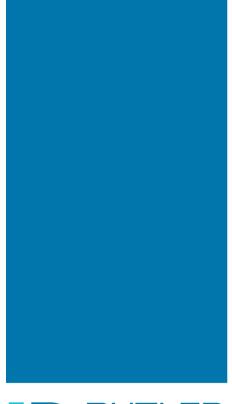
THE GAINEY RANCH COMMUNITY ASSOCIATION

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2024 AND FOR THE YEAR THEN ENDED





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THE GAINEY RANCH COMMUNITY ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Gainey Ranch Community Association

Opinion

We have audited the accompanying financial statements of The Gainey Ranch Community Association (an Arizona Corporation), which comprise the balance sheet as of December 31, 2024, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Gainey Ranch Community Association 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Gainey Ranch Community 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 Gainey Ranch Community Association'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 as a whole 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 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 Gainey Ranch Community 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 Gainey Ranch Community 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses, on page 16, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on page 15, 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gilbert, Arizona May 29, 2025

Butler Hansen, PLC

THE GAINEY RANCH COMMUNITY ASSOCIATION BALANCE SHEET DECEMBER 31, 2024

	OF	PERATING FUND	RESERVE FUND				TOTAL	
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents Certificates of Deposit	\$	406,754	\$	346,464 157,690	\$	274,257 315,380	\$	1,027,475 473,070
Accounts Receivable, Net of Allowance of \$2,200		58,472		-		9,112		67,584
Inventory - Security Prepaid Expenses Accrued Interest Income		31,998 60,642		- 607		- - 1 214		31,998 60,642 1,821
Interfund Balance		(100,000)		100,000		1,214		- 1,021
TOTAL CURRENT ASSETS		457,866		604,761		599,963		1,662,590
OTHER ASSETS								
Property and Equipment, Net of Accumulated Depreciation of \$2,570,001		6,199,296						6,199,296
TOTAL OTHER ASSETS		6,199,296						6,199,296
TOTAL ASSETS	\$	6,657,162	\$	604,761	\$	599,963	\$	7,861,886
LIABILITIES AND FUND BALANCES								
CURRENT LIABILITIES								
Accounts Payable	\$	144,901	\$	-	\$	-	\$	144,901
Accrued Expenses		1,304		-		-		1,304
Accrued Payroll and Related Liabilities		204,479		-		-		204,479
Accrued Interest Expense		-		-		21,635		21,635
Prepaid Assessments		87,651		-		-		87,651
Due To/From Satellites		(45,088)		-		-		(45,088)
Deferred Income - Building Rental		200		-		-		200
Bank Loan, Current Portion						267,867		267,867
TOTAL CURRENT LIABILITIES		393,447				289,502		682,949
LONG-TERM LIABILITIES								
Bank Loan, Long-Term Portion TOTAL LONG-TERM LIABILITIES		<u> </u>				5,365,343 5,365,343		5,365,343 5,365,343
		202 447		<u>-</u> _				
Total Liabilities		393,447				5,654,845		6,048,292
FUND BALANCES								
Operating Fund		6,263,715		_		_		6,263,715
Reserve Fund		-		604,761		_		604,761
Capital Fund				-		(5,054,882)		(5,054,882)
Total Fund Balances		6,263,715		604,761		(5,054,882)	-	1,813,594
Total Liabilities and Fund Balances	\$	6,657,162	\$	604,761	\$	599,963	\$	7,861,886

See accompanying notes to financial statements.

THE GAINEY RANCH COMMUNITY ASSOCIATION STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2024

	OPERATING RESERVE FUND FUND		CAPITAL FUND	TOTAL
REVENUES				
Homeowner Assessments	\$ 3,620,430	\$ 242,190	\$ 198,720	\$ 4,061,340
Commercial Assessments	571,861	32,406	66,816	671,083
Community Enhancement Fee	-	-	854,460	854,460
Late Fees and Transfer Fees	23,969	-	-	23,969
Architectural Fees	3,600	-	-	3,600
Rental Income	-	-	-	-
Other Income	33,088	-	-	33,088
Estate Club Membership, Fees and Sales	196,087	-	-	196,087
Insurance Claim Income	-	-	-	-
Interest Income	1,076	11,148	13,897	26,121
TOTAL REVENUES	4,450,111	285,744	1,133,893	5,869,748
EXPENSES				
Administration	2,824,783	-	241,493	3,066,276
Security	817,988	-	-	817,988
Estate Club	1,259,132	-	-	1,259,132
Landscape Maintenance	1,804,125	-	-	1,804,125
Less: Allocation	(1,738,529)	-	-	(1,738,529)
Building Maintenance	399,051	-	-	399,051
Less: Allocation	(399,758)	-	-	(399,758)
Major Repairs and Replacements	-	130,051	-	130,051
Capital Fund Expenses			144,881	144,881
TOTAL EXPENSES	4,966,792	130,051	386,374	5,483,217
EXCESS REVENUES (EXPENSES)	(516,681)	155,693	747,519	386,531
FUND BALANCES, BEGINNING OF YEAR	6,555,899	306,227	(5,435,063)	1,427,063
TRANSFERS BETWEEN FUNDS				
From Operating for Landscape Depreciation	(35,495)	35,495	-	-
To Operating for Fixed Asset Acquisition	159,992	(92,654)	(67,338)	-
Additional Transfers	100,000	200,000	(300,000)	
TOTAL TRANSFERS BETWEEN FUNDS	224,497	142,841	(367,338)	
FUND BALANCES, END OF YEAR	\$ 6,263,715	\$ 604,761	\$ (5,054,882)	\$ 1,813,594

