Highlands Ranch Community Association

Annual Financial Statements and

Independent Auditors' Report

December 31, 2024

Haynie & Company

HaynieCPAs.com

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Highlands Ranch Community Association, Inc.

Opinion

We have audited the accompanying financial statements of Highlands Ranch Community Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses, changes in fund balances and other comprehensive income, and cash flows for the year then 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 Highlands Ranch Community Association, Inc. as of December 31, 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore 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.

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 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 Association'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 the Association'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 the Reserve Study on Future Major Repairs and Replacements on page 16 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.

Sincerely,

Haynie & Company

Littleton, Colorado
March 19, 2025

Financial Statements

HIGHLANDS RANCH COMMUNITY ASSOCIATION

Balance Sheet

December 31, 2024

	Administrative Fund			Recreation Fund						Totals
	Operating	Reserves	OSCA Fund	Operating	Reserves	Backcountry Operating	Backcountry Reserves	Debt Service and Plant	Eliminations	2024
Assets										
Cash and cash equivalents	$ 1,220,899	$ 152,486	$ -	$ 1,049,523	$ 511,926	$ 132,899	$ 38,107	$ -	$ -	$ 3,105,840
Money market investments	718,323	-	1,759,540	547,422	1,608,497	-	-	-	-	4,633,782
Investments in brokered certificates of deposits	988,602	201,229	1,164,909	3,324,424	744,712	-	126,059	-	-	6,549,935
Investments in debt securities	773,387	189,318	2,486,543	937,811	1,236,678	-	33,546	-	-	5,657,283
Assessments and covenants receivable, net	41,194	-	-	282,565	-	-	-	-	-	323,759
Accounts receivable: other	183,825	3,149	29,019	259,149	17,064	15,926	1,847	-	-	509,979
Prepaid expenses and other assets	64,437	-	-	469,035	-	18,807	-	-	-	552,279
Due from other funds	-	-	-	599,148	-	-	-	-	(599,148)	-
Property, plant and equipment, net	-	364,038	-	-	-	-	450,575	35,356,605	-	36,171,218
Total Assets	$ 3,990,667	$ 910,220	$ 5,440,011	$ 7,469,077	$ 4,118,877	$ 167,632	$ 650,134	$ 35,356,605	$ (599,148)	$ 57,504,075
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	$ 67,244	$ -	$ -	$ 754,935	$ -	$ 87,431	$ -	$ -	$ -	$ 909,610
Accrued payroll and related items	60,714	-	-	356,606	-	34,711	-	-	-	452,031
Assessments paid in advance	178,595	-	-	1,934,181	-	-	-	-	-	2,112,776
Deferred revenue	16,340	-	-	1,215,326	-	9,350	-	-	-	1,241,016
Due to other funds	124,107	37,805	64,071	-	305,438	64,175	3,552	-	(599,148)	-
Total liabilities	$ 447,000	$ 37,805	$ 64,071	$ 4,261,048	$ 305,438	$ 195,667	$ 3,552	$ -	$ (599,148)	$ 4,715,433
Fund Balances										
Undesignated	$ 3,528,287	$ -	$ 5,370,471	$ 3,169,254	$ -	$ (28,035)	$ -	$ 35,356,605	$ -	$ 47,396,582
Designated for reserves	-	1,017,690	-	-	3,793,498	-	665,687	-	-	5,476,875
Accumulated other comprehensive income (loss), net of reclassification adjustment	15,380	(145,275)	5,469	38,775	19,941	-	(19,105)	-	-	(84,815)
Total Fund Balances	$ 3,543,667	$ 872,415	$ 5,375,940	$ 3,208,029	$ 3,813,439	$ (28,035)	$ 646,582	$ 35,356,605	$ -	$ 52,788,642
Total Liabilities and Fund Balances	$ 3,990,667	$ 910,220	$ 5,440,011	$ 7,469,077	$ 4,118,877	$ 167,632	$ 650,134	$ 35,356,605	$ (599,148)	$ 57,504,075

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

HIGHLANDS RANCH COMMUNITY ASSOCIATION

Statement of Revenues, Expenses, Changes in Fund Balances, and Other Comprehensive Income

For the Year Ended December 31, 2024

	Administrative Fund			Recreation Fund						Totals
	Operating	Reserves	OSCA Fund	Operating	Reserves	Backcountry Operating	Backcountry Reserves	Debt Service and Plant	Eliminations	2024
Revenues										
Homeowner assessments	$ 1,984,814	$ -	$ -	$18,630,764	$ -	$ -	$ -	$ -	$ -	$20,615,578
Homeowner fees	934,117	-	-	-	-	-	-	-	-	934,117
Recreation programs	-	-	-	6,603,458	-	1,134,423	-	-	-	7,737,881
Facility operations	-	-	-	1,264,362	-	16,823	-	-	(66,000)	1,215,185
Community events	483,040	-	-	-	-	-	-	-	-	483,040
Interest revenue	188,926	23,377	273,107	267,983	157,725	-	6,230	147,666	-	1,065,014
Other revenue	137,522	-	-	296,974	36,000	212,076	-	-	-	682,572
Total Revenues	$ 3,728,419	$ 23,377	$ 273,107	$27,063,541	$ 193,725	$ 1,363,322	$ 6,230	$ 147,666	$ (66,000)	$32,733,387
Expenses										
Salaries	$ 1,677,324	$ -	$ -	$11,380,511	$ -	$ 1,228,648	$ -	$ -	$ -	$14,286,483
Employee benefits and taxes	447,739	-	-	2,725,207	-	295,514	-	-	-	3,468,460
Communications and marketing	146,427	-	-	320,629	-	-	-	-	-	467,056
Professional services	291,496	-	41,262	225,220	-	-	-	-	-	557,978
General and administrative	282,031	-	-	472,357	-	4,826	-	-	-	759,214
Depreciation	-	94,396	-	-	-	-	103,106	3,030,726	-	3,228,228
Information technology	194,307	1,548	-	635,935	4,866	57	2,213	-	-	838,926
Insurance	69,268	-	-	481,655	-	41,648	-	-	-	592,571
Occupancy and utilities	72,746	-	-	1,489,265	-	-	-	-	(66,000)	1,496,011
Program	-	-	-	1,172,139	-	244,012	-	-	-	1,416,151
Facility operations	29,871	-	-	1,356,951	453,856	151,658	9,964	-	-	2,002,300
Community events	403,753	-	-	-	-	-	-	-	-	403,753
Interest	-	-	-	-	-	-	-	180,232	-	180,232
Other operating expenses	3,894	-	-	8,103	-	411	-	-	-	12,408
Total expenses	$ 3,618,856	$ 95,944	$ 41,262	$20,267,972	$ 458,722	$ 1,966,774	$ 115,283	$ 3,210,958	$ (66,000)	$29,709,771
Losses										
Loss on asset disposal	-	-	-	-	-	-	71,136	421,025	-	492,161
Total Losses	-	-	-	-	-	-	71,136	421,025	-	492,161
Excess (Deficiency) of Revenues Over Expenses	$ 109,563	$ (72,567)	$ 231,845	$ 6,795,569	$ (264,997)	$ (603,452)	$ (180,189)	$(3,484,317)	$ -	$ 2,531,455
Transfers	-	-	(116,987)	(6,637,613)	1,153,636	575,000	116,987	4,908,977	-	-
Net Income (Loss)	$ 109,563	$ (72,567)	$ 114,858	$ 157,956	$ 888,639	$ (28,452)	$ (63,202)	$ 1,424,660	$ -	$ 2,531,455
Other Comprehensive Income										
Gross unrealized gains (losses) on investments in debt securities	15,380	(145,275)	5,469	38,775	19,941	-	(19,105)	-	-	(84,815)
Reclassification adjustment for gains (losses) included in net income	(418)	114,599	(10,952)	4	(7,633)	(9)	14,221	(2)	-	109,810
Other comprehensive gain (loss)	$ 14,962	$ (30,676)	$ (5,483)	$ 38,779	$ 12,308	$ (9)	$ (4,884)	$ (2)	$ -	$ 24,995
Change in Fund Balance	$ 124,525	$ (103,243)	$ 109,375	$ 196,735	$ 900,947	$ (28,461)	$ (68,086)	$ 1,424,658	$ -	$ 2,556,450
FUND BALANCE, January 1	3,419,142	975,658	5,266,565	3,011,294	2,912,492	426	714,668	33,931,947	-	50,232,192
FUND BALANCE, December 31	$ 3,543,667	$ 872,415	$ 5,375,940	$ 3,208,029	$ 3,813,439	$ (28,035)	$ 646,582	$35,356,605	$ -	$52,788,642

