Second Jefferson Green Homeowners Association

Financial Statements and Supplementary Information

For the Year Ended December 31, 2025

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LEE PUBLIC ACCOUNTING, LLC

Independent Auditor's Report

To the Board of Directors of
Second Jefferson Green Homeowners Association

Opinion

I have audited the accompanying financial statements of Second Jefferson Green Homeowners Association (the "Association") which comprises the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended and the related notes to the financial statements.

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

Report on Summarized Comparative Information

I have previously audited the Second Jefferson Green Homeowners Association's December 31, 2024, financial statements, and my report dated May 13, 2025, expressed an unmodified opinion on those financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

The Association's Board of Directors 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, 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 statement are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

My objective is 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 auditor's report that includes my 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 judgement made by a reasonable user based on the financial statements.

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

- 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 my 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.

Other Matters

Supplementary Schedule of Operating Fund Revenues and Expenses – Budget and Actual

My audit was performed for the purpose of forming an opinion on the financial statements as a whole. The *Supplemental Schedule of Operating Fund Revenues and Expenses – Budget and Actual* is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information on Future Major Repairs and Replacements

Accounting principles generally accepted in the United States of America require that the information on 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Ryan Lee, CPA

Principal
Lee Public Accounting, LLC

May 19, 2026
Littleton, Colorado

Second Jefferson Green Homeowners Association
Balance Sheet
As of December 31, 2025

	Operating Fund	Replacement Fund	Total	2024 Total (comparative purposes only)
Assets				
Cash	$ 116,594	$ 527,468	$ 644,062	$ 403,326
Assessments receivable	14,493	-	14,493	31,828
Prepaid expenses	48,182	-	48,182	47,205
Interfund balance	47,924	(47,924)	-	-
Total Assets	$ 227,193	$ 479,544	$ 706,737	$ 482,359
Liabilities				
Accounts payable and accrued liabilities	$ 3,397	$ 4,200	$ 7,597	$ 2,909
Assessments received in advance	48,816	-	48,816	44,289
Total Liabilities	52,213	4,200	56,413	47,198
Fund Balances				
Working capital contributions	-	64,602	64,602	55,032
Fund balances	174,980	410,742	585,722	380,129
Total Fund Balances	174,980	475,344	650,324	435,161
Total Liabilities and Fund Balances	$ 227,193	$ 479,544	$ 706,737	$ 482,359

See Notes to Financial Statements

Second Jefferson Green Homeowners Association
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total	2024 Total (comparative purposes only)
Revenues				
Member assessments	$ 876,816	$ -	$ 876,816	$ 766,080
Special assessments	-	-	-	210,000
Contributions to the replacement fund	(213,256)	213,256	-	-
Late fees and collection	5,437	-	5,437	4,986
Other income	750	-	750	500
Interest	-	5,829	5,829	6,284
Total Revenues	$ 669,747	$ 219,085	$ 888,832	$ 987,850
Expenses				
Insurance	$ 227,968	$ -	$ 227,968	$ 372,321
Water and sewer	95,907	-	95,907	95,572
Landscaping and grounds	56,020	5,268	61,288	52,045
Trash removal	44,261	-	44,261	41,476
Management fees	30,240	-	30,240	30,240
Snow removal	26,847	-	26,847	29,286
Recreational facilities	14,858	-	14,858	23,070
Office and administrative	14,442	-	14,442	16,040
Roof and gutter repairs	13,798	4,200	17,998	12,769
Electricity and gas	13,117	-	13,117	12,156
Irrigation maintenance	12,236	-	12,236	9,540
Tree and shrub care	7,275	-	7,275	6,692
Parking lot and concrete	7,140	52,517	59,657	208,312
Legal and professional fees	5,890	-	5,890	3,149
Light maintenance	4,317	18,608	22,925	29,121
Garage door repairs	3,033	-	3,033	2,742
Building maintenance and repairs	2,352	13,611	15,963	13,535
Plumbing and sewer	1,788	7,546	9,334	49,429
Reserve study	-	-	-	4,280
Total Expenses	581,489	101,750	683,239	1,011,775
Excess (Deficiency) of Revenues Over Expenses	$ 88,258	$ 117,335	$ 205,593	$ (23,925)
Changes in Fund Balances				
Working capital contributions	-	9,570	9,570	10,640
Forgive prior year interfund balance	(162,187)	162,187	-	-
Beginning Fund Balance	248,909	186,252	435,161	448,446
Ending Fund Balance	$ 174,980	$ 475,344	$ 650,324	$ 435,161

See Notes to Financial Statements

Second Jefferson Green Homeowners Association
Statement of Cash Flows
For the Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total	2024 Total (comparative purposes only)
Cash Flows From Operating Activities				
Excess (Deficiency) of Revenues Over Expenses	$ 88,258	$ 117,335	$ 205,593	$ (23,925)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	17,335		17,335	(21,592)
Prepaid expenses	(977)		(977)	24,180
Increase (decrease) in:				
Accounts payable and accrued liabilities	488	4,200	4,688	(13,643)
Assessments received in advance	4,527		4,527	18,725
Net cash provided (used) by operating activities	109,631	121,535	231,166	(16,255)
Cash Flows From Financing Activities				
Interfund activities	114,263	(114,263)	-	-
Working capital contributions	-	9,570	9,570	10,640
Net cash (used) provided by financing activities	(47,924)	57,494	9,570	10,640
Net increase (decrease) in cash	**$ 61,707**	**$ 179,029**	**$ 240,736**	**$ (5,615)**
Cash, beginning of year	54,887	348,439	403,326	408,941
Cash, end of year	$ 116,594	$ 527,468	$ 644,062	$ 403,326

See Notes to Financial Statements

Second Jefferson Green Homeowners Association
Notes to Financial Statements
For the Year Ended December 31, 2025

Note 1 – Nature of the Association

Second Jefferson Green Homeowners Association (the "Association") was organized as a non-profit corporation in the State of Colorado in 1973. The purpose of the Association is to provide for the operation, administration, use, and maintenance of the common property, and to promote the common benefit and enjoyment of the residents of the community. All members are subject to the *Amended and Restated Declaration of Covenants, Conditions and Restrictions for Jefferson Green–Filing No. 2* (the "Declaration"). The Association's membership consists of the Owners of 168 residential units located in Jefferson County, Colorado.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared using the accrual method of accounting.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

> 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.

Cash

The Association considers all highly liquid investments with an original maturity of three months or less to be cash. The Association continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of December 31, 2025, the Association had no cash equivalents.

Common Area Property

Real property and common areas conveyed to the Association by the Declarant are not recorded in the Association's financial statements because the disposition of those properties is restricted by the Declaration. It is the duty of the Association to care for and maintain the common areas for the common benefit and enjoyment of its membership. Major repairs and replacements to common area property are recorded as expenditures in the Replacement Fund.

Working Capital Contributions

Upon the sale of any unit, the buyer shall pay to the Association at the time of the closing of such transfer, a payment of working capital equal to an amount not to exceed two-times the current monthly installment of the annual assessment.

Note 2 – Summary of Significant Accounting Policies (continued)

Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit Owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. For the years ended December 31, 2025, and 2024, monthly assessments were charged at a uniform rate of $435 and $380, respectively.

Special Assessments

In January 2024, the Association levied a special assessment of $1,250 per unit in order to cover the cash flow deficit as a result of the 2024 master insurance policy premiums increasing by 175%. The special assessment was due in one lump-sum payment by March 31, 2024, or in 10 monthly installments of $125 beginning February 1, 2024.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Income Taxes

The Association elects to file its Federal income tax return as a homeowners' association under Section 528 of the Internal Revenue Code. 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 non-exempt function income, which includes interest earned, is taxed at the Federal and State levels at 30% and 4.40%, respectively. There was no net taxable income for the years ended December 31, 2025, and 2024.

The Association's tax filings may be subject to examination by various taxing authorities. The Association's federal income tax returns beginning with the 2023 tax year remain open to potential examination by the Internal Revenue Service; State income tax returns beginning with the 2022 tax year are open to potential examination.

Note 4 – Future Major Repairs and Replacements

The Association's Declaration requires funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

Note 4 – Future Major Repairs and Replacements (continued)

In 2025, the Association engaged a third-party to prepare a study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's 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 the Declaration, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The study indicates that, as of January 1, 2025, the Association's current replacement fund balance was only 9% of the ideal funded balance of $4,220,234. The study recommends an initial special assessment contribution to the replacement fund of $1,176,00 in 2025, and $630,000 in 2026 and 2027. In addition, the study recommends annual funding contributions of $393,000 beginning in 2025, and increased annually by 5.20%. For the year ending December 31, 2026, budgeted contributions to the replacement fund total $228,000.

