

Highland Ranches Property Owners' Association

Financial Statements

December 31, 2020

Table of Contents

	Page
Financial statements with standard report:	
Independent auditors' report	1 - 2
Statement of financial position	3
Statement of revenue and expenses and changes in fund balances	4
Statement of cash flows	5
Notes to financial statements	6-7

LEVY, SAPIN, KO & FREEMAN
CERTIFIED PUBLIC ACCOUNTANTS, INC.

WILLIAM L. LEVY, C.P.A.
ANDREW P. SAPIN, C.P.A.
STEVE C. KO, C.P.A.
SCOTT A. FREEMAN, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Highland Ranches Property Owners' Association
Virginia City, Nevada

We have audited the accompanying financial statements of Highland Ranches Property Owners' Association, which comprise the statement of financial position as of December 31, 2020, the related statements of revenue and expenses and changes in fund balance and cash flows for the year 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 Highland Ranches Property Owners' Association as of December 31, 2020, and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

LEVY, SAPIN, KO & FREEMAN
Certified Public Accountants, Inc.

By

A handwritten signature in black ink, appearing to be a stylized name, positioned to the right of the word "By".

May 25, 2021

Highland Ranches Property Owners' Association

Statement of Financial Position

As of December 31, 2020

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents	\$ 138,088	\$ 104,767	\$ 242,855
Assessments receivable	30,295	-	30,295
Prepaid expenses	5,563	-	5,563
<u>Total Current Assets</u>	<u>173,946</u>	<u>104,767</u>	<u>278,713</u>
<u>Fixed Assets</u>			
Land - maintenance and equipment storage area	9,699	-	9,699
Improvements and equipment	329,946	-	329,946
	339,645	-	339,645
Less: Accumulated depreciation	(285,225)	-	(285,225)
<u>Total Fixed Assets</u>	<u>54,420</u>	<u>-</u>	<u>54,420</u>
<u>Total Assets</u>	<u>\$ 228,366</u>	<u>\$ 104,767</u>	<u>\$ 333,133</u>
<u>Liabilities and Fund Balances</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 62,900	-	\$ 62,900
Taxes payable	407	-	407
Assessments received in advance	45,800	-	45,800
<u>Total Current Liabilities</u>	<u>109,107</u>	<u>-</u>	<u>109,107</u>
<u>Fund Balances</u>	<u>119,259</u>	<u>104,767</u>	<u>224,026</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 228,366</u>	<u>\$ 104,767</u>	<u>\$ 333,133</u>

(See accompanying notes and independent auditors' report)

Highland Ranches Property Owners' Association

Statement of Revenue and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Revenue</u>			
Owners' assessments (506 lots X \$200)	\$ 60,496	\$ 40,704	\$ 101,200
Owners' special assessments (506 lots X \$150)	52,181	23,719	75,900
Interest	26	18	44
Other income	<u>7,770</u>	<u>-</u>	<u>7,770</u>
<u>Total Revenue</u>	<u>120,473</u>	<u>64,441</u>	<u>184,914</u>
<u>Expenses</u>			
Accounting and legal	9,575	-	9,575
Consulting	2,150	-	2,150
Contributions	400	-	400
Depreciation	9,381	-	9,381
Insurance	6,151	-	6,151
Office and printing	4,952	-	4,952
Outside bookkeeping services	3,983	-	3,983
Payroll taxes	105	-	105
Legal and Professional	578	-	578
Reserve study	1,450	-	1,450
Road repairs and maintenance	-	48,631	48,631
Salaries and wages	-	1,050	1,050
Snow removal	1,688	-	1,688
Taxes and licenses	688	-	688
Taxes - Federal income	643	-	643
Utilities	<u>794</u>	<u>-</u>	<u>794</u>
<u>Total Expenses</u>	<u>42,538</u>	<u>49,681</u>	<u>92,219</u>
<u>Net Income (Loss)</u>	77,935	14,760	92,695
<u>Beginning Fund Balances</u>	<u>41,324</u>	<u>90,007</u>	<u>131,331</u>
<u>Ending Fund Balances</u>	<u>\$ 119,259</u>	<u>\$ 104,767</u>	<u>\$ 224,026</u>