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

HIGHLANDS RANCH COMMUNITY ASSOCIATION

Statement of Cash Flows

For the Year Ended December 31, 2024

	Administrative Fund			Recreation Fund					Totals
	Operating	Reserves	OSCA Fund	Operating	Reserves	Backcountry Operating	Backcountry Reserves	Debt Service and Plant	2024
Operating Activities									
Excess (deficiency) of revenues over expenses	$ 109,563	$ (72,567)	$ 231,845	$ 6,795,569	$ (264,997)	$ (603,452)	$ (180,189)	$ (3,484,317)	$ 2,531,455
Adjustment to reconcile excess (deficiency) of revenues over expenses to net cash from (used for) operating activities									
Depreciation expense	-	94,396	-	-	-	-	103,106	3,030,726	3,228,228
Loss on asset disposal	-	-	-	-	-	-	71,136	421,025	492,161
Interest expense attributable to amortization of bond issuance costs	-	-	-	-	-	-	-	8,971	8,971
(Increase) decrease in operating assets									
Assessments receivable, net	(6,377)	10,664	-	(76,762)	-	-	-	-	(72,475)
Accounts receivable, other	(95,027)	(3,149)	5,128	(174,080)	(2,766)	(5,494)	(563)	14,135	(261,816)
Prepaid expenses and other assets	38,703	-	-	38,120	-	6,062	-	-	82,885
Increase (decrease) in operating liabilities									
Accounts payable and accrued expenses	(537,720)	-	-	368,555	-	42,847	-	(272,051)	(398,369)
Assessments paid in advance	44,303	-	-	178,042	-	-	-	-	222,345
Deferred revenue	(10,337)	-	-	(23,809)	-	9,350	-	-	(24,796)
Net Cash from (used for) Operating Activities	(456,892)	29,344	236,973	7,105,635	(267,763)	(550,687)	(6,510)	(281,511)	5,808,589
Investing Activities									
Net sales (purchases) of investments	758,272	224,826	(175,512)	(1,335,430)	(445,801)	(9)	(14,755)	3,352,414	2,364,005
Purchases of property and equipment	-	(157,563)	-	-	-	-	(123,890)	(4,839,880)	(5,121,333)
Net Cash from (used for) investing Activities	758,272	67,263	(175,512)	(1,335,430)	(445,801)	(9)	(138,645)	(1,487,466)	(2,757,328)
Financing Activities									
Bond principal payments	-	-	-	-	-	-	-	(3,140,000)	(3,140,000)
Net borrowing and transfers among funds	(974,942)	30,803	(61,461)	(5,860,934)	1,225,479	606,324	125,754	4,908,977	-
Net Cash from (used for) Financing Activities	(974,942)	30,803	(61,461)	(5,860,934)	1,225,479	606,324	125,754	1,768,977	(3,140,000)
Net Change in Cash and Cash Equivalents	(673,562)	127,410	-	(90,729)	511,915	55,628	(19,401)	-	(88,739)
Cash and Cash Equivalents, Beginning of Year	1,894,461	25,076	-	1,140,252	11	77,271	57,508	-	3,194,579
Cash and Cash Equivalents, End of Year	$ 1,220,899	$ 152,486	$ -	$ 1,049,523	$ 511,926	$ 132,899	$ 38,107	$ -	$ 3,105,840

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

Highlands Ranch Community Association
Notes to Financial Statements
December 31, 2024

1. Definition of Reporting Entity

Highlands Ranch Community Association, Inc. (the Association, we, us, our) was incorporated in September 1981 as a non-profit corporation to enhance the quality and value of all property that becomes part of the Community Association Area, to act as manager of Association-owned properties, and to perform functions for the benefit of owners of privately owned sites within the Community Association Area. The Community Association Area, located in what is known as Highlands Ranch, contains approximately 22,000 acres located in Douglas County, Colorado. As of December 31, 2024, the membership consisted of approximately 31,530 privately owned sites and 390 commercial sites.

The Association owns and operates four recreation centers, providing year-round youth and adult fitness programs and educational opportunities, administers architectural control and covenant enforcement activities, manages the Backcountry Wilderness Area (the Backcountry), and hosts over 50 community events per year. The Association operates as a common interest realty association (commonly referred to as "homeowner association").

2. Summary of Significant Accounting Policies

The more significant accounting policies of the Association are described as follows:

Basis of Presentation

The accompanying financial statements are presented in accordance with the Audit and Accounting Guide for Common Interest Realty Associations published by the American Institute of Certified Public Accountants. The Association follows the accrual method of accounting whereby assessments and revenues are recorded when due and expenses are recorded when incurred.

Fund Accounting

The Association has elected certain guidelines for governing our financial activities. To ensure observance of limitations and restrictions on the use of financial resources, we maintain our accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the financial statements in the following funds and subsidiary funds established according to their nature and purpose:

- Administrative Fund
    - Operating Fund
    - Reserve Fund
- Open Space Conservation Agreement Fund (OSCA Fund)
- Recreation Fund
    - Operating Fund
    - Reserve Fund
    - Backcountry Operating Fund
    - Backcountry Reserve Fund
    - Debt Service and Plant Fund

2. Summary of Significant Accounting Policies (continued)

Operating funds account for all current operating transactions of the Association. Reserve funds are accumulated in separate bank accounts to provide for the future repair and replacement of common areas. The debt service and plant fund accounts for the recreational property and equipment and related debt. The OSCA fund accounts for all transactions related to the agreement with Shea Homes Limited Partnership (Shea Homes), the declarant.

Cash, Cash Equivalents, and Restricted Cash

The Association considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Money Market Investments

Cash held by brokers in money market funds are considered investments and not cash equivalents for the purposes of the statement of cash flows. The Association's money market investments are reported at their fair values in the balance sheet. All money market investments held are Level 1. Refer to footnote 3 for more information on fair value hierarchy.

Investments in Brokered Certificates of Deposits

The Association's brokered certificates of deposit are classified as available-for-sale based on management's intent. These investments are reported at their fair values in the balance sheet. The Association considers realized gains and losses to be part of its operating activities and unrealized gains and losses to be part of Other Comprehensive Income. Dividends and interest are recorded as revenue when earned.

Investments in Debt Securities

The Association's marketable debt investments are classified as available-for-sale based on management's intent. These investments are reported at their fair values in the balance sheet.

Assessment and Covenants Receivable, Net of Related Allowances

Assessment fees are billed quarterly to all privately-owned sites based on annually budgeted amounts, which consider formulas contained in the Community Declaration. Under Colorado law, the association has a statutory right to lien members' properties to ensure payment of assessments due. Balances are stated net of an allowance for credit losses. We determine the allowance for credit losses based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Assessments receivable are written off when deemed uncollectable. At December 31, 2024, the allowance for credit losses was $33,841.

Accounts Receivable, Other

Other accounts receivable are comprised of interest and other miscellaneous receivables. We determine the allowance for credit losses based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2024, no allowance for accounts receivable, other was considered necessary.

2. Summary of Significant Accounting Policies (continued)

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of expenses paid in advance but not yet incurred, and inventory of recreation center merchandise, which is carried at the lower of cost or net realizable value using the first-in, first-out method.

Property, Plant and Equipment

The Association capitalizes all common real property to which we have title or other evidence of ownership and the legal right and/or ability either to dispose of the property at the discretion of the Board of Directors for cash or claims to cash, and retain the proceeds therefrom, or to use the property to generate significant cash flows from members on the basis of usage.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Capitalization Threshold	Useful Life
Buildings and Improvements	$ 20,000	5-20
Furniture and Equipment	3,000	3-10
Land	All	N/A

Common areas are generally restricted to use by Association members, their tenants, and guests. We are responsible for the preservation and maintenance of the common areas.

Replacements and improvements to the real property and common areas are capitalized at cost. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of revenues, expenses and changes in fund balances. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Association reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2024.

Under the terms of the Open Space Conservation Agreement (the OSCA Agreement) between the Association, Douglas County, and Shea Homes, we received 7,363 acres of land for use as open space or other permitted recreational, cultural, or educational purposes pursuant to the OSCA Plan. The land, known as the Backcountry, is not reflected as an asset in our financial statements because it is not severable and saleable at the Board’s discretion without member delegates’ approval, nor is it used to generate significant cash flows from the members of the Association.

2. Summary of Significant Accounting Policies (continued)

Assets Designated for Reserves

Assets designated for reserves are comprised of accumulated funds designated by the Board of Directors to ensure the availability of funds for future major repairs and replacements of common areas, and for general operations when needed.

Revenue and Revenue Recognition

The Association recognizes revenue from homeowner assessments over the assessment period, which is generally one year, during which time members have continuous access to four recreation centers and common areas, architectural control and covenant enforcement, other services, and certain community events. The assessments are used to cover the costs of operating the Association, to maintain the common elements and improvements, and to provide for the repair and replacement of facilities. Assessments for 2024 were $168 per quarter/$672 per year per site. Assessments were increased to $171 per quarter/$684 per year per site starting January 1, 2025. Privately-owned sites designated for commercial use are billed for administrative purposes only.

Facility operations, including recreation programs, facility rentals, and product sales, as well as community events revenue is recognized when the programs, rentals, product sales or community events take place.

Homeowner assessments paid in advance are deferred to the assessment period to which they relate. All other amounts paid in advance are deferred to the period in which the underlying program, rental, product delivery or special community event takes place. Due to the nature and timing of the performance and/or transfer of services and products, substantially all deferred revenue at December 31 of each year is earned in the following year.

Advertising Costs

Advertising costs are expensed as incurred and totaled $80,083 during the year ended December 31, 2024.

Income Taxes

The Association is organized as a Colorado non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose, and we file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

2. Summary of Significant Accounting Policies (continued)

Unrelated business income primarily represents advertising revenue associated with our activity guide. We did not incur any material income tax expense from these unrelated activities for the year ended December 31, 2024.

We believe that we have appropriate support for any tax positions taken affecting our annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. We will recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Our Form 990-T and related state income tax filings are no longer subject to tax examinations for years before 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and investments with financial institutions we believe to be creditworthy. As of December 31, 2024, balances of cash and cash equivalents exceeded federally insured limits, but the Association has never experienced a loss. Credit risk associated with assessments, and accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from homeowners, whose properties are subject to statutory limit to ensure payment.

Subsequent Events

Subsequent events have been evaluated through the auditors' report date, which is the date the financial statements were available to be issued. During this period, the Association was not aware of any material recognizable subsequent events.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications have no effect on the reported results of operations.

3. Investments in Debt Securities & Brokered Certificates of Deposits

In accordance with the Fair Value Measurements of FASB Accounting Standards Codification (ASC) 820-10, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect HRCA's own estimates of assumptions that market participants would use in pricing the asset or liability.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Association's assessment of the quality, risk, or liquidity profile of the asset or liability.

Debt securities and brokered certificates of deposit are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange as well as other U.S. government securities that are traded by dealers or brokers in active over-the-counter markets.

All securities held at December 31, 2024 were Level 1.

3. Investments in Debt Securities & Brokered Certificates of Deposits (continued)

In 2024, available-for-sale debt securities and brokered certificates of deposit are reported at fair market value based on quoted prices in active markets. The cost of debt securities and brokered certificates of deposit and their approximate fair values at December 31, 2024 are as follows:

	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2024				
Brokered Certificates of Deposit	$ 6,485,000	65,228	$ (293)	$ 6,549,935
Corporate Bonds	-	-	-	-
U.S. Government Agencies	5,807,032	18,178	$ (167,927)	5,657,282
	$ 12,292,032	$ 83,406	$ (168,221)	$ 12,207,217

Change in unrealized holding gains (losses) for debt securities and brokered certificates of deposits during 2024 was $25,546 and is included in Unrealized gains/losses related to available-for-sale debt securities and brokered CDs, displayed in the statement of Statement of Revenues, Expenses, Changes in Fund Balances and Other Comprehensive Income.

The following is a summary of maturities of investments classified as brokered certificates of deposit, corporate bonds, and government agencies:

	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$ 6,270,296	$ 6,301,497
After one year through 5 years	5,632,206	5,682,856
Asset-backed securities	389,531	222,864
	$ 12,292,032	$ 12,207,217

Asset-backed securities have a variable maturity date. Unrealized losses at December 31, 2024 were due to fluctuations in the market interest rates. Management has the ability to hold these investment securities until the fair value or unamortized cost is recovered, which may be maturity.

