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

**Financial Report**

**December 31, 2022  
(Unaudited)**



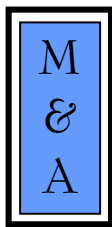
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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**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, 2022, 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*

## **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 2021 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.  
February 8, 2023**

**The Homestead Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Balance Sheets**  
**December 31, 2022**  
**(With Comparative Totals for December 31, 2021)**  
**(Unaudited)**

	<b>2022</b>		<b>2021</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total</b>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	599,947	754,016	1,353,963	1,584,907
Investments	-	708,300	708,300	232,268
Accounts receivable from owners, net	177,146	-	177,146	168,951
Interest receivable	-	-	-	1,000
Inventories, at cost	14,342	-	14,342	9,263
Prepaid expenses	15,550	-	15,550	17,572
Due to (from) other fund	281,795	(281,795)	-	-
<b>Total Current Assets</b>	<b>1,088,780</b>	<b>1,180,521</b>	<b>2,269,301</b>	<b>2,013,961</b>
<b>Property and Equipment:</b>				
Condominium	159,118	-	159,118	159,118
Furniture, fixtures and equipment	331,411	-	331,411	331,411
Accumulated depreciation	(442,111)	-	(442,111)	(416,568)
<b>Total Property and Equipment</b>	<b>48,418</b>	<b>-</b>	<b>48,418</b>	<b>73,961</b>
<b>Total Assets</b>	<b>1,137,198</b>	<b>1,180,521</b>	<b>2,317,719</b>	<b>2,087,922</b>
<b>Liabilities and Fund Balances:</b>				
<b>Current Liabilities:</b>				
Trade accounts payable	31,403	-	31,403	36,428
Escrow deposit payable	7,503	-	7,503	7,502
Pre-billed dues	133,058	-	133,058	126,278
Accrued payroll taxes	-	-	-	2,363
Accrued property taxes	18,000	-	18,000	14,663
Accrued wages	32,840	-	32,840	22,743
Deferred revenue	26,169	-	26,169	22,365
Note payable, current	-	-	-	-
<b>Total Current Liabilities</b>	<b>248,973</b>	<b>-</b>	<b>248,973</b>	<b>232,342</b>
<b>Other Liabilities:</b>				
Rental deposit	2,125	-	2,125	2,125
Non-member deposits	1,450	-	1,450	1,450
<b>Total Other Liabilities</b>	<b>3,575</b>	<b>-</b>	<b>3,575</b>	<b>3,575</b>
<b>Total Liabilities</b>	<b>252,548</b>	<b>-</b>	<b>252,548</b>	<b>235,917</b>
<b>Fund Balances</b>	<b>884,650</b>	<b>1,180,521</b>	<b>2,065,171</b>	<b>1,852,005</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,137,198</b>	<b>1,180,521</b>	<b>2,317,719</b>	<b>2,087,922</b>

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, 2022**  
**(With Comparative Totals for the Year Ended December 31, 2021)**  
**(Unaudited)**

	<b>2022</b>			<b>2021</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total</b>
<b>Revenues:</b>				
Owner assessments	778,980	250,320	1,029,300	1,028,373
Member dues	356,042	-	356,042	294,376
Activity income	582,893	-	582,893	540,857
Rental income	76,580	-	76,580	70,857
Investment income	(19,394)	-	(19,394)	2,138
PPP loan forgiveness income	-	-	-	142,243
Other revenue	12,560	-	12,560	30,741
<b>Total Revenues</b>	<u>1,787,661</u>	<u>250,320</u>	<u>2,037,981</u>	<u>2,109,585</u>
<b>Expenses:</b>				
Activity cost of revenues	42,335	-	42,335	43,282
Bad debts	1,273	-	1,273	2,400
Bank charges	9,635	-	9,635	6,502
Building and ground maintenance	122,784	-	122,784	123,940
Copier lease	5,838	-	5,838	6,991
Depreciation	25,543	-	25,543	26,210
Membership expense	72,419	-	72,419	22,310
Education	5,230	-	5,230	5,981
Utilities	129,009	-	129,009	104,933
Employee expenses	10,345	-	10,345	9,372
Homestead CCTH dues	5,600	-	5,600	5,121
Insurance	90,232	-	90,232	92,929
Legal and accounting	60,033	-	60,033	55,751
Other expense	6,419	-	6,419	9,185
Office supplies	22,695	-	22,695	20,189
Payroll taxes	70,442	-	70,442	68,872
Real estate taxes	17,818	-	17,818	15,213
Salaries and wages	891,699	-	891,699	846,576
Replacement expenses	-	235,466	235,466	230,892
<b>Total Expenses</b>	<u>1,589,349</u>	<u>235,466</u>	<u>1,824,815</u>	<u>1,696,649</u>
<b>Excess of Revenues Over Expenses</b>	198,312	14,854	213,166	412,936
<b>Beginning Fund Balances</b>	<u>686,338</u>	<u>1,165,667</u>	<u>1,852,005</u>	<u>1,439,069</u>
<b>Ending Fund Balances</b>	<u><u>884,650</u></u>	<u><u>1,180,521</u></u>	<u><u>2,065,171</u></u>	<u><u>1,852,005</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, 2022**  
**(With Comparative Totals for the Year Ended December 31, 2021)**  
**(Unaudited)**

	<b>2022</b>			<b>2021</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>				
Cash received from owners	1,133,607	250,320	1,383,927	1,316,874
Cash received from activities	586,697	-	586,697	537,579
Cash received from rent	76,580	-	76,580	70,857
Cash received from interest	(19,394)	28,727	9,333	1,138
Other cash receipts	12,560	-	12,560	30,741
Interest paid	-	-	-	12,713
Cash paid for salaries and benefits	(954,407)	-	(954,407)	(912,037)
Cash paid for goods and services	(606,408)	(235,466)	(841,874)	(772,658)
Transfer (to) from other fund	(458,563)	458,563	-	-
<b>Net Cash Provided by Operating Activities</b>	<u>(229,328)</u>	<u>502,144</u>	<u>272,816</u>	<u>285,207</u>
<b>Cash Flows from Investing Activities:</b>				
Cash received from (purchase) sale of investments	-	(503,760)	(503,760)	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>(503,760)</u>	<u>(503,760)</u>	<u>-</u>
<b>Cash Flows from Financing Activities:</b>				
Cash repaid on note payable principal	-	-	-	(210,326)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,326)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(229,328)	(1,616)	(230,944)	74,881
<b>Net Cash and Cash Equivalents - Beginning of Year</b>	<u>829,275</u>	<u>755,632</u>	<u>1,584,907</u>	<u>1,510,026</u>
<b>Net Cash and Cash Equivalents - End of Year</b>	<u><u>599,947</u></u>	<u><u>754,016</u></u>	<u><u>1,353,963</u></u>	<u><u>1,584,907</u></u>
<b>Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:</b>				
Excess of revenues over expenses	<u>198,312</u>	<u>14,854</u>	<u>213,166</u>	<u>412,936</u>
<b>Adjustments to reconcile:</b>				
Depreciation	25,543	-	25,543	26,210
Amortization	-	-	-	620
Unrealized (gain) loss on investments	-	27,728	27,728	-
PPP loan forgiveness	-	-	-	(142,243)
(Increase) decrease in accounts receivable	(8,195)	-	(8,195)	(9,546)
(Increase) decrease in interest receivable	-	999	999	(1,000)
(Increase) decrease in prepaid expenses	2,022	-	2,022	(922)
(Increase) decrease in inventories	(5,078)	-	(5,078)	(618)
Increase (decrease) in accounts payable	(5,025)	-	(5,025)	6,674
Increase (decrease) in retainage payable	-	-	-	(10,000)
Increase (decrease) in deposits payable	-	-	-	(349)
Increase (decrease) in deferred assessments	6,781	-	6,781	4,021
Increase (decrease) in other liabilities	14,875	-	14,875	(576)
Transfer (to) from other fund	(458,563)	458,563	-	-
<b>Total Adjustments</b>	<u>(427,640)</u>	<u>487,290</u>	<u>59,650</u>	<u>(127,729)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>(229,328)</u></u>	<u><u>502,144</u></u>	<u><u>272,816</u></u>	<u><u>285,207</u></u>

