

# Homestead in the Willows Homeowners Association, Inc.

Audited Financial Statements  
December 31, 2025



**Homestead in the Willows Homeowners Association, Inc.**  
December 31, 2025

Table of Contents

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|   |     |
|---|-----|
| <b>Independent Auditor's Report</b>                             | 1-2 |
| <b>Financial Statements</b>                                     |     |
| Balance Sheet   | 3   |
| Statement of Revenues, Expenses, and Changes in Members' Equity | 4   |
| Statement of Cash Flows   | 5   |
| Notes to the Financial Statements                               | 6-9 |
| <b>Supplemental Information</b>                                 |     |
| Schedule of Future Major Repairs and Replacements (Unaudited)   | 10  |



www.griffingroup.cpa  
info@griffingroup.cpa  
+800 934-7172

## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying financial statements of Homestead in the Willows Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homestead in the Willows Homeowners Association, Inc. as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homestead in the Willows Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Homestead in the Willows Homeowners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore it is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Homestead in the Willows Homeowners Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about Homestead in the Willows Homeowners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that a Schedule of Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.



Denver, Colorado  
February 20, 2026

**Homestead in the Willows Homeowners Association, Inc.**  
December 31, 2025

Balance Sheet

|  | Operating<br>Fund | Replacement<br>Fund | Swim Team<br>Fund | Total               |
|--|-------------------|---------------------|-------------------|---------------------|
| <b>Assets:</b>                               |                   |                     |                   |                     |
| Cash and cash equivalents                    | \$ 582,108        | \$ 694,367          | \$ 35,783         | \$ 1,312,258        |
| Accounts receivable, net                     | 11,800            | 556,339             | -                 | 568,139             |
| Prepaid expense                              | 11,273            | -                   | -                 | 11,273              |
| Prepaid insurance                            | 13,068            | -                   | -                 | 13,068              |
| Interfund due to (from)                      | (5,100)           | 5,100               | -                 | -                   |
| <b>Total assets</b>                          | <b>\$ 613,149</b> | <b>\$ 1,255,806</b> | <b>\$ 35,783</b>  | <b>\$ 1,904,738</b> |
| <b>Liabilities:</b>                          |                   |                     |                   |                     |
| Accounts payable                             | \$ 17,902         | -                   | -                 | 17,902              |
| Payroll and related payable                  | 2,651             | -                   | -                 | 2,651               |
| <b>Total liabilities</b>                     | <b>20,553</b>     | <b>-</b>            | <b>-</b>          | <b>20,553</b>       |
| <b>Members' equity:</b>                      |                   |                     |                   |                     |
| Fund balance (deficit)                       | 592,596           | 1,255,806           | 35,783            | 1,884,185           |
| <b>Total members' equity</b>                 | <b>592,596</b>    | <b>1,255,806</b>    | <b>35,783</b>     | <b>1,884,185</b>    |
| <b>Total liabilities and members' equity</b> | <b>\$ 613,149</b> | <b>\$ 1,255,806</b> | <b>\$ 35,783</b>  | <b>\$ 1,904,738</b> |

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

**Homestead in the Willows Homeowners Association, Inc.**  
December 31, 2025

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

|   | Operating<br>Fund | Replacement<br>Fund | Swim Team<br>Fund | Total               |
|---|-------------------|---------------------|-------------------|---------------------|
| <b>Revenues:</b>                              |                   |                     |                   |                     |
| Member assessments                            | \$ 1,524,210      | \$ -                | \$ -              | \$ 1,524,210        |
| Events and registration                       | -                 | -                   | 72,381            | 72,381              |
| Interest income                               | 32,625            | 16,420              | 43                | 49,088              |
| Late fees and other income                    | 53,645            | -                   | -                 | 53,645              |
| Newsletter                                    | 32,695            | -                   | -                 | 32,695              |
| <b>Total revenues</b>                         | <b>1,643,175</b>  | <b>16,420</b>       | <b>72,424</b>     | <b>1,732,019</b>    |
| <b>Expenses:</b>                              |                   |                     |                   |                     |
| Administrative                                | 50,404            | -                   | -                 | 50,404              |
| Electricity and gas                           | 25,667            | -                   | -                 | 25,667              |
| Grounds maintenance                           | 210,215           | -                   | -                 | 210,215             |
| Insurance                                     | 86,583            | -                   | -                 | 86,583              |
| Major repairs and replacements                | -                 | 489,587             | -                 | 489,587             |
| Newsletter expense                            | 15,186            | -                   | -                 | 15,186              |
| Payroll and related                           | 394,847           | -                   | -                 | 394,847             |
| Pool maintenance                              | 86,809            | -                   | -                 | 86,809              |
| Professional                                  | 30,130            | -                   | -                 | 30,130              |
| Snow removal                                  | 3,315             | -                   | -                 | 3,315               |
| Swim team                                     | -                 | -                   | 68,413            | 68,413              |
| Tennis  | 18,187            | -                   | -                 | 18,187              |
| Trash removal                                 | 138,925           | -                   | -                 | 138,925             |
| Water and sewer                               | 164,504           | -                   | -                 | 164,504             |
| <b>Total expenses</b>                         | <b>1,224,772</b>  | <b>489,587</b>      | <b>68,413</b>     | <b>1,782,772</b>    |
| Excess (deficit) of revenues<br>over expenses | 418,403           | (473,167)           | 4,011             | (50,753)            |
| <b>Members' equity:</b>                       |                   |                     |                   |                     |
| Beginning of year                             | 170,943           | 1,728,973           | 31,772            | 1,931,688           |
| Prior period adjustment                       | 3,250             | -                   | -                 | 3,250               |
| <b>End of Year</b>                            | <b>\$ 592,596</b> | <b>\$ 1,255,806</b> | <b>\$ 35,783</b>  | <b>\$ 1,884,185</b> |