Management evaluates securities for credit losses on a regular basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Association to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

3. Investments in Debt Securities (continued)

Investment income at December 31, 2024 is included in Interest revenue and consisted of the following:

Interest and dividends: Money Market	$ 579,112
Interest and dividends: Brokered CDs	350,778
Interest and dividends: Debt Securities	69,926
Interest and dividends: Cash	65,198
	$ 1,065,014

As of December 31, 2024, accrued interest on investments of $116,095, is included in Accounts receivable: other in the accompanying balance sheet.

4. Property, Plant and Equipment

Property and equipment, consists of the following at December 31, 2024:

	Administrative Fund	Recreation Fund		
	Reserves	Backcountry Reserves	Debt Service and Plant	Total
Buildings and improvements	$ 794,912	$ 329,638	$ 72,199,698	$ 73,324,248
Furniture and equipment	-	1,161,819	7,080,661	8,242,480
Land	-	-	1,925,000	1,925,000
	794,912	1,491,457	81,205,359	83,491,728
Accumulated depreciation	(521,669)	(1,074,981)	(46,211,659)	(47,808,309)
	273,243	416,476	34,993,700	35,683,419
Construction in progress	90,795	34,099	362,905	487,799
Property and equipment, net	$ 364,038	$ 450,575	$ 35,356,605	$ 36,171,218

Depreciation expense for the year ended December 31, 2024 was $3,228,228.

5. Interfund Agreement and Transactions

The Association accounts for transactions that impact multiple funds by recognizing amounts due to other funds and amounts due from other funds in the balance sheet. These transactions are cash settled on a regular basis, are non-interest bearing, and generally are short-term in nature.

6. Bonds Payable

The Association issued Bonds in August 2004 for which they matured in 2024. The balance as of December 31, 2024 is $0.

7. Revenue from Contracts with Customers

The following table provides information about significant changes in the assessments paid in advance and deferred revenue for the year ended December 31, 2024:

Assessments paid in advance, beginning of year	$ 1,890,431
Homeowner assessments and fees recognized	(21,549,695)
Collections of homeowner assessments and fees	21,772,040
Assessments, paid in advance, end of year	$ 2,112,776
Deferred revenue, beginning of year	$ 1,265,812
Recreational programs, facility operations, and community events revenue recognized	(9,436,106)
Collections of program, facility and community fees	9,411,310
Deferred revenue, end of year	$ 1,241,016

8. Future Major Repairs and Replacements

The Association's Community Declaration requires the accumulation of funds for future major repairs and replacements of common areas, and for general operations to ensure the availability of funds when needed. We fund these reserves on a quarterly, or as-needed, basis. We annually review the reserve funding program as part of its budgeting process.

The Association retained an engineering firm to perform a study of our recreational buildings and equipment in 2022. Based on this analysis, we have accumulated funds totaling $3,793,498 in the Recreation Reserve Fund, $1,017,690 in the Administrative Reserve Fund, and $665,687 in the Backcountry Reserve Fund for the future repair and replacement of recreation facilities and equipment, future repair and replacement of administrative office equipment and backcountry trails and property improvements, respectively. See Required Supplemental Information for further detail.

The Association established funding requirements of $7,265,000, $0, and $0 in the 2025 Recreational Reserve Fund budget, the 2025 Administrative Reserve Fund budget and the 2025 Backcountry Reserve Fund budget, respectively.

8. Future Major Repairs and Replacements (continued)

The reserve funds are being accumulated based upon estimated future costs. Actual expenditures vary from those estimates and variations may be material. Therefore, amounts accumulated in the Recreation Reserve Fund, the Administrative Reserve Fund and Backcountry Reserve Fund may not be adequate to meet future needs. If additional funds are needed, we have the right, subject to member delegates' approval, to pass special assessments or delay major repairs and replacements until funds are available.

9. Solar Contracts

The Association entered into three separate 20-year agreements with a solar garden operator for subscription to solar energy production. The agreements expire at various dates during the years ending December 31, 2038 through 2040. The solar gardens are constructed, owned, operated and maintained by the operators. Colorado law allows us to produce solar energy and attribute the share of such production to one or more of our metered premises through credits received from Xcel Energy. Our share of production is assigned a rate of 1 kilowatt per hour (kwh) in effect during the year in which the production month occurs, regulated by the Colorado Public Utilities Commission. Total production capacity from three solar gardens is estimated at approximately 6.2 million kwh. The payments for solar energy depend on the actual production of solar energy from the specific solar garden in which we subscribe times the rate in effect in any given year. During the year ended December 31, 2024, we made payments of $453,839 to the solar garden operator and received $530,131 Xcel Energy credits in return. The agreements allow us to continue our efforts in evaluating alternative energy and conservation opportunities in our community, further our sustainability initiatives and reduce the overall dependence on conventional sources of energy.