THE GAINEY RANCH COMMUNITY ASSOCIATION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

	OP	PERATING FUND	RESERVE FUND		-			
CASH FLOWS FROM OPERATING ACTIVITIES								
Excess Revenues (Expenses)	\$	(516,681)	\$	155,693	\$	747,519	\$	386,531
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used)								
by Operating Activities		206.711						206 711
Depreciation		386,711		-		-		386,711
Bad Debt Expense		3,927		-		-		3,927
(Increase)/Decrease In		14.602				0.001		24.504
Accounts Receivable		14,683		-		9,901		24,584
Inventory - Security		(10,453)		-		-		(10,453)
Prepaid Expenses		(12,616)		-		-		(12,616)
Accrued Interest Income		-		52		104		156
Increase/(Decrease) In								
Accounts Payable		29,373		(19,565)		-		9,808
Accrued Expenses		(16,126)		-		-		(16,126)
Accrued Payroll and Related Liabilities		29,965		-		-		29,965
Accrued Interest Expense		-		-		842		842
Prepaid Assessments		11		-		-		11
Due To/From Satellites		(79,037)		_		_		(79,037)
Net Cash Provided (Used) by Operating Activities		(170,243)		136,180		758,366		724,303
CASH FLOWS FROM INVESTING ACTIVITIES Purchases of Certificates of Deposit Maturities of Certificates of Deposit Revinested Interest Purchases of Property and Equipment Net Cash Provided (Used) by Investing Activities		(166,660)		(157,690) 153,786 (3,786) - (7,690)		(315,380) 307,573 (7,573) - (15,380)		(473,070) 461,359 (11,359) (166,660) (189,730)
Net Cash Hovided (Osed) by investing Activities		(100,000)		(7,070)		(13,360)		(107,730)
CASH FLOWS FROM FINANCING ACTIVITIES Payments on CIT Loan Transfers for Landscape Depreciation Transfers of Property and Equipment Additional Transfers		- (35,495) 159,992 100,000		35,495 (92,654) 200,000		(256,308) - (67,338) (300,000)		(256,308)
Change in Interfund Balances		128,353		(128,903)		550		-
Net Cash Provided (Used) by Financing Activities		352,850		13,938		(623,096)		(256,308)
NET INCREASE (DECREASE) IN CASH		15,947		142,428		119,890		278,265
CASH BALANCE, BEGINNING OF YEAR		390,807		204,036		154,367		749,210
CASH BALANCE, END OF YEAR	\$	406,754	\$	346,464	\$	274,257	\$	1,027,475
SUPPLEMENTARY INFORMATION								
Income Taxes	\$	-	\$	-	\$	-	\$	-
Interest	\$	-	\$	-	\$	241,493	\$	241,493

See accompanying notes to financial statements.

NOTE 1 – NATURE OF THE ORGANIZATION

The Gainey Ranch Community Association (GRCA) is a nonprofit homeowners association incorporated December 13, 1984. GRCA provides for the operation, maintenance, and preservation of recreational, office, maintenance, and other facilities, as well as personal property and common areas, within the community of Gainey Ranch, located in Scottsdale, Arizona. The Association consists of 1,035 residential memberships and 348 commercial memberships.

GRCA is authorized and required by its governing documents to provide management, management support, and administrative and maintenance services to all Gainey Ranch satellite associations. The names of these 19 satellite associations are as follows:

- The Pavilions Council of Co-Owners
- Parcel 2 at Gainey Ranch Owners Association
- The Owners Association for The Legend at Gainey Ranch
- The Estates at Gainey Ranch Homeowners Association
- The Greens at Gainey Ranch Homeowners Association
- North Meadow at Gainey Ranch Homeowners Association
- North Meadow II at Gainey Ranch Homeowners Association
- Sunset Cove at Gainev Ranch Homeowners Association
- The Courts at Gainey Ranch Homeowners Association
- The Golf Cottages at Gainey Ranch Homeowners Association
- The Golf Villas at Gainey Ranch Homeowners Association
- The Enclave at Gainey Ranch Homeowners Association
- The Golf Villas at Gainey Ranch III Homeowners Association
- The Gainey Ranch Town Center Association
- 8989 Gainey Center Drive Condominium Association
- 7400 Gainey Club Drive Condominium Association
- The Oasis at Gainey Ranch Homeowners Association
- Vaquero Drive at Gainey Ranch Homeowners Association
- Arroyo Vista at Gainey Ranch Homeowners Association

As property manager, GRCA is also responsible for providing accounting services to the satellite associations. In the fulfillment of this responsibility, GRCA receives and processes all revenue belonging to each satellite association (including satellite assessments) and disburses all expenses incurred by each satellite association. Additionally, GRCA provides landscaping and building maintenance services for each satellite association. These services are charged to each satellite association on a non-profit basis as incurred. The intercompany financial status between each satellite association and GRCA is maintained by due to/due from balance sheet accounts. The intercompany transactions are settled monthly by cash transfers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 using the following funds established according to their nature and purpose:

Operating Fund

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

Reserve Fund

The Reserve Fund is used to account for the use and accumulation of funds for future major repairs and replacements.

Capital Fund

The Capital Fund is used to account for the use and accumulation of funds for capital improvements to the common areas of the Association.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, purchased with original maturities of three months or less, as cash and cash equivalents.

Accounts Receivable

The annual budget and member assessments are approved by the Board of Directors. Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and future replacements. Assessments receivable at December 31, 2024, represent fees due from unit owners. The Association accