

Homestead in the Willows Homeowners Association, Inc.

Audited Financial Statements
December 31, 2023



Homestead in the Willows Homeowners Association, Inc.
December 31, 2023

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Independent Auditor's Report

To the Board of Directors
Homestead in the Willows Homeowners Association, Inc.

We have audited the accompanying financial statements of Homestead in the Willows Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in members' equity and cash flows for the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homestead in the Willows Homeowners Association, Inc., on December 31, 2023, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule of Future Major Repairs and Replacements 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Griffin Group, CPA

Denver, Colorado
January 7, 2025

Homestead in the Willows Homeowners Association, Inc.
December 31, 2023

Balance Sheet

	Operating Fund	Replacement Fund	Swim Team Fund	Total
Assets:				
Cash and cash equivalents	\$ 451,228	\$ 521,806	\$ 30,881	\$ 1,003,915
Accounts receivable, net	4,735	-	-	4,735
Deferred expense	-	602,478	-	602,478
Prepaid insurance	9,454	-	-	9,454
Interfund due to (from)	(15,772)	15,772	-	-
Total assets	\$ 449,645	\$ 1,140,056	\$ 30,881	\$ 1,620,582
Liabilities:				
Accounts payable	\$ 32,303	8,275	-	40,578
Contract liabilities	-	1,131,781	-	1,131,781
Payroll and related payable	2,370	-	-	2,370
Prepaid assessments	235,230	-	-	235,230
Total liabilities	269,903	1,140,056	-	1,409,959
Members' equity:				
Fund balance (deficit)	179,742	-	30,881	210,623
Total members' equity	179,742	-	30,881	210,623
Total liabilities and members' equity	\$ 449,645	\$ 1,140,056	\$ 30,881	\$ 1,620,582

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

Homestead in the Willows Homeowners Association, Inc.
December 31, 2023

Statement of Revenues, Expenses, and Changes in Members' Equity

	Operating Fund	Replacement Fund	Swim Team Fund	Total
Revenues:				
Member assessments	\$ 1,346,070	\$ 81,718	\$ -	\$ 1,427,788
Change in contract liabilities	-	(461,432)	-	(461,432)
Events and registration	-	-	76,620	76,620
Insurance claim proceeds	2,474	-	-	2,474
Interest income	674	16,307	44	17,025
Late fees and other income	29,902	-	-	29,902
Newsletter	24,474	-	-	24,474
Interfund transfer in (out)	(588,345)	588,345	-	-
Total revenues	815,249	224,938	76,664	1,116,851
Expenses:				
Administrative	30,398	-	-	30,398
Electricity and gas	19,078	-	-	19,078
Grounds maintenance	165,095	-	-	165,095
Insurance	46,037	-	-	46,037
Major repairs and replacements	-	224,938	-	224,938
Newsletter	15,416	-	-	15,416
Payroll and related	199,655	-	-	199,655
Pool maintenance	243,889	-	-	243,889
Professional	20,187	-	-	20,187
Snow removal	6,691	-	-	6,691
Swim team	-	-	76,142	76,142
Tennis	18,037	-	-	18,037
Trash removal	119,723	-	-	119,723
Water and sewer	118,369	-	-	118,369
Total expenses	1,002,575	224,938	76,142	1,303,655
Excess (deficit) of revenues over expenses	(187,326)	-	522	(186,804)
Members' equity:				
Beginning of year	368,056	-	30,359	398,415
Prior period adjustment	(988)	-	-	(988)
End of Year	\$ 179,742	\$ -	\$ 30,881	\$ 210,623

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

Homestead in the Willows Homeowners Association, Inc.
December 31, 2023

Statement of Cash Flows

	Operating Fund	Replacement Fund	Swim Team Fund	Total
Operating activities:				
Excess (deficit) of revenues over expenses	\$ (187,326)	\$ -	\$ 522	\$ (186,804)
Prior period adjustment	(988)	-	-	(988)
Decrease (increase) in operating assets:				
Accounts receivable	922	-	-	922
Deferred expense	-	(602,478)	-	(602,478)
Prepaid insurance	(3,411)	-	-	(3,411)
Interfund due to (from)	15,772	(15,772)	-	-
Increase (decrease) in operating liabilities:				
Accounts payable	25,370	8,275	-	33,645
Contract liabilities	-	461,432	-	461,432
Payroll and related payable	2,370	-	-	-
Prepaid assessments	235,230	-	-	235,230
Cash provided by (used from) operating	87,939	(148,543)	522	(62,452)
Net change in cash and cash equivalents	87,939	(148,543)	522	(60,082)
Cash and cash equivalents:				
Beginning of year	363,289	670,349	30,359	1,063,997
End of year	\$ 451,228	\$ 521,806	\$ 30,881	\$ 1,003,915
Supplemental Information:				
Cash paid for income taxes	\$ -	\$ -	\$ -	-
Cash paid for interest	\$ -	\$ -	\$ -	-

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

(1) Nature of the Organization

Homestead in the Willows Homeowners Association, Inc. (the "Association") is a nonprofit corporation organized pursuant to the laws of Colorado on October 1, 1974. The Association was formed to maintain all common property and to govern the community in accordance with the governing documents. The community consists of 898 single family homes and 13 acres of greenbelt space located in Centennial, Colorado.

(2) Summary of Significant Accounting Policies

Principles of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification as produced by the Financial Accounting Standards Board is the sole source of authoritative GAAP for non-governmental entities.

Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities which includes using a system of fund accounting to classify financial resources to their intended purpose.

The Operating Fund is used to account and report for the use of operating resources.

The Replacement Fund is used to account and report for resources designated for future major repairs and replacement.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid instruments available for current use and are carried at historical cost, which approximates market value.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members.

Contract Liabilities (Assessments received in advance)

The Association recognizes replacement fund assessments from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the assessments.

Interest Earned

Interest income is allocated to the operating fund and replacement fund in proportion to the interest-bearing deposits of each fund.

Capitalization Policy and Depreciation

In accordance with industry standards, the Association has not capitalized in the financial statements the common areas acquired from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to the Fund (Fund Accounting) in the period they are incurred.

(2) Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of these financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management bases their estimates on historical experience and on various other assumptions and factors that are believed to be reasonable. Actual results may vary from these estimates, and such variations may be material.

(3) Concentration of Credit Risk

The Association maintains cash balances at financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") which provides coverage up to \$250,000 per depository institution. If these balances exceed the FDIC limits, the uninsured balances will constitute a credit risk.

(4) Federal Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the period ended December 31, 2023. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and 4.4% by the State of Colorado.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's federal tax filings are subject to examination for three years.

(5) Future Major Repairs and Replacements

The Association's governing documents require that each proposed annual budget includes provisions for future major repairs and replacements. Accumulated funds are presented on the accompanying balance sheet as a contract liability (assessments received in advance) on December 31, 2023, are held in separate accounts and are generally not available for operating purposes.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on management estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, pass special assessments, obtain loans, or delay major repairs and replacements until funds are available.

(6) Accounts Receivable

The Association governing documents provide for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of experience and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

(7) Commitments

The Association has contracted with various vendors for the administration and maintenance of the common property. These contracts have different expiration dates and renewal terms.

(8) Contingencies

Insurance Deductible

The Association's insurance policy contains a deductible. The Association is responsible for losses up to this amount if common property damage claims occur. Accordingly, if such funds are needed, the Association may increase assessments, pass special assessments, obtain loans, or delay repairs and replacements until funds are available.

Legal

The Association is party to various legal actions normally associated with common interest communities, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

(9) Subsequent Events

On August 22, 2023, the community voted for a special assessment to be paid over the next three years to install a perimeter fence and authorized a line of credit to fund the fence. The results of the perimeter fence vote were 498 in favor of vs. 167 against the line of credit, and 496 in favor of vs. 169 against the special assessment. A total of 665 out of 898 possible votes were cast with 75% being in favor of both ballot measures. The amount due per homeowner is \$3,100 with options of a one-time payment April 30, 2024, or 6 semi-annual payments of \$516.67 starting April 30, 2024.

Management has evaluated subsequent events through January 7, 2025, the date these financial statements were available to be issued. Except for the event described above, there were no other material subsequent events that required recognition or additional disclosure in these financial statements.

Supplemental Information

Schedule of Future Major Repairs and Replacements (Unaudited)

The Association conducted an independent study, dated August 15, 2017, to estimate the remaining useful life and the replacement costs of the significant components of common property. The reserve component detail from that study is presented in the following page. Actual results may vary from these estimates, and such variations may be material.

**Homestead
RA Preliminary Reserve Study Projection**

Beginning Balance: \$326,076

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	137,891	678	129,854	334,791	412,390	81%
2018	137,891	921	41,612	431,991	386,810	111%
2019	137,891	1,088	71,807	499,163	384,437	129%
2020	137,891	1,310	50,302	588,062	407,199	144%
2021	137,891	1,539	47,722	679,770	433,124	156%
2022	137,891	1,816	28,866	790,611	479,560	164%
2023	137,891	1,979	74,392	856,089	482,970	177%
2024	137,891	2,053	110,531	885,502	456,684	193%
2025	137,891	2,255	59,227	966,421	483,713	199%
2026	137,891	2,527	31,594	1,075,245	539,519	199%
2027	137,891	2,649	91,343	1,124,443	538,644	208%
2028	137,891	2,860	56,352	1,208,842	574,905	210%
2029	137,891	2,997	86,116	1,263,614	584,382	216%
2030	137,891	3,195	61,620	1,343,081	620,452	216%
2031	137,891	3,282	106,414	1,377,839	615,506	223%
2032	137,891	3,451	73,505	1,445,677	645,941	223%
2033	137,891	3,418	154,552	1,432,434	601,252	238%
2034	137,891	3,449	129,069	1,444,705	586,510	246%
2035	137,891	3,352	180,207	1,405,741	526,702	266%
2036	137,891	3,636	27,740	1,519,527	620,478	244%