

**The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)**

Financial Report

**December 31, 2021
(Unaudited)**



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

Report on the Financial Statements

We have reviewed the accompanying financial statements of The Homestead Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2021, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 an opinion.

Management Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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 the accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

Other Matters

The prior year summarized information has been derived from the Association's fiscal year 2020 financial statements, which were reviewed by us. Our report dated March 4, 2021 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.

The supplementary schedules on pages 14 – 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of the Association's management. Except for 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 – we have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on pages 17 – 18 be presented to supplement the basic financial statements. Such information, although not a 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 basic financial statements in an appropriate operational, economic, or historical context. Such information was not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
February 21, 2022**

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2021
(With Comparative Totals for December 31, 2020)
(Unaudited)

	2021		2020	
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Current Assets:				
Cash and cash equivalents	829,274	5,394	834,668	754,475
Cash, restricted for deposits	-	982,506	982,506	987,817
Investments	-	-	-	-
Accounts receivable from owners, net	168,951	-	168,951	159,405
Interest receivable	-	1,000	1,000	-
Inventories, at cost	9,263	-	9,263	8,644
Prepaid expenses	17,572	-	17,572	16,650
Due to (from) other fund	(176,768)	176,768	-	-
Total Current Assets	848,292	1,165,668	2,013,960	1,926,991
Property and Equipment:				
Condominium	159,118	-	159,118	159,118
Furniture, fixtures and equipment	331,411	-	331,411	331,411
Accumulated depreciation	(416,568)	-	(416,568)	(390,358)
Total Property and Equipment	73,961	-	73,961	100,171
Total Assets	922,253	1,165,668	2,087,921	2,027,162
Liabilities and Fund Balances:				
Current Liabilities:				
Trade accounts payable	36,426	-	36,426	29,751
Retainage payable	-	-	-	10,000
Escrow deposit payable	7,502	-	7,502	7,501
Pre-billed dues	126,278	-	126,278	122,257
Accrued payroll taxes	2,363	-	2,363	1,722
Accrued property taxes	14,663	-	14,663	15,372
Accrued wages	22,743	-	22,743	19,973
Deferred revenue	22,365	-	22,365	25,643
Note payable, current	-	-	-	114,157
Total Current Liabilities	232,340	-	232,340	346,376
Other Liabilities:				
Rental deposit	2,125	-	2,125	2,125
Nonmember deposits	1,450	-	1,450	1,800
Total Other Liabilities	3,575	-	3,575	3,925
Long-Term Debt:				
Note payable, noncurrent, net	-	-	-	237,792
Total Long-Term Debt	-	-	-	237,792
Total Liabilities	235,915	-	235,915	588,093
Fund Balances	686,338	1,165,667	1,852,005	1,439,069
Total Liabilities and Fund Balances	922,253	1,165,667	2,087,920	2,027,162

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, 2021
(With Comparative Totals for the Year Ended December 31, 2020)
(Unaudited)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Owner assessments	778,053	250,320	1,028,373	1,029,945
Member dues	294,376	-	294,376	277,111
Activity income	540,857	-	540,857	434,370
Rental income	70,857	-	70,857	72,624
Investment income	2,138	-	2,138	15,840
PPP loan forgiveness income	142,243	-	142,243	-
Other revenue	30,741	-	30,741	14,426
Total Revenues	<u>1,859,265</u>	<u>250,320</u>	<u>2,109,585</u>	<u>1,844,316</u>
Expenses:				
Activity cost of revenues	43,282	-	43,282	34,849
Bad debts	2,400	-	2,400	1,005
Bank charges	6,502	-	6,502	5,088
Building and ground maintenance	123,940	-	123,940	134,122
Copier lease	6,991	-	6,991	7,201
Depreciation	26,210	-	26,210	24,174
Membership expense	22,310	-	22,310	20,114
Education	5,981	-	5,981	3,182
Utilities	104,933	-	104,933	106,235
Employee expenses	9,372	-	9,372	11,110
Homestead CCTH dues	5,121	-	5,121	5,517
Insurance	92,929	-	92,929	100,723
Legal and accounting	55,751	-	55,751	49,715
Other expense	9,185	-	9,185	19,770
Office supplies	20,189	-	20,189	21,079
Payroll taxes	68,872	-	68,872	63,149
Real estate taxes	15,213	-	15,213	15,081
Salaries and wages	846,576	-	846,576	797,510
Replacement expenses	-	230,892	230,892	207,092
Total Expenses	<u>1,465,757</u>	<u>230,892</u>	<u>1,696,649</u>	<u>1,626,716</u>
Excess of Revenues Over Expenses	393,508	19,428	412,936	217,600
Beginning Fund Balances	<u>292,830</u>	<u>1,146,239</u>	<u>1,439,069</u>	<u>1,221,469</u>
Ending Fund Balances	<u><u>686,338</u></u>	<u><u>1,165,667</u></u>	<u><u>1,852,005</u></u>	<u><u>1,439,069</u></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, 2021
(With Comparative Totals for the Year Ended December 31, 2020)
(Unaudited)