Note 5 – Related Parties

In addition to monthly management services, the Association's managing agent also provides certain maintenance and project management services under affiliated entities. For the year ended December 31, 2025, and 2024, total disbursements to these related party entities for maintenance services totaled $30,454 and $63,923, respectively.

Note 6 – Concentration Risk

The Association maintains its cash balances in bank deposit accounts which, at times throughout the year, may exceed federally insured limits. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $250,000. As of December 31, 2025, uninsured cash balances totaled $394,150.

Note 7 – Contingencies

The Association may be a party to various legal actions throughout the year normally associated with homeowners' associations, including, but not limited to, the collection of delinquent assessments and covenant compliance matters, the aggregate of which, in management's opinion, would not have a material adverse effect on the Association's financial position, results, or liquidity.

Note 8 – Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through the date of the *Independent Auditor's Report*, which is the date the financial statements were available to be issued.

Second Jefferson Green Homeowners Association
Schedule of Operating Fund Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2025

	Actual	Budget (compiled)	Variance - Favorable (Unfavorable)
Operating Fund Revenues			
Member assessments	$ 876,816	$ 876,960	$ (144)
Contributions to the replacement fund	(213,256)	(207,768)	(5,488)
Late fees and collection	5,437	3,200	2,237
Other income	750	300	450
Interest	-	1,500	(1,500)
Total Operating Fund Revenues	$ 669,747	$ 674,192	$ (4,445)
Operating Fund Expenses			
Insurance	$ 227,968	$ 275,864	$ 47,896
Water and sewer	95,907	112,362	16,455
Landscaping and grounds	56,020	46,450	(9,570)
Trash removal	44,261	42,000	(2,261)
Management fees	30,240	30,240	-
Snow removal	26,847	52,000	25,153
Recreational facilities	14,858	22,600	7,742
Office and administrative	14,442	14,200	(242)
Roof and gutter repairs	13,798	7,000	(6,798)
Electricity and gas	13,117	14,197	1,080
Irrigation maintenance	12,236	17,000	4,764
Tree and shrub care	7,275	7,500	225
Parking lot and concrete	7,140	8,000	860
Legal and professional fees	5,890	8,000	2,110
Light maintenance	4,317	2,500	(1,817)
Garage door repairs	3,033	7,000	3,967
Building maintenance and repairs	2,352	5,275	2,923
Plumbing and sewer	1,788	2,000	212
Total Operating Fund Expenses	581,489	674,188	92,699
Excess of Revenues Over Expenses	**$ 88,258**	**$ 4**	**$ 88,254**

Second Jefferson Green Homeowners Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2025
Unaudited

In 2025, the Association engaged a third-party to perfomed a study to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The study includes assumptions for inflation on future expenditures and interest earned on accumulated replacement fund assets of 5.20% and 2.10%, respectively.

The information on the following pages was extracted from the study and presents significant information about the components of common property.

Funding Summary For Second Jefferson Green HOA

Beginning Assumptions	
Financial Information Source	Research With Client
# of units	168
Fiscal Year End	December 31, 2025
Monthly Dues from 2024 budget	$63,840.00
Monthly Reserve Allocation from 2024 Budget	$16,000.00
Projected Starting Reserve Balance (as of 1/1/2025)	$387,950
Reserve Balance: Average Per Unit	$2,309
Ideal Starting Reserve Balance (as of 1/1/2025)	$4,220,234
Ideal Reserve Balance: Average Per Unit	$25,120

Economic Factors	
Past 20 year Average Inflation Rate (Based on CCI)	5.20%
Current Average Interest Rate	2.10%

Current Reserve Status	
Current Balance as a % of Ideal Balance	9%

Recommendations for 2025 Fiscal Year	
Monthly Reserve Allocation	$32,750
Per Unit	$194.94
Minimum Monthly Reserve Allocation	$27,000
Per Unit	$160.71
Primary Annual Increases	5.20%
# of Years	30
Additional Funding Req'd (2025)	$1,176,000
Per Unit	$7,000
Additional Funding Req'd (2026 and 2027)	$630,000
Per Unit Per Year	$3,750

Changes From Prior Year (2024 to 2025)	
Increase/Decrease to Reserve Allocation	$16,750
as Percentage	105%
Average Per Unit	$99.70