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

**Homestead in the Willows Homeowners Association, Inc.**  
December 31, 2025

Statement of Cash Flows

|   | Operating<br>Fund | Replacement<br>Fund | Swim Team<br>Fund | Total               |
|---|-------------------|---------------------|-------------------|---------------------|
| <b>Operating activities:</b>                  |                   |                     |                   |                     |
| Excess (deficit) of revenues over expenses    | \$ 418,403        | \$ (473,167)        | \$ 4,011          | \$ (50,753)         |
| Prior period adjustment                       | 3,250             | -                   | -                 | 3,250               |
| Decrease (increase) in operating assets:      |                   |                     |                   |                     |
| Accounts receivable                           | 8,371             | 670,298             | -                 | 678,669             |
| Prepaid insurance                             | (34)              | -                   | -                 | (34)                |
| Interfund due to (from)                       | (415,375)         | 415,375             | -                 | -                   |
| Increase (decrease) in operating liabilities: |                   |                     |                   |                     |
| Accounts payable                              | (7,950)           | -                   | -                 | (7,950)             |
| Payroll and related payable                   | (262)             | -                   | -                 | -                   |
| Prepaid assessments                           | (17,470)          | -                   | -                 | (17,470)            |
| <b>Cash provided by (used from) operating</b> | <b>(11,067)</b>   | <b>612,506</b>      | <b>4,011</b>      | <b>605,712</b>      |
| Net change in cash and cash equivalent        | (11,067)          | 612,506             | 4,011             | 605,450             |
| <b>Cash and cash equivalents:</b>             |                   |                     |                   |                     |
| Beginning of year                             | 593,175           | 81,861              | 31,772            | 706,808             |
| <b>End of year</b>                            | <b>\$ 582,108</b> | <b>\$ 694,367</b>   | <b>\$ 35,783</b>  | <b>\$ 1,312,258</b> |
| <b>Supplemental Information:</b>              |                   |                     |                   |                     |
| Income taxes                                  | \$ -              | \$ -                | \$ -              | \$ -                |
| 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**

The summary of significant accounting policies is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity.

**Basis of Presentation**

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.

**Fund Accounting**

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

The Operating Fund is used to account and report on 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.

**Fair Value Measurement**

The Association defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques in accordance with ASC 820. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 - Quoted prices in active markets that are accessible for identical assets or liabilities.

Level 2 - Quoted prices for identical or similar instruments (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 - The valuation is modeled using significant inputs that are unobservable in the market. These unobservable inputs reflect certain estimates and assumptions that market participants would use in pricing the asset or liability.

**Member Assessments**

Association members are subject to regular assessments, to provide funds for the Association's operating expenses and major repairs and replacement, based on an annual budget. If additional funds are needed, the Association has the right to levy special assessments as determined by the board of directors and unit owners.

**(2) Summary of Significant Accounting Policies (Continued)**

Revenue Recognition

The Association recognizes revenue in accordance with ASC 606. As such the Association recognizes revenue from members as the related performance obligations are satisfied.

Operating assessments are recognized as revenue during the period for which they are assessed. Assessments expected to be collected after the period for which they are assessed are reported as accounts receivable on the balance sheet. Assessments received prior to the period for which they are assessed are reported as prepaid assessments on the balance sheet.

Reserve assessments are recognized as revenue during the period for which they are assessed, and other ancillary reserve revenues are recognized in the period they occur. The Association has not determined that the relationship between the Association and its members is one of contract with a customer.

Special assessments are recognized as the related expenditures are made and other ancillary reserve revenues are recognized in the period they occur.

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

The Association accounts for common property in accordance with ASC 972-360 and prevalent industry practices. As such, common property, and the related improvements to such property are not reflected in the Association financial statements because those assets are owned collectively by all unit owners, and not by the Association itself.

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) Income Taxes**

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the period ended December 31, 2025. 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 4.25% 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, 2025, 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 tax 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 deferred reserve revenue on December 31, 2025, 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, the 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) Special Assessment**

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, 2025, or 6 semi-annual payments of \$516.67 starting April 30, 2025.

**(8) 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.

**(9) 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.

Litigation

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.

**(10) Subsequent Events**

Management has evaluated subsequent events through February 20, 2026, the date these financial statements were available to be issued. There was no material subsequent event that required recognition or additional disclosure in these financial statements.

## **Supplemental Information**

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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 1 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%           |