center	4,081,938
Circle C Community Center Furniture and Fixtures	369,028
Playscape	26,502
Avana Pool	21,271
	<u>4,946,582</u>
Less Accumulated Depreciation	<u>(2,329,065)</u>
	<u>\$ 2,617,517</u>

Note 6 - Concentration of Credit Risk

Certain financial instruments potentially subject the Association to concentrations of credit risk which include primarily checking and money market accounts. The Association's cash investments are held in financial institutions insured up to \$250,000. At times, cash deposits may be in excess of FDIC coverage.

Note 7 - Evaluation of Subsequent Events

The Association has evaluated subsequent events through June 24, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Circle C Homeowners Association, Inc.

Supplementary Information on Future Major
Repairs and Replacements (Unaudited)

December 31, 2023

The Association's Board of Directors engaged a consultant to conduct a reserve study that was completed in March 2023 to estimate the replacement lives of the components of common property. The estimates were based on a physical inspection of the individual common property components. Replacement costs reflect estimated future costs and an annual inflation rate of 3.5%. The Association's governing documents require that funds be accumulated for future major repairs and replacements of common property.

The following information is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Cost</u>	<u>Designated for Repairs/Replacements December 31, 2023</u>
<i>Exterior Building Elements</i>			
Deck, Composite, Community Center	11	\$ 36,937	
Roofs, Metal, Avana	21	67,961	
Roofs, Metal, Grey Rock	24	50,233	
Roofs, Metal, Swim Center, Lifeguard and Café	3	16,631	
Roofs, Metal, Swim Center, Restrooms	29	73,221	
Roofs, Thermoplastic, Community Center	7	169,620	
Roofs, Thermoplastic, Swim Center, Mechanical and Maintenance	3	24,214	
Walls, Paint Finishes	1	31,050	
Walls, Masonry, Inspections and Repair	1	15,904	
Windows and Doors, Community Center	29	416,951	
Windows and Doors, Swim Center	9	20,239	
<i>Interior Building Elements</i>			
Interior, Renovation, Complete, Community Center	12	275,014	
Interior, Renovation, Complete, Swim Center	12	55,910	
Interior, Renovation, Partial, Community Center	2	57,846	
Interior, Renovation, Partial, Swim Center	2	19,282	
Rest Rooms, Pool Area, Renovation, Avana	11	36,499	
Rest Rooms, Pool Area, Renovation, Community Center	9	38,161	
Rest Rooms, Pool Area, Renovation, Grey Rock	14	35,611	
Rest Rooms, Pool Area, Renovation, Swim Center	1	12,000	
<i>Building Services Elements</i>			
Air Handling Unit, Rooftop Heating and Cooling Unit, 5-tons, Community Center	9	20,443	
Air Handling Unit, Rooftop Heating and Cooling Unit, Swim Center	3	13,305	
Air Handling Unit, Packaged Cooling Unit, 2-tons, Swim Center	20	20,893	
Air Handling and Condensing Units, Split Systems, Community Center	7	60,433	
Security Systems, Phased	1 to 10	133,563	
<i>Property Site Elements</i>			
Asphalt Pavement, Crack Repair, Patch and Seal Coat, Phased	3 to 4	10,272	
Asphalt Pavement, Remaining, Mill and Overlay, Phased	9 to 14	225,110	
Asphalt Pavement, Swim Center, Mill and Overlay	2	71,772	
Fences, Steel, Phased	7 to 27	269,775	
Fences, Wood	2 to 10	85,822	
Irrigation System, Partial	0 to 30+	8,961,489	
Landscape, Partial Replacements, Circle C North	1	258,750	
Lift Station, Pumps and Controls, Community Center (2023 Budgeted)	0	16,100	
Lift Station, Rebuild	19	76,900	
Light Poles and Fixtures	14	137,589	
Light Fixtures, Bollards	6	77,443	
Light Fixtures, Landscape and Miscellaneous, Phased	3 to 18	128,491	
Mailbox Kiosks, Capital Repairs (Roof and Masonry Repairs), Phased	3 to 28	138,751	
Mailbox Stations, Replacement, Recently Replaced	18	49,038	
Mailbox Stations, Replacement, Remaining, Phased	1 to 21	1,084,946	
Pipes, Pool Backwash, Swim Center	4	45,901	
Playground Equipment, Avana	11	21,900	
Playground Equipment, Grey Rock	14	29,137	
Playground Equipment, Park Place	9	28,621	
Playground Equipment, Swim Center	6	79,902	
Playground Equipment, Wildflower Park	4	113,605	
Playground Equipment, Vintage Place Park	2	37,493	
Pumps, Submersible, Drainage Area, Community Center (Including Controller)	4	20,655	
Shade Structures, Avana, Grey Rock, and Park Place	17	150,753	
Shade Structures, Wildflower and Vintage Place Parks	4	36,721	
Signage, Renovation, Entrance Monuments	7	50,891	
Vehicles	10	93,100	