Significant Components For Second Jefferson Green HOA

ID	Asset Name	Useful Lives	Remaining Useful Lives	Ave Curr Cost	Significance: (Curr Cost/UL) As $	As %
105	Comp Shingle Roof - Replace	20	11	$1,154,750	$57,738	20.3332%
120	Gutters/Downspouts - Replace	20	2	$120,393	$6,020	2.1199%
207	Iron Fencing - Repaint	4	0	$8,613	$2,153	0.7583%
207	Pool Fence - Repaint	8	4	$2,075	$259	0.0913%
209	Wood Fencing - Stain	3	0	$14,940	$4,980	1.7538%
306	Brick/Flagstone - Inspect/Repairs	10	5	$37,800	$3,780	1.3312%
310	Metal Siding - Replace (Ph 1)	50	2	$892,500	$17,850	6.2862%
310	Metal Siding - Replace (Ph 2)	50	1	$892,500	$17,850	6.2862%
310	Metal Siding - Replace (Ph 3)	50	0	$892,500	$17,850	6.2862%
401	Asphalt - Mill/Overlay (Lots 1&2)	24	21	$124,955	$5,206	1.8335%
401	Asphalt - Mill/Overlay (Lots 3&5)	24	22	$136,918	$5,705	2.0091%
401	Asphalt - Mill/Overlay (Lots 4&6)	24	23	$133,763	$5,573	1.9628%
402	Asphalt - Surface Application (2025)	4	0	$19,935	$4,984	1.7551%
402	Asphalt - Surface Application (2026)	4	1	$23,743	$5,936	2.0903%
407	Drain Pans/Curbing - Replace	4	0	$25,185	$6,296	2.2173%
502	Garage Doors - Replace	20	0	$294,000	$14,700	5.1769%
503	Garage Access Doors - Replace	5	0	$10,250	$2,050	0.7219%
601	Concrete Sidewalks/Decks - Repair	4	0	$63,670	$15,918	5.6056%
607	Wood Deck - Replace	25	18	$189,000	$7,560	2.6624%
612	Wood Decks - Inspections/Major Repairs	5	3	$22,575	$4,515	1.5900%
625	Crusher Fines Path - Replenish	5	0	$12,025	$2,405	0.8470%
803	Mailboxes - Replace	25	18	$32,000	$1,280	0.4508%
809	Address Signs - Replace	12	0	$9,900	$825	0.2905%
910	Key Fob System - Replace	10	4	$10,250	$1,025	0.3610%
1001	Wood Fencing - Replace (1)	20	0	$41,475	$2,074	0.7303%
1001	Wood Fencing - Replace (2)	20	4	$49,088	$2,454	0.8643%
1002	Pool Fence - Replace	32	25	$15,000	$469	0.1651%
1008	Vinyl Fencing - Partial Replacement	8	6	$24,675	$3,084	1.0862%
1014	Brick Columns - Major Repairs	8	1	$6,588	$823	0.2900%
1101	Pool - Resurface	12	3	$30,283	$2,524	0.8887%
1104	Coping Stone/Tile - Replace	24	3	$16,150	$673	0.2370%
1105	Pool Heater - Replace	15	13	$8,250	$550	0.1937%
1107	Pool Filter - Replace	20	0	$3,750	$188	0.0660%
1112	Pool Cover - Replace	12	4	$6,290	$524	0.1846%
1126	Skimmers - Replace	24	3	$10,500	$438	0.1541%
1307	Benches - Replace	12	4	$4,050	$338	0.1189%
1413	Restroom - Remodel	17	5	$16,500	$971	0.3418%
1602	Exterior Wall Mount - Replace	18	3	$18,480	$1,027	0.3616%
1607	Post Lights - Replace	15	12	$3,488	$233	0.0819%
1701	Irrigation System - Major Repairs	3	1	$32,500	$10,833	3.8151%
1703	Irrigation Controller - Replace	12	0	$22,875	$1,906	0.6713%
1801	Groundcover - Replenish	3	0	$55,000	$18,333	6.4564%
1804	Tree - Replacement/Major Maintenance	4	0	$47,500	$11,875	4.1820%
2001	Plumbing/Sewer System - Major Repairs	3	0	$32,500	$10,833	3.8151%
2003	Electrical System	5	4	$6,750	$1,350	0.4754%