10. Retirement Plan

The Association sponsors a tax-deferred defined contribution retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code covering substantially all employees meeting the eligibility requirements. The plan provides that employees who have attained the age of 21 and completed either six months of continuous service in a full-time designated benefited position or completed 1,000 hours of service in an eligibility period in a part-time position, may voluntarily contribute part of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year.

During the year ended December 31, 2024, we matched employee voluntary contributions dollar-for-dollar up to 5%, resulting in total contributions to the Plan of $321,824. Employees' voluntary contributions are immediately vested; our contributions vest at 20% per year of participation.

11. Contingency

The Association may become involved in claims and pending litigation arising in the normal course of operations and carries liability insurance to mitigate against such risks.

12. Related Party Transactions

The Association presents its transactions with related parties and affiliated entities in accordance with FASB ASC 850, Related Party Disclosures.

As identified within FASB ASC 850, related parties could include, but are not limited to, owners of more than 10% of the voting interests of the Association, management of the Association, or other parties with significant influence over the management and/or operating policies of the Association.

During the year the Association collected assessment revenue from five members of management and four board of directors totaling $6,552.

The Association performs certain accounting and back office services for three 501(c)3 affiliated entities, Highlands Ranch Cultural Affairs Association, Highlands Ranch Community Scholarship Fund, and Highlands Ranch Backcountry Conservation and Education Fund for which recorded revenue was $232,633 with a receivable of $25,800 owing as of December 31, 2024. Grant revenue was also recorded from Highlands Ranch Cultural Affairs Association, Highlands Ranch Community Scholarship Fund, and Highlands Ranch Backcountry Conservation and Education Fund of $36,000, $12,000, and $13,316, respectively. Additionally, the Association collects program and other revenue on behalf of the entities for which recorded expenses were $38,906 with a payable of $1,765 owed as of December 31, 2024.

Supplementary Information

Highlands Ranch Community Association
Schedule of Estimated Future Major Repairs and Replacements
December 31, 2024

The Association commissioned a study in 2022 by an independent engineering firm to assess the condition of all common area components and to estimate the remaining useful lives and the replacement costs in order to establish adequate reserve funds for the upkeep of the properties. Historically, we have commissioned a study every three to five years. During the intervening periods, we adjust the most recent estimate of current replacement costs by applying the inflation index built into the study in addition to obtaining bids for current-year projects. A funding plan has been established using cash flow method, which develops a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund, with provisions for inflation and interest rates of 3.5%.

Our policy is to maintain sufficient funds designated for reserves to accommodate a minimum of one year and maximum of two years of capital expenditures calculated using a 3-year average of actual costs incurred. Our budgeted outlook for capital expenditures is based on the schedule of anticipated repair and replacement projects in the reserve study to cover major capital repairs, replacements, maintenance, care, restoration and improvements.

The following table is based on the 2022 study through end of year 2040, adjusted for projected inflation and interest rates built into the study, and presents significant information about the components of the buildings, furniture and equipment, and assets designated for reserves as of December 31, 2024.

Major Components	**Estimated Remaining Useful Lives (Years)**	**Estimated Future Replacement Costs**
Paving	0-20	$ 2,591,725
Flatwork	0-2	379,523
Landscaping and appurtenances	0-30	1,641,191
Façade	0-30	1,050,519
Roofing	0-50	3,267,190
Interior	0-40	16,212,765
Mechanical	0-40	12,096,644
Fire and safety	0-20	648,233
Amenities	0-40	19,369,370
Miscellaneous	0-25	4,693,182
IT	0-2	6,441,733
		$ 68,392,075

Replacement Costs by Location	
Northridge Recreation Center	$ 12,982,207
Eastridge Recreation Center	20,193,779
Westridge Recreation Center	11,734,995
Southbridge Recreation Center	15,566,208
Backcountry	1,407,075
Administrative office	6,507,811
Total	$ 68,392,075