(See accompanying notes and independent auditors' report)

Highland Ranches Property Owners' Association

Statement of Cash Flows

For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Net gain	\$ 77,935	\$ 14,760	\$ 92,695
Noncash item:			
Depreciation	9,381	-	9,381
Changes in assets and liabilities:			
Assessments receivable	(7,991)	-	(7,991)
Prepaid expenses	1,988	-	1,988
Accounts payable	12,500	-	12,500
Payroll taxes payable	(250)	-	(250)
Federal income tax	643	-	643
Assessments received in advance	<u>(28,350)</u>	<u>-</u>	<u>(28,350)</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>65,856</u>	<u>14,760</u>	<u>80,616</u>
<u>Cash Flows from Investing Activities</u>			
Purchase of fixed assets	<u>(8,687)</u>	<u>-</u>	<u>(8,687)</u>
<u>Increase (decrease) in Cash</u>	<u>57,169</u>	<u>14,760</u>	<u>71,929</u>
<u>Cash and cash equivalents at Beginning of Year</u>	<u>80,919</u>	<u>90,007</u>	<u>170,926</u>
<u>Cash and cash equivalents at End of Year</u>	<u>\$ 138,088</u>	<u>\$ 104,767</u>	<u>\$ 242,855</u>
<u>Supplemental disclosures for cash flow information</u>			
Cash paid during the year for:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -

(See accompanying notes and independent auditors' report)

Highland Ranches Property Owners' Association

Notes to Financial Statements

December 31, 2020

NOTE 1 Organization

The Highland Ranches Property Owners' Association (the "Association") is an association of owners of lots within the Highland Ranches subdivision in Storey County, Nevada. The Association is organized for the maintenance and improvement of the community facilities and common areas in the subdivision. The subdivision consists of 506 residential units.

The accompanying financial statements include the activity relating to the operations of the common element portion of Highland Ranches. These financial statements do not include the cost of the land, interest expense, property taxes or insurance related to the individual ownership of the land.

NOTE 2 Summary of Significant Accounting Policies

Fund Accounting

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Use of Estimates

The preparation of financial statements under Generally Accepted Accounting Principles requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank and money markets that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is being provided on the straight-line and double declining balance methods over the estimated useful lives of the assets.

Revenue recognition

Property owners' assessments, as determined by the Association through its Board of Directors, are recognized as revenue when assessed.

(See independent auditors' report)

Highland Ranches Property Owners' Association

Notes to Financial Statements

December 31, 2020

NOTE 3 **Member Assessments**

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable as of the year-end are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowner whose assessments are 4 months or more delinquent. The Association considers all assessments receivable as of December 31, 2020 to be fully collectible. For the year-ended December 31, 2020, the Association wrote-off member assessments in the amount of \$0.00 as a bad debt.

Any excess assessments at year-end are retained by the Association for use in the succeeding year

In October 2019, the Board of Directors authorized regular assessment of \$200 to each lot owner for the year 2020. A 2020 special assessment of \$150 per lot was board approved on 10/29/19 due in June 2020. In January 2021, the Board of Directors authorized regular assessment of \$200 to each lot owner for the year 2021.

NOTE 4 **Income Taxes**

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2020. Under this 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, is taxed at 30% by the federal government.

NOTE 5 **Concentration of Credit Risk**

The Company maintains its cash and cash equivalents with one major commercial bank which at times may have exceeded the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses on its cash and cash equivalents accounts.

NOTE 6 **Date of Management Review**

Management has evaluated subsequent events through May 25, 2021, the date that the financial statements were available to be issued.

(See independent auditors' report)