	2021		2020	
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Cash received from owners	1,066,554	250,320	1,316,874	1,305,206
Cash received from activities	537,579	-	537,579	437,731
Cash received from rent	70,857	-	70,857	72,624
Cash received from interest	2,138	(1,000)	1,138	21,775
Other cash receipts	30,741	-	30,741	14,426
Interest paid	-	12,713	12,713	12,171
Cash paid for salaries and benefits	(912,037)	-	(912,037)	(850,904)
Cash paid for goods and services	(519,673)	(252,985)	(772,658)	(732,312)
Transfer (to) from other fund	176,768	(176,768)	-	-
Net Cash Provided by Operating Activities	452,927	(167,720)	285,207	280,717
Cash Flows from Investing Activities:				
Cash payment for equipment	-	-	-	(20,360)
Cash received from (purchase) sale of investments	-	-	-	(482,000)
Net Cash Provided (Used) by Investing Activities	-	-	-	(502,360)
Cash Flows from Financing Activities:				
Cash received as proceeds of note payable	-	-	-	142,243
Cash repaid on note payable principal	-	(210,326)	(210,326)	267,492
Net Cash Provided (Used) by Financing Activities	-	(210,326)	(210,326)	409,735
Net Increase (Decrease) in Cash and Cash Equivalents	452,927	(378,046)	74,881	188,092
Net Cash and Cash Equivalents - Beginning of Year	376,347	1,365,946	1,742,293	1,554,200
Net Cash and Cash Equivalents - End of Year ***	829,274	987,900	1,817,174	1,742,292
***Balance sheet captions:				
Cash - Unrestricted	829,274	5,394	834,668	754,475
Cash - Restricted for deposits	-	982,506	982,506	987,817
	829,274	987,900	1,817,174	1,742,292
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Excess of revenues over expenses	393,508	19,428	412,936	217,600
Adjustments to reconcile:				
Depreciation	26,210	-	26,210	24,174
Amortization	-	620	620	620
Unrealized (gain) loss on investments	-	-	-	5,063
PPP loan forgiveness	(142,243)	-	(142,243)	-
(Increase) decrease in accounts receivable	(9,546)	-	(9,546)	(1,297)
(Increase) decrease in interest receivable	-	(1,000)	(1,000)	872
(Increase) decrease in prepaid expenses	(922)	-	(922)	3,111
(Increase) decrease in inventories	(618)	-	(618)	864
Increase (decrease) in accounts payable	6,674	-	6,674	18,040
Increase (decrease) in retainage payable	-	(10,000)	(10,000)	-
Increase (decrease) in deposits payable	(349)	-	(349)	(849)
Increase (decrease) in deferred assessments	4,021	-	4,021	296
Increase (decrease) in other liabilities	(576)	-	(576)	12,223
Transfer (to) from other fund	176,768	(176,768)	-	-
Total Adjustments	59,419	(187,148)	(127,729)	63,117
Net Cash Provided by Operating Activities	452,927	(167,720)	285,207	280,717

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, 2021
(Unaudited)

1. Organization

The Homestead Owners Association, Inc. (the "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 and 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.

D. Investments

The Association has invested certain excess funds in certificates of deposit that are held in brokerage accounts and with original maturities of greater than 90 days when purchased. The investments are considered debt securities and are reported at fair value, with all realized and unrealized gains or losses included in current period earnings.

E. 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:

	<u>Estimated Useful Lives</u>
Condominium Unit	29
Furniture, Fixtures & Equipment	3 - 10

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. 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.

F. 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.

G. Prepaid Expenses

Prepaid expenses represent goods and services paid for in fiscal year 2021 for expenses associated with fiscal year 2022.

H. 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.

I. Accounts Payable

Accounts payable represented goods and services rendered in fiscal year 2021, but not paid for until fiscal year 2022.

J. 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.

K. 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.

L. Deferred Revenue

Deferred revenue represents fees for various recreational and training programs and sessions, guests, and babysitting paid for in 2021, but not redeemed. The revenue will be recognized when the services are rendered in a future period.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

2. Summary of Significant Accounting Policies (continued)

M. 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.

N. 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.

O. Revenues and Revenue Recognition

Common 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. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses, which are payable in monthly installments.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from fees for various recreational and training programs and sessions, guests, babysitting, and administrative fees and fines as earned upon provision of the underlying goods or service. Non-resident members and owner tenant dues are valid on a monthly basis, so these membership fee revenues are recognized ratably over the monthly period. Kid camp revenues are recognized ratably over the period of the camp. All such revenues are non-refundable.

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.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

2. Summary of Significant Accounting Policies (continued)

P. Rental Income (continued)

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, 2021 was \$15,022

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.

Q. 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.

R. 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 2018 by the Internal Revenue Service and for tax years prior to 2017 by the Colorado Department of Revenue.

S. Subsequent Events

Management has evaluated subsequent events through **February 21, 2022**; the date these financial statements were available to be issued.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

2. Summary of Significant Accounting Policies (continued)

T. 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, 2020, from which the comparative totals were derived.

3. Investments

Accounting guidance establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

At December 31, 2021, the Association held investments reported at fair value and are categorized as in the following table:

	<u>Fair Value</u>	<u>Fair Value Measurement Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Certificates of deposit	\$ 982,506	-	982,506	-
Total investments at fair value	\$ 982,506	-	982,506	-

At December 31, 2021, the Association held the following certificates of deposit:

Maturing within one year; interest from 1.75% per annum	\$ 650,298
Maturing in one - three years; interest from 0.6% - 2.4% per annum	332,208
	<u>\$ 982,506</u>

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

Interest income	\$ 4,870
Unrealized gains (losses)	<u>(2,732)</u>
Total	<u>\$ 2,138</u>

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

4. Fixed Assets

The Association's property, equipment, and related accumulated depreciation as of December 31, 2021, are as follows:

Condominium Unit	\$ 159,118
Furniture, fixtures and equipment	<u>331,411</u>
At cost	490,529
Less: Accumulated depreciation	<u>(416,568)</u>
Property and equipment, net	<u><u>\$ 73,961</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 17 – 18 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.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

6. 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.

7. 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.

8. Notes Payable

A. Remodel Loan

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 loan fees were charged to interest expense due to the loan being paid early

During 2021, the Association paid the loan off prior to its anticipated maturity date and the all collateralization requirements have been released.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Unaudited)
(Continued)

9. Notes Payable (continued)

B. Small Business Administration Loan

In April 2020, the Association executed a promissory note with Alpine Bank, under the United States Small Business Administration's Payroll Protection Program, in the amount of \$142,243 (the "PPP Loan"). The PPP Loan, which is unsecured and bears interest at 1% per annum, matures in April 2022. No payments are due for the first six months of the loan term, and blended monthly payments of \$8,005 are to begin in November 2020. However, payments may be deferred under the guidelines of the Payroll Protection Program, and the PPP Loan and related interest is forgivable provided the Association uses the proceeds for qualified purposes within the timeframe prescribed by the Payroll Protection Program. In 2021 the loan was entirely forgiven.

10. Revenue from Contracts with Customers

For the year ended December 31, 2021, revenue recognized for goods transferred or performance obligations met at a point in time (at the time of service or transfer of merchandise) were \$492,109 and revenues recognized for goods transferred or performance obligations met over time were \$373,865. Revenues may be affected by general economic conditions and inflationary pressures. Revenues are primarily collected from resident members of the Association.

11. 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, 2021 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, 2021, the Association's uninsured cash balances totaled \$566,732.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Comparison of Operating Fund Revenues, Expenses, and Transfers
Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)
(Unaudited)

