

The Homestead Owners Association, Inc.

Financial Report

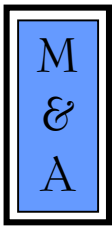
December 31, 2019 and 2018



**The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2019 and 2018**

Table of Contents

	Page
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1 - 2
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balances	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 12
Supplementary Information:	
Comparison of Operating Fund Revenues and Expenses - Budget (Non-GAAP Basis) to Actual With Reconciliation to GAAP Basis	13 – 14
Schedule of Future Major Repairs and Replacements	15 – 16



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Board of Directors
The Homestead Owners Association, Inc.
Edwards, CO**

Report on the Financial Statements

We have reviewed the accompanying balance sheets of The Homestead Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such opinion.

Management Responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Other Matters

The financial statements of The Homestead Owners Association, Inc. for the year ended December 31, 2018 were reviewed by other accountants whose report dated February 15, 2019 stated that, based on their review, they are not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

The prior year summarized information has been derived from the Association's fiscal year 2018 financial statements, which were reviewed by us. Our report dated November 13, 2017 stated we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with U.S. generally accepted accounting principles. The information included in the accompanying supplemental schedules on pages 13 - 14 is presented only for the purposes of additional analysis. Such information (except the Association's budget, which was compiled from information that is the representation of management, without audit or review, and on which we do not express an opinion or provide any assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

The supplementary Schedule of Future Major Repairs and Replacements on pages 15 - 16 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have compiled the supplementary information from information that is the representation of management the Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
January 18, 2019

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets:		
Current Assets:		
Cash and cash equivalents	306,668	626,590
Cash, restricted for deposits	7,899	399
Investments - certificates of deposit	1,239,632	1,232,000
Accounts receivable from owners, net	158,108	146,092
Interest receivable	872	872
Inventories, at cost	9,508	9,886
Prepaid expenses	19,761	14,122
Total Current Assets	1,742,448	2,029,961
Property and Equipment:		
Condominium	159,118	159,118
Furniture, fixtures and equipment	311,051	312,806
Accumulated depreciation	(366,184)	(410,313)
Total Property and Equipment	103,985	61,611
Total Assets	1,846,433	2,091,572
Liabilities and Fund Balances:		
Current Liabilities:		
Trade accounts payable	11,710	15,247
Retainage payable	10,000	-
Escrow deposit payable	7,500	-
Pre-billed dues	111,746	112,301
Accrued payroll taxes	1,106	948
Accrued property taxes	16,265	16,265
Accrued wages	10,834	10,587
Deferred revenue	32,497	32,074
Note payable, current	106,050	100,942
Total Current Liabilities	307,708	288,364
Other Liabilities:		
Rental deposit	2,125	2,125
Nonmember deposits	2,650	2,900
Total Other Liabilities	4,775	5,025
Long-Term Debt:		
Note payable, noncurrent, net	312,481	617,911
Total Long-Term Debt	312,481	617,911
Total Liabilities	624,964	911,300
Fund Balances:		
Unrestricted - operating fund	154,015	-
Designated for replacement reserve	1,067,454	1,180,272
Total Fund Balances	1,221,469	1,180,272
Total Liabilities and Fund Balances	1,846,433	2,091,572

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2019 and 2018

	2019			2018
	Operating Fund	Replacement Fund	Total	
Revenues:				
Owner assessments	1,046,955	-	1,046,955	1,055,603
Member dues	304,779	-	304,779	307,084
Activity income	556,262	-	556,262	562,283
Rental income	79,339	-	79,339	85,402
Investment income	220	36,545	36,765	24,010
Other revenue	14,282	-	14,282	16,344
Total Revenues	<u>2,001,837</u>	<u>36,545</u>	<u>2,038,382</u>	<u>2,050,726</u>
Expenses:				
Activity cost of revenues	46,191	-	46,191	65,754
Amortization	620	-	620	620
Bad debts	178	-	178	1,043
Bank charges	6,423	-	6,423	5,737
Building and ground maintenance	137,075	-	137,075	128,442
Copier lease	7,586	-	7,586	8,024
Depreciation	16,843	-	16,843	4,657
Membership expense	60,635	-	60,635	58,246
Education	5,512	-	5,512	4,761
Utilities	115,800	-	115,800	113,443
Employee expenses	14,996	-	14,996	11,459
Association membership fees	-	-	-	775
Homestead CCTH dues	5,044	-	5,044	4,656
Insurance	86,645	-	86,645	86,312
Legal and accounting	50,563	-	50,563	47,195
Other expense	6,184	-	6,184	5,352
Office supplies	23,432	-	23,432	22,154
Payroll taxes	67,216	-	67,216	63,479
Real estate taxes	16,265	-	16,265	16,265
Salaries and wages	843,420	-	843,420	800,329
Replacement:				
Interest expense	-	19,435	19,435	30,075
Replacement expenses	-	458,559	458,559	256,662
Other capital expenses	-	8,563	8,563	53,463
Total Expenses	<u>1,510,628</u>	<u>486,557</u>	<u>1,997,185</u>	<u>1,788,903</u>
Excess of Revenues Over Expenses	491,209	(450,012)	41,197	261,823
Beginning Fund Balances, as previously stated	-	1,217,439	1,217,439	918,449
Transfer	(300,027)	300,027	-	-
Prior period adjustment	(37,167)	-	(37,167)	-
Ending Fund Balances, as restated	<u>154,015</u>	<u>1,067,454</u>	<u>1,221,469</u>	<u>1,180,272</u>