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**  
**For the Year Ended December 31, 2022**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2021)**  
**(Unaudited)**

	<u>2022</u>		<b>Variance Positive (Negative)</b>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
Owner assessments	780,517	778,980	(1,537)	1,028,373
Member dues	287,000	356,042	69,042	294,376
Activity income	522,800	582,893	60,093	540,857
Rental income	74,000	76,580	2,580	70,857
Investment income (loss)	6,000	(19,394)	(25,394)	2,138
PPP loan forgiveness	-	-	-	142,243
Other revenue	10,600	12,560	1,960	30,741
<b>Total Revenues (Budget Basis)</b>	<u>1,680,917</u>	<u>1,787,661</u>	<u>106,744</u>	<u>2,109,585</u>
<b>Expenses:</b>				
<b>Activity Expense</b>				
Kids camp expense	7,000	7,282	(282)	6,505
Babysitting expense	100	-	100	-
Proshop cost of goods sold	12,000	15,036	(3,036)	16,742
Swimming expense	1,000	-	1,000	462
Aerobics room expense	4,000	3,642	358	1,012
Tennis expense	8,000	7,188	812	5,607
Weight room expense	5,000	2,151	2,849	6,768
Cardiovascular equipment expense	8,000	7,036	964	6,186
<b>Total Activity Expense</b>	<u>45,100</u>	<u>42,335</u>	<u>2,765</u>	<u>43,282</u>
<b>Building and Grounds Maintenance</b>				
Pool maintenance	10,000	6,832	3,168	9,369
Pool chemicals	4,000	3,977	23	2,925
Tennis court maintenance	10,000	8,165	1,835	11,470
Cleaning supplies	28,000	29,121	(1,121)	25,183
Maintenance supplies	8,000	5,834	2,166	4,898
Linens	3,500	-	3,500	323
Locker room amenities	3,000	2,886	114	2,156
DMX Cable expense	13,000	12,260	740	10,401
Building maintenance	19,000	9,838	9,162	12,882
Maintenance equipment	5,500	6,167	(667)	7,939
Truck expense	7,000	4,989	2,011	7,785
Grounds maintenance	20,000	15,709	4,291	13,974
Snow removal	2,000	2,522	(522)	1,869
Landscape maintenance	30,000	14,482	15,518	12,765
<b>Total Building and Grounds Maintenance</b>	<u>163,000</u>	<u>122,782</u>	<u>40,218</u>	<u>123,939</u>
<b>Membership Expense</b>				
Special events	52,000	58,148	(6,148)	8,727
Member communications	4,000	1,545	2,455	2,131
Meeting expense	1,500	1,406	94	913
Postage	7,000	8,601	(1,601)	7,507
Design review expense	1,000	2,719	(1,719)	3,031
<b>Total Membership Expense</b>	<u>65,500</u>	<u>72,419</u>	<u>(6,919)</u>	<u>22,309</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, 2022**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2021)**  
**(Unaudited)**