	<u>2021</u>		Variance Positive (Negative)	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Owner assessments	780,517	778,053	(2,464)	1,029,945
Member dues	270,000	294,376	24,376	277,111
Activity income	488,700	540,857	52,157	434,370
Rental income	77,000	70,857	(6,143)	72,624
Investment income	9,000	2,138	(6,862)	15,840
PPP loan forgiveness	-	142,243	142,243	-
Other revenue	10,600	30,741	20,141	14,426
Total Revenues (Budget Basis)	<u>1,635,817</u>	<u>1,859,265</u>	<u>223,448</u>	<u>1,844,316</u>
Expenses:				
Activity Expense				
Kids camp expense	6,500	6,505	(5)	6,789
Babysitting expense	200	-	200	111
Proshop cost of goods sold	12,500	16,742	(4,242)	11,807
Swimming expense	200	462	(262)	-
Aerobics room expense	4,000	1,012	2,988	1,412
Tennis expense	8,000	5,607	2,393	3,451
Weight room expense	3,500	6,768	(3,268)	1,739
Cardiovascular equipment expense	8,000	6,186	1,814	9,540
Total Activity Expense	<u>42,900</u>	<u>43,282</u>	<u>(382)</u>	<u>34,849</u>
Building and Grounds Maintenance				
Pool maintenance	10,000	9,369	631	8,042
Pool chemicals	4,000	2,925	1,075	1,647
Tennis court maintenance	7,000	11,470	(4,470)	7,506
Cleaning supplies	28,000	25,183	2,817	35,725
Maintenance supplies	8,000	4,898	3,102	4,815
Linens	3,500	323	3,177	700
Locker room amenities	2,000	2,156	(156)	1,379
DMX Cable expense	12,000	10,401	1,599	12,071
Building maintenance	19,000	12,882	6,118	13,483
Maintenance equipment	5,500	7,939	(2,439)	4,682
Truck expense	7,000	7,785	(785)	5,514
Grounds maintenance	20,000	13,974	6,026	18,600
Snow removal	2,000	1,869	131	1,567
Landscape maintenance	20,000	12,765	7,235	18,391
Total Building and Grounds Maintenance	<u>148,000</u>	<u>123,939</u>	<u>24,061</u>	<u>134,122</u>
Membership Expense				
Special events	8,635	8,727	(92)	7,823
Member communications	4,000	2,131	1,869	3,450
Meeting expense	1,500	913	587	553
Postage	6,000	7,507	(1,507)	6,189
Design review expense	1,000	3,031	(2,031)	2,099
Total Membership Expense	<u>21,135</u>	<u>22,309</u>	<u>(1,174)</u>	<u>20,114</u>

(Continued)

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Comparison of Operating Fund Revenues, Expenses, and Transfers
Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis (continued)
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)
(Unaudited)

	<u>2021</u>		<u>Variance</u>	<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Utilities Expense				
Telephone	4,700	5,126	(426)	4,742
Electric	37,000	36,129	871	29,109
Natural gas	18,000	23,524	(5,524)	20,068
Water and sewer	56,000	34,588	21,412	47,156
Trash removal	5,500	5,566	(66)	5,160
Total Utilities Expense:	<u>121,200</u>	<u>104,933</u>	<u>16,267</u>	<u>106,235</u>
Operating Expense				
Salaries and wages	864,135	846,576	17,559	797,510
Payroll taxes	73,451	68,872	4,579	63,149
Property taxes	16,000	15,213	787	15,081
Bad debts	1,000	2,400	(1,400)	1,005
Education	6,000	5,981	19	3,182
Association membership fees	500	-	500	-
Bank charges	8,000	6,502	1,498	5,088
Office supplies	26,000	20,189	5,811	21,079
Copier lease	8,000	6,991	1,009	7,201
Employee expense	12,000	9,372	2,628	11,110
Accounting	49,000	48,416	584	47,016
Legal	3,000	7,335	(4,335)	2,699
Homestead CCTH dues	5,124	5,121	3	5,517
Insurance	103,000	92,929	10,071	100,723
Other expense	7,000	9,186	(2,186)	19,770
Total Operating Expense:	<u>1,182,210</u>	<u>1,145,083</u>	<u>37,127</u>	<u>1,100,130</u>
ANB Loan Principal payment	<u>120,372</u>	<u>104,000</u>	<u>16,372</u>	<u>209,445</u>
Total Expenses (Budget Basis)	<u>1,635,817</u>	<u>1,543,546</u>	<u>92,271</u>	<u>1,604,895</u>
Net Change in Fund Balance (Budget Basis)	<u>-</u>	<u>315,719</u>	<u>315,719</u>	<u>239,421</u>
Reconciliation to GAAP Basis:				
ANB Loan principal payments		104,000		209,445
Depreciation		(26,210)		(24,174)
Net Change in Fund Balance (GAAP Basis)		<u>393,509</u>		<u>424,692</u>

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Capital Reserve and Replacement Fund Expenses
For the Year Ended December 31, 2021
(With Comparative Amounts for the Year Ended December 31, 2020)
(Unaudited)