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2019 and 2018
(With Comparative Totals for 2018)

	2019	2018
Cash Flows from Operating Activities:		
Cash received from owners	1,346,412	1,367,942
Cash received from activities	556,685	562,233
Cash received from rent	79,339	85,402
Cash received from interest	29,133	23,843
Other cash receipts	14,282	16,344
Interest paid	(19,435)	(30,075)
Cash paid for salaries and benefits	(910,232)	(864,265)
Cash paid for goods and services	(1,048,447)	(903,255)
Net Cash Provided by Operating Activities	47,737	258,169
Cash Flows from Investing Activities:		
Cash payment for equipment	(59,217)	(47,490)
Cash received from redemption/sale of investments	100,000	235,000
Cash paid to purchase investments	(100,000)	(235,000)
Net Cash Provided (Used) by Investing Activities	(59,217)	(47,490)
Cash Flows from Financing Activities:		
Cash paid for replacement fund loan	(300,942)	(190,302)
Net Cash Provided (Used) by Financing Activities	(300,942)	(190,302)
Net Increase (Decrease) in Cash and Cash Equivalents	(312,422)	20,377
Net Cash and Cash Equivalents - Beginning of Year	626,989	606,612
Net Cash and Cash Equivalents - End of Year ***	314,567	626,989
***Balance sheet captions:		
Cash - Unrestricted	306,668	626,590
Cash - Restricted for deposits	7,899	399
	314,567	626,989
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Excess of revenues over expenses	41,197	261,823
Adjustments to reconcile:		
Depreciation	16,843	4,657
Amortization	620	620
(Gain) loss on investments	(7,632)	-
(Increase) decrease in accounts receivable	(12,016)	15,788
(Increase) decrease in interest receivable	-	(167)
(Increase) decrease in prepaid expenses	(5,639)	1,682
(Increase) decrease in inventories	378	(453)
Increase (decrease) in accounts payable	(3,537)	(14,764)
Increase (decrease) in retainage payable	10,000	-
Increase (decrease) in deposits payable	7,250	(7,500)
Increase (decrease) in deferred assessments	(555)	(3,033)
Increase (decrease) in other liabilities	828	(484)
Total Adjustments	6,540	(3,654)
Net Cash Provided by Operating Activities	47,737	258,169

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018

1. Organization

The Homestead Owners Association, Inc. ("Association") is a statutory association organized as a not-for-profit corporation in the State of Colorado. The Association was incorporated on July 14, 1982 and began operations in 1983 in Edwards, Colorado. The purpose of the Association is to provide for maintenance, preservation and architectural control of the sold residential lots and common area/open space within the 850 acre Homestead development. Every person or entity that is a record owner of a fee or undivided fee interest in any vacant lot and/or dwelling unit within the Homestead development is required to be a member of the Association. Currently there are 815 homeowners. The Association also operates a Clubhouse, which includes a swimming pool, tennis courts, locker rooms, etc. The Association also rents space within the Clubhouse to a Montessori school.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The common expenses of the Association are paid by the Association for its members. The Board of Directors estimates the expenses, and the Association's members are assessed for their pro-rata share.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as the Operating Fund and funds for future major repairs and replacements (Replacement Fund), be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors or Property Manager. Disbursements from the Replacement Fund may be made only for their designated purposes.

C. Cash Equivalents

For purposes of the statements of cash flows, the Association defines cash equivalents as all highly liquid investments with a maturity of less than three months.