	<u>2022</u>		<b>Variance Positive (Negative)</b>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Utilities Expense</b>				
Telephone	5,200	5,176	24	5,126
Electric	39,000	37,100	1,900	36,129
Natural gas	20,000	35,877	(15,877)	23,524
Water and sewer	56,000	43,926	12,074	34,588
Trash removal	6,500	6,930	(430)	5,566
<b>Total Utilities Expense:</b>	<u>126,700</u>	<u>129,009</u>	<u>(2,309)</u>	<u>104,933</u>
<b>Operating Expense</b>				
Salaries and wages	943,135	891,699	51,436	846,576
Payroll taxes	80,858	70,442	10,416	68,872
Property taxes	18,000	17,818	182	15,213
Bad debts	1,000	1,273	(273)	2,400
Education	6,000	5,230	770	5,981
Association membership fees	500	-	500	-
Bank charges	10,000	9,635	365	6,502
Office supplies	26,000	22,695	3,305	20,189
Copier lease	8,000	5,838	2,162	6,991
Employee expense	14,000	10,345	3,655	9,372
Accounting	53,000	48,461	4,539	48,416
Legal	5,000	11,572	(6,572)	7,335
Homestead CCTH dues	5,124	5,600	(476)	5,121
Insurance	103,000	90,232	12,768	92,929
Other expense	7,000	6,421	579	9,185
<b>Total Operating Expense:</b>	<u>1,280,617</u>	<u>1,197,261</u>	<u>83,356</u>	<u>1,145,082</u>
<b>Total Expenses (Budget Basis)</b>	<u>1,680,917</u>	<u>1,563,806</u>	<u>117,111</u>	<u>1,439,545</u>
<b>Net Change in Fund Balance (Budget Basis)</b>	<u>-</u>	<u>223,855</u>	<u>223,855</u>	<u>670,040</u>
<b>Reconciliation to GAAP Basis:</b>				
Depreciation		(25,543)		(26,210)
<b>Net Change in Fund Balance (GAAP Basis)</b>		<u>198,312</u>		<u>643,830</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, 2022**  
**(With Comparative Amounts for the Year Ended December 31, 2021)**  
**(Unaudited)**

	<u>2022</u>	<u>2021</u>
<b>Replacement Expenses:</b>		
Animal control	10,659	-
Asphalt parking area	9,258	-
Asphalt walkways around the court club	-	8,102
Association owned units	-	5,436
Audio Video system(s)	7,843	5,497
Cleaning equipment	3,682	3,797
Court club exterior deck and stairs	-	1,000
DRC equipment	-	2,731
Events equipment	15,077	3,702
General equipment	8,372	7,981
Indoor furniture	4,621	7,573
Interest expense	-	12,093
Irrigation system	5,776	10,415
Kitchen	-	2,370
Landscaping and maintenance equipment	15,851	13,744
Lighting and decorations	20,995	17,396
Locker rooms	1,977	1,613
Managers unit	20,397	1,054
Networking & backup	6,116	-
Other capital expenses	13,986	774
Outdoor furniture	8,537	1,801
Plumbing	3,761	2,352
Pool - other	-	7,409
Pool and spa circulation pumps	6,372	1,457
Pool HVAC	12,854	2,043
Radar sign	362	1,875
Restroom facility	-	657
Riding mower	-	1,200
Rooftop units	4,054	52,067
Security	5,599	2,245
Siding and trim	-	4,004
Solar system	-	1,086
Steam room	4,446	-
Storage unit	14,985	16,055
Technology	19,929	18,566
Tennis equipment	-	576
Tractor	5,792	4,619
Vehicles	4,165	1,423
Volleyball court	-	2,830
Washer	-	3,349
<b>Total Replacement Expenses:</b>	<u>235,466</u>	<u>230,892</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, 2022**  
**(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 (2020) plus 11% for two years of CPI cost increases.

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, 2022 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, 2022</u>
Site drainage	0	\$ 8,899	
Asphalt parking area	0 - 5	130,229	
Asphalt driveways	0 - 12	97,607	
Asphalt walkways around the court club	0 - 4	32,705	
Concrete pool deck	24	41,715	
Timber retaining walls	0	14,366	
Community lighting	0 - 23	32,037	
Timber stairways	0 - 3	18,668	
Playground equipment	0 - 5	189,108	
Community paths	0 - 3	4,464	
Entrance monuments	12	6,674	
Community signage	0	21,358	
Community wood decking	0 - 11	24,771	
Community benches and tables	0	18,077	
Siding and trim	0 - 3	24,028	
Windows and doors	0 - 31	207,574	
Roofing	0 - 38	674,059	
Metal roofing	27	97,891	
School lease space	8	35,041	
Indoor tennis courts	0 - 6	80,160	
Daycare area	0	8,899	
Pool area	0 - 1	18,911	
Court club front entrance	0	5,562	
Court club exterior decks and stairs	0 - 2	117,081	
Interior flooring	0 - 12	91,551	
Locker rooms	7	144,612	
Swimming pool	7	70,916	
Spa	5	80,093	
Steam room	0 - 8	33,928	
Fitness equipment	0 - 3	17,798	
Racquetball court	21	55,620	
Outdoor tennis courts	0 - 8	497,799	
Paddle tennis courts	0 - 8	24,473	
Pickleball court	0	66,216	
Volleyball courts	0 - 2	10,568	
<b>Total to Subsequent Page</b>		<u>\$ 3,003,458</u>	