	<u>2021</u>	<u>2020</u>
Replacement Expenses:		
Asphalt parking area	-	10,678
Asphalt walkways around the court club	8,102	-
Association owned units	5,436	6,381
Audio system(s)	3,553	8,817
Cleaning equipment	3,797	-
Community paths	-	1,244
Community wood decking	-	3,183
Court club exterior deck and stairs	1,000	641
DRC equipment	2,731	-
Events equipment	3,702	8,558
General equipment	7,981	17,709
Indoor furniture	7,573	10,583
Interest expense	12,093	11,551
Irrigation system	10,415	-
Kitchen	2,370	2,801
Landscaping and equipment	13,744	19,492
Lighting and decorations	17,396	-
Locker rooms	1,613	-
Managers unit	1,054	-
Other capital expenses	774	2,323
Outdoor furniture	1,801	-
Vehicles	1,423	3,044
Plumbing	2,352	-
Pool - other	7,409	-
Pool and spa boilers	-	1,494
Pool and spa circulation pumps	1,457	1,620
Pool HVAC	2,043	12,122
Radar sign	1,875	-
Reserve study	-	2,500
Restroom facility	657	4,380
Riding mower	1,200	660
Roofing	-	1,000
Rooftop units	52,067	27,129
Security	2,245	-
Siding and trim	4,004	2,793
Solar system	1,086	-
Steam room	-	360
Storage unit	16,055	9,882
Technology	18,566	23,671
Televisions	1,944	5,215
Tennis equipment	576	1,200
Timber stairways	-	1,100
Tractor	4,619	4,961
Volleyball court	2,830	-
Washer	3,349	-
Total Replacement Expenses:	<u>230,892</u>	<u>207,092</u>

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2021
(Unaudited)

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, which is updated annually, 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, 2021 to specific components of the common elements.

Components	Estimated Remaining Useful Lives in Years	Estimated Current Replacement Costs	Components of Fund Balance at December 31, 2021
Site drainage	0	\$ 8,240	
Asphalt parking area	0 - 6	120,582	
Asphalt driveways	0 - 13	90,377	
Asphalt walkways around the court club	0 - 5	30,282	
Concrete pool deck	25	38,625	
Timber retaining walls	0	13,302	
Community lighting	0 - 24	29,664	
Timber stairways	0 - 4	17,285	
Playground equipment	0 - 6	175,100	
Community paths	0 - 4	4,133	
Entrance monuments	13	6,180	
Community signage	0	19,776	
Community wood decking	0 - 12	22,936	
Community benches and tables	0	16,738	
Siding and trim	0 - 4	22,248	
Windows and doors	0 - 32	192,198	
Roofing	0 - 39	624,129	
Metal roofing	28	90,640	
School lease space	9	32,445	
Indoor tennis courts	0 - 7	74,222	
Daycare area	0	8,240	
Pool area	0 - 2	17,510	
Court club front entrance	0	5,150	
Court club exterior decks and stairs	0 - 3	108,408	
Interior flooring	0 - 13	84,769	
Locker rooms	8	133,900	
Swimming pool	8	65,663	
Spa	6	74,160	
Steam room	0 - 9	31,415	
Fitness equipment	0 - 4	16,480	
Racquetball court	22	51,500	
Outdoor tennis courts	0 - 9	460,925	
Paddle tennis courts	0 - 9	22,660	
Pickleball court	0 - 1	61,311	
Volleyball courts	0 - 3	9,785	
Total to Subsequent Page		\$ 2,780,978	

(Continued)

See accompanying notes and Independent Accountant's Review Report.

The Homestead Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements (continued)
December 31, 2021
(Unaudited)

<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, 2021</u>
Total from previous page		\$ 2,780,978	
Restroom facility	2 - 3	20,085	
Outdoor furniture	3	25,379	
Appliances	0 - 16	21,991	
Indoor furniture	0 - 3	33,578	
Computer equipment	0 - 2	14,009	
Televisions	0 - 2	23,278	
Audio equipment	0 - 4	21,115	
Rooftop units	2 - 9	99,910	
2nd level HVAC	0	20,600	
HRVs	7	4,635	
Pool HVAC	2 - 3	145,230	
Pool and spa filters	0	12,360	
Domestic water heaters	0	16,789	
Pool and spa boilers	0	14,935	
Pool and spa circulation pumps	0 - 1	4,120	
Radiant heat system	21	90,125	
General equipment	0 - 1	15,450	
Switch panels	15	25,750	
Detection system	9	21,115	
Elevators	4 - 8	65,920	
Pickup truck	0 - 1	56,341	
Passenger van	10	15,450	
Trailer	3	8,240	
Tractor	1 - 3	42,745	
Walk behind mower	0	6,180	
Riding mower	0 - 11	22,248	
Skid steer	0	58,813	
Landscaping air compressor	0	5,150	
Aerator	0	17,510	
Snow blower	1	8,240	
Tennis equipment	0 - 12	32,960	
Association-owned units	0 - 3	84,460	
Events equipment	0	10,300	
Reserve study	1	5,150	
Storage unit	0	10,506	
Total		<u><u>\$ 3,861,645</u></u>	<u><u>\$ 1,165,667</u></u>

See accompanying notes and Independent Accountant's Review Report.