Certificates of deposit held for investments that are not debt instruments and with original maturities of greater than 90 days when purchased are reported as "Investments – certificates of deposit" in these financial statements.

D. Recognition of Assets

Real and personal property acquired by the Association is recognized on the Association's financial statements as capitalized fixed assets and is recorded at cost. The property is depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Condominium Unit	29
Furniture, Fixtures & Equipment	5-10

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

2. Summary of Significant Accounting Policies (continued)

D. Recognition of Assets (continued)

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

E. Accounts Receivable

The Association recognizes bad debts by the allowance method. No provision for doubtful accounts has been made because all amounts are considered collectable.

F. Prepaid Expenses

Prepaid expenses represent goods and services paid for in fiscal year 2019 for expenses associated with fiscal year 2020.

G. Inventories

The Association maintains inventories of retail sporting goods, apparel, and food and beverages. All inventories are valued at cost, using the first-in, first-out method.

H. Accounts Payable

Accounts payable represented goods and services rendered in fiscal year 2019, but not paid for until fiscal year 2020.

I. Debt Issuance Costs

Debt issuance costs, including origination and other fees incurred to obtain long-term financing, are amortized over the term to maturity of the underlying indebtedness. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

J. Pre-billed Assessments Revenue

Pre-billed assessments revenue represents assessments for the next fiscal year, which have been billed to owners in advance. The Association bills owners monthly.

K. Deferred Revenue

Deferred revenue represents personal training, pilates sessions, tennis sessions, babysitting and guest fees paid for in 2019, but not redeemed. The revenue will be recognized when the services are rendered in a future period.

L. Nonmember Deposits

The Association collects deposits from nonmembers of the Association who wish to participate in the activities of the Clubhouse. Prior to August 1, 2003, \$250 was collected from each nonmember; the money is retained to cover unpaid fees when a nonmember ends participation in Clubhouse activities. Unapplied deposits are returned to nonmembers who depart as of September 1. After July 31, 2003, nonmembers are charged a non-refundable Admin/Set-up fee of \$250.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

2. Summary of Significant Accounting Policies (continued)

M. Performance Deposit Escrow

For new construction, a \$7,500 deposit for each separate dwelling unit is required and will be refunded upon completion of plans as presented and approved the Design Review Committee. The Board will also collect deposits for other small construction or improvement projects, but the performance deposit collected varies depending on the size of the project.

N. Assessments

Assessments are a primary source of revenue for the Association. The Board, with the assistance of on-site management, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments, accumulating a reasonable reserve for common expenses or, with the approval of the Board, transferred to the Replacement Fund.

O. Rental Income

The Association leases the day-care center within the Clubhouse to Gore Range Montessori-Edwards, LLC. The lease began on July 1, 2011 (the "commencement date") for a term of five years ending on June 30, 2016, with the option to extend for an additional 5 years. The rent to the Association is \$2,125 per month upon commencement of the lease, with a 3% increase on each anniversary of the commencement date.

The Association has an employee who rents a studio apartment on the property on an annual basis for \$500 per month.

The Association's condominium unit is rented to an employee at a discounted rental rate in exchange for services provided to the Association. The carrying value of the unit as of December 31, 2019 was \$16,899.

Beginning in June of 2009, AT&T started paying the Association \$1,000 per month to place a cell tower on the property. There was a 5 year contract which ended in June 2014. The initial contract included three 5-year options at a 10% increase for each option period. This contract was taken over by Crown Castle. The current monthly rent to the Association is paid by Crown Castle (AT&T and T-Mobile) at \$2,200 per month.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

2. Summary of Significant Accounting Policies (continued)

Q. Income Taxes

The Association has filed for and obtained non-profit status from the State of Colorado, therefore no stock was issued by the Corporation. The Association is not tax exempt for Federal and State income tax purposes and therefore must file Federal and State income tax returns as a corporation for profit.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination for tax years prior to 2016 by the Internal Revenue Service and for tax years prior to 2015 by the Colorado Department of Revenue.

R. Subsequent Events

Management has evaluated subsequent events through January 18, 2019; the date these financial statements were available to be issued.

S. Comparative Information

The financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the comparative totals were derived.

Certain balances in the Association's comparative assets, liabilities, revenues and expenses for fiscal year 2018 have been reclassified to conform to the basis of presentation used in fiscal year 2019. Total net assets for fiscal year 2018 remain unchanged as a result of this reclassification.