See independent auditor's report.

Circle C Homeowners Association, Inc.

Supplementary Information on Future Major
Repairs and Replacements (Unaudited) (continued)

December 31, 2023

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Future Replacement Cost</u>	<u>Designated for Repairs/Replacements December 31, 2023</u>
<i>Pool Elements</i>			
Artificial Turf, Swim Center	5	21,616	
Deck, Composite, Swim Center	11	26,338	
Concrete Deck, Inspections, Partial Replacements and Repairs, Avana	1	9,187	
Concrete Deck, Inspections, Partial Replacements and Repairs, Community Center	9	90,360	
Concrete Deck, Inspections, Partial Replacements and Repairs, Grey Rock	4	7,693	
Concrete and Paver Deck, Inspections, Partial Replacements & Repairs, Swim Center	9	93,326	
Cover, Vinyl, Swim Center, Phased (2023 Budgeted)	0 to 5	52,375	
Fence, Steel, Avana	21	54,493	
Fences and Railings, Steel, Community Center	19	90,434	
Fence, Steel, Grey Rock	24	56,101	
Fences, Steel, Swim Center, Phased	4 to 14	154,632	
Mechanical Equipment, Filters, Community Center	4	63,114	
Mechanical Equipment, Filters, Swim Center	1	72,450	
Mechanical Equipment, Heaters, Swim Center	7	100,510	
Mechanical Equipment, Remaining, Phased	2 to 11	181,285	
Pool Finish, Plaster, Avana	1	74,354	
Pool Finish, Tile, Avana	11	58,662	
Pool Finish, Plaster, Community Center	9	144,140	
Pool Finish, Tile, Community Center	9	75,995	
Pool Finish, Plaster, Grey Rock	2	40,964	
Pool Finish, Tile and Coping, Grey Rock	12	26,021	
Pool Finish, Plaster, Swim Center	1	202,570	
Pool Finish, Tile, Swim Center (including Lane Lines)	13	150,531	
Shade Structures, Avana	6	23,970	
Shade Structures, Community Center	4	72,294	
Shade Structures, Grey Rock	9	26,576	
Shade Structures, Swim Center (including Playground)	3	109,763	
Starting Blocks, Swim Center	4	32,131	
Structure and Deck, Total Replacement, Swim Center	25	4,790,534	
Water Feature, Splash Pad, Avana, Replacement	6	22,127	
Water Feature, Splash Pad, Community Center, Replacement	4	55,081	
Water Feature, Splash Pad, Swim Center, Capital Repairs	6	4,917	
Water Feature, Splash Pad, Swim Center, Replacement	3	29,935	
Water Slide, Fiberglass, Refinishing, Community Center	4	21,803	
Water Slide, Fiberglass, Replacement, Community Center	14	268,703	
Totals		\$ 21,307,833	\$ 3,060,105

See independent auditor's report.