(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, 2022**  
**(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, 2022</u>
<b>Total from previous page</b>		\$ 3,003,458	
Restroom facility	1 - 2	21,692	
Outdoor furniture	3	27,409	
Appliances	0 - 15	23,750	
Indoor furniture	0 - 2	36,264	
Computer equipment	0 - 1	15,130	
Televisions	0 - 1	25,140	
Audio equipment	0 - 3	22,804	
Rooftop units	1 - 8	107,903	
2nd level HVAC	0	22,248	
HRVs	6	5,006	
Pool HVAC	1 - 2	156,848	
Pool and spa filters	0	13,349	
Domestic water heaters	0	18,132	
Pool and spa boilers	0	16,130	
Pool and spa circulation pumps	0	4,450	
Radiant heat system	20	97,335	
General equipment	0	16,686	
Switch panels	14	27,810	
Detection system	8	22,804	
Elevators	3 - 7	71,194	
Pickup truck	0	60,848	
Passenger van	9	16,686	
Trailer	2	8,899	
Tractor	0 - 2	46,165	
Walk behind mower	0	6,674	
Riding mower	0 - 10	24,028	
Skid steer	0	63,518	
Landscaping air compressor	0	5,562	
Aerator	0	18,911	
Snow blower	0	8,899	
Tennis equipment	0 - 11	35,597	
Association-owned units	0 - 2	91,217	
Events equipment	0	11,124	
Reserve study	0	5,562	
Storage unit	0	11,346	
<b>Total</b>		<u>\$ 4,170,578</u>	<u>\$ 1,180,521</u>

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, 2022  
(Unaudited)  
(Continued)

**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.  
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Notes to the Financial Statements  
December 31, 2022  
(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 2022 for expenses associated with fiscal year 2023.

**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 2022, but not paid for until fiscal year 2023.

**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 2022, but not redeemed. The revenue will be recognized when the services are rendered in a future period.

The Homestead Owners Association, Inc.  
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Notes to the Financial Statements  
December 31, 2022  
(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.  
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Notes to the Financial Statements  
December 31, 2022  
(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, 2022 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 2019 by the Internal Revenue Service and for tax years prior to 2018 by the Colorado Department of Revenue.

**S. Subsequent Events**

Management has evaluated subsequent events through **February 8, 2023**; 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, 2022**  
**(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, 2021, 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, 2022, 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	\$ 708,300	-	708,300	-
<b>Total investments at fair value</b>	<b>\$ 708,300</b>	<b>-</b>	<b>708,300</b>	<b>-</b>

At December 31, 2022, the Association held the following certificates of deposit:

Maturing within one year; interest from .5% per annum	\$ 251,028
Maturing in one - three years; interest from 0.5% - .9% per annum	457,272
	<u>\$ 708,300</u>

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

Interest income	\$ 5,602
Unrealized gains (losses)	(24,996)
<b>Total</b>	<u>\$ (19,394)</u>

The Homestead Owners Association, Inc.  
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Notes to the Financial Statements  
December 31, 2022  
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(Continued)

**4. Fixed Assets**

The Association's property, equipment, and related accumulated depreciation as of December 31, 2022, are as follows:

Condominium Unit	\$ 159,118
Furniture, fixtures and equipment	331,411
<b>At cost</b>	<u>490,529</u>
Less: Accumulated depreciation	(442,111)
<b>Property and equipment, net</b>	<u>\$ 48,418</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.**  
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**Notes to the Financial Statements**  
**December 31, 2022**  
**(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.

**10. Revenue from Contracts with Customers**

For the year ended December 31, 2022, revenue recognized for goods transferred or performance obligations met at a point in time (at the time of service or transfer of merchandise) were \$497,339 and revenues recognized for goods transferred or performance obligations met over time were \$454,156. 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, 2022 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, 2022, the Association's uninsured cash balances totaled \$566,732.