3. Investments – Certificates of Deposit

Certificates of deposit; interest from 1.85% to 3.10% per annum; maturing within one year	\$ 1,037,466
Certificates of deposit; interest from 2.25% to 2.40% per annum; maturing in more than one year	<u>202,166</u>
	<u>\$ 1,239,632</u>

The following schedule summarizes the investment income in the Statements of Revenues, Expenses, and Changes in Fund Balance:

Interest income	\$ 29,133
Unrealized gains (losses)	<u>7,632</u>
Total	<u>\$ 36,765</u>

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

4. Fixed Assets

The Associations property, equipment, and related accumulated depreciation as of December 31, 2019, are as follows:

Condominium Unit	159,118
Furniture, fixtures and equipment	<u>311,051</u>
At cost	470,169
Less: Accumulated depreciation	<u>(366,184)</u>
Property and equipment, net	<u><u>\$ 103,985</u></u>

5. Future Major Repairs and Replacements

The Association's governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated amounts are held in funds and generally are not available for expenditures for operations.

In 2020, the Board commissioned a study by independent reserve engineers to estimate the remaining useful lives and the replacement costs of the components of common property. The unaudited supplemental Schedule of Future Major Repairs and Replacements on pages 15 - 16 is based on that study. The information has been classified into major areas of the Association's common elements and property.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund.

Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

6. Capital Reserve Fund

The Board has adopted a funding program for certain future capital expenditures in the form of a Capital Reserve Fund. The Board, with the assistance of on-site management, prepares an annual budget to estimate the annual capital contribution which is intended to finance interest expense on the note payable as well as any capital improvement projects beyond what is recommended in the replacement study. For the years ended December 31, 2019 and 2018, any remaining balance in the Capital Reserve Fund was transferred to the Replacement Fund.

7. Non-monetary Transactions

One employee of the Association is given free housing in exchange for services rendered to the Association. The employee housing is exchanged for security and 15 to 30 hours of services per week.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

8. Investment in Option (Land – Park DeClark)

The Association entered into an agreement with the Edwards Metropolitan District on April 26, 2000 to assist the District in purchasing real estate from Richard and Janet DeClark, further known as “Park DeClark.” The Association created the Save the Park Fund to donate \$12,000 to the District and the Association provided the District with an additional \$80,000. In light of the foregoing, the District will lease the park to the Association for \$1 per year and grant the Association the right and option to purchase the property for \$26,000 plus an appreciation amount calculated by multiplying \$26,000 by 6% per year for each year or part thereof the District has owned the property, plus the cost of any capital improvements made to the property by the District. The term of the lease and the option to purchase is 99 years.

9. Note Payable

During 2014, the Association began remodeling the main clubhouse. On July 8, 2014, the Association obtained a promissory note for the project, up to the amount of \$1,500,000. The Replacement and Capital Reserve accumulated funds in the amount of \$1,297,985 and the loan proceeds of \$1,379,639 were used to pay for these remodel expenditures in 2014 and 2015. The original loan bore interest at an annual fixed rate of 4.00% for the first phase through July 15, 2015. The annual rate then increased to 4.95% during the second phase. The original note had a maturity date of July 15, 2030. The note was collateralized by the Association’s future assessments and any other revenues or funds now and hereafter payable to the Association. On December 21, 2016, the note was modified with a principal amount of \$1,000,000 and bears interest at an annual fixed rate of 3.75%. The note may be prepaid in full or in part at any time. The modified note matures December 21, 2026. The modified note requires the borrower to maintain \$500,000 on deposit with ANB Bank.

Loan fees of \$9,766 paid in conjunction with the promissory note, which includes \$250 for the loan modification, have been capitalized and are being amortized over the life of the loan. The amortization expense for 2019 is \$620.

During 2019, the Association made loan principal payments in the amount of \$300,942, including an optional additional principal payment of \$200,000.

Year ending December 31,2020	\$ 106,050
Year ending December 31,2021	110,155
Year ending December 31,2022	114,418
Year ending December 31,2023	<u>94,327</u>
Total Notes Payable	<u>424,950</u>
Less: Unamortized issuance cost	(6,419)
Notes Payable, net of unamortized issuance costs	<u><u>\$ 418,531</u></u>

10. Concentration of Credit Risk

The Association’s cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the “FDIC”) at December 31, 2019 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. At December 31, 2019, the Association’s uninsured cash balances totaled \$55,660.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019 and 2018
(Continued)

12. Restatement – Prior period Adjustments

For the year ended December 31, 2019, the Association changed from Income Tax Basis of financial statement presentation to GAAP Basis. This change requires depreciation expense to be incurred on a straight-line basis over the estimated useful lives of the fixed assets. Consequently, the 2019 fiscal year Fund Balances increased by the cumulative effect of this change of accounting principle by \$42,833, representing the amount reported in excess of GAAP-basis depreciation expense (i.e. excess tax-basis depreciation) in the preceding periods.

Per note 8, the Association leases Park DeClark from Edwards Metropolitan District and therefore does not own or have title to the property. Consequently, the property should not be recognized as an asset per FASB ASC 972-360-25. As a result, the 2019 fiscal year Property, Plant and Equipment and Fund Balances decreased by the value of the property previously capitalized of \$80,000.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Comparison of Operating Fund Revenues and Expenses
Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019		Variance Positive (Negative)	2018
	Budget	Actual		Actual
Revenues:				
Owner assessments	1,052,750	1,046,955	(5,795)	1,055,603
Member dues	300,000	304,779	4,779	307,084
Activity income	507,700	556,262	48,562	562,283
Rental income	82,000	79,339	(2,661)	85,402
Investment income	18,000	36,765	18,765	24,010
Other revenue	11,100	14,282	3,182	16,344
Total Revenues (Budget Basis)	1,971,550	2,038,382	66,832	2,050,726
Expenses:				
Activity Expense				
Kids camp expense	9,500	10,227	(727)	11,022
Babysitting expense	1,000	794	206	630
Proshop cost of goods sold	12,500	15,049	(2,549)	16,608
Swimming expense	1,000	220	780	476
Aerobics room expense	6,000	2,712	3,288	5,868
Tennis expense	15,000	8,873	6,127	14,714
Weight room expense	7,000	3,381	3,619	6,304
Cardiovascular equipment expense	10,000	4,935	5,065	10,132
Total Activity Expense	62,000	46,191	15,809	65,754
Building and Grounds Maintenance				
Pool maintenance	10,000	13,543	(3,543)	10,198
Pool chemicals	5,000	2,976	2,024	3,576
Tennis court maintenance	9,000	8,592	408	7,832
Cleaning supplies	21,000	23,918	(2,918)	23,498
Maintenance supplies	8,000	6,424	1,576	7,070
Linens	3,500	2,941	559	3,744
Locker room amenities	3,000	2,681	319	649
DMX Cable expense	10,000	10,296	(296)	9,972
Building maintenance	20,000	12,734	7,266	14,087
Maintenance equipment	6,500	6,860	(360)	5,135
Truck expense	6,000	8,257	(2,257)	4,678
Grounds maintenance	20,000	14,982	5,018	19,220
Snow removal	2,000	2,711	(711)	1,429
Landscape maintenance	20,000	20,160	(160)	17,355
Total Building and Grounds Maintenance	144,000	137,075	6,925	128,443
Membership Expense				
Special events	44,000	48,976	(4,976)	46,399
Member communications	3,500	3,189	311	1,764
Meeting expense	2,500	1,991	509	2,442
Postage	6,000	6,291	(291)	4,998
Design review expense	2,000	188	1,812	2,644
Total operating payroll expense	58,000	60,635	(2,635)	58,247

(Continued)

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Comparison of Operating Fund Revenues and Expenses
Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis (continued)
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>		Variance Positive (Negative)	<u>2018</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Utilities Expense				
Telephone	4,200	4,587	(387)	4,353
Electric	47,000	45,148	1,852	49,335
Natural gas	19,000	18,743	257	18,386
Water and sewer	42,000	42,232	(232)	37,008
Trash removal	5,500	5,090	410	4,361
Total Utilities Expense:	<u>117,700</u>	<u>115,800</u>	<u>1,900</u>	<u>113,443</u>
Operating Expense				
Salaries and wages	841,741	843,420	(1,679)	800,329
Payroll taxes	81,549	67,216	14,333	63,479
Property taxes	15,000	16,265	(1,265)	16,265
Bad debts	2,000	178	1,822	1,043
Education	10,000	5,512	4,488	4,761
Association membership fees	500	-	500	775
Bank charges	5,000	6,423	(1,423)	5,737
Office supplies	26,000	23,432	2,568	22,154
Copier lease	8,000	7,586	414	8,024
Employee expense	14,000	14,996	(996)	11,459
Accounting	49,000	49,627	(627)	46,383
Legal	5,000	936	4,064	812
Homestead CCTH dues	4,656	5,044	(388)	4,656
Insurance	100,000	86,645	13,355	86,312
Other expense	7,000	6,184	816	5,352
Total Building and Grounds Maintenance	<u>1,169,446</u>	<u>1,133,464</u>	<u>35,982</u>	<u>1,077,541</u>
Total Expenses (Budget Basis)	<u>1,551,146</u>	<u>1,493,165</u>	<u>57,981</u>	<u>1,443,428</u>
Change in Net Position - Budget Basis	<u>420,404</u>	<u>545,217</u>	<u>8,851</u>	<u>607,298</u>
Reconciliation to GAAP Basis:				
Depreciation		(16,843)		(47,490)
Amortization		(620)		(620)
Replacement fund investment income		(36,545)		-
Total Expenses (GAAP Basis)		<u>491,209</u>		<u>559,188</u>

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information
Schedule of Future Major Repairs and Replacements
December 31, 2019

The Association's management conducted a study in 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. The study was based on inspection of the property, management's experience, and input from the Board.

Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following table is based on the study and presents significant information about the components of the Association's common property. The Board has not allocated the balance of the Replacement Fund at December 31, 2019 to specific components of the common elements.

<u>Components</u>	<u>Estimated Remaining Useful Lives in Years</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at December 31, 2019</u>
Site drainage	0	8,000	
Asphalt parking area	0-8	117,070	
Asphalt driveways	0-15	87,745	
Asphalt walkways around the court club	0-7	29,400	
Concrete pool deck	27	37,500	
Timber retaining walls	1	12,915	
Community lighting	0-26	28,800	
Timber stairways	0-6	16,782	
Playground equipment	0-7	170,000	
Community paths	0	4,013	
Entrance monuments	15	6,000	
Community signage	0-2	19,200	
Community wood decking	0-14	22,268	
Community benches and tables	2	16,250	
Siding and trim	0	21,600	
Windows and doors	0-34	186,600	
Roofing	0-14	605,950	
Metal roofing	30	88,000	
School lease space	11	31,500	
Indoor tennis courts	1-9	72,060	
Daycare area	2	8,000	
Pool area	2-4	17,000	
Court club front entrance	2	5,000	
Court club exterior decks and stairs	0-5	105,250	
Interior flooring	2-15	82,300	
Locker rooms	10	130,000	
Swimming pool	10	63,750	
Spa	8	72,000	
Steam room	3-11	30,500	
Fitness equipment	0	16,000	
Racquetball court	24	50,000	
Outdoor tennis courts	0-11	447,500	
Paddle tennis courts	2-11	22,000	
Pickleball court	1-3	59,525	
Volleyball courts	0-5	9,500	
Total to Subsequent Page		<u>2,699,978</u>	

(Continued)

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information
Schedule of Future Major Repairs and Replacements (continued)
December 31, 2019

<u>Components</u>	<u>Estimated Remaining Useful Lives in Years</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at October 31, 2019</u>
Total from previous page		\$ 2,699,978	
Restroom facility	0-5	19,500	
Outdoor furniture	5	24,640	
Appliances	0-18	21,350	
Indoor furniture	0-2	32,600	
Computer equipment	0	13,601	
Televisions	0-2	22,600	
Audio equipment	0-2	20,500	
Rooftop units	0-11	97,000	
2nd level HVAC	2	20,000	
HRVs	9	4,500	
Pool HVAC	1-5	141,000	
Pool and spa filters	0	12,000	
Domestic water heaters	1-2	16,300	
Pool and spa boilers	0-2	14,500	
Pool and spa circulation pumps	1	4,000	
Radiant heat system	23	87,500	
General equipment	0	15,000	
Switch panels	17	25,000	
Detection system	11	20,500	
Elevators	6-10	64,000	
Pickup truck	0-3	54,700	
Passenger van	12	15,000	
Trailer	5	8,000	
Tractor	0-5	41,500	
Walk behind mower	0	6,000	
Riding mower	0-6	21,600	
Skid steer	2	57,100	
Landscaping air compressor	2	5,000	
Aerator	0-2	17,000	
Snow blower	3	8,000	
Tennis equipment	2-14	32,000	
Association-owned units	0-5	82,000	
Events equipment	2	10,000	
Reserve study	3	5,000	
Storage unit	0	10,200	
Total		<u>\$ 3,749,169</u>	<u>\$ 1,067,454</u>

See accompanying notes and Independent Accountant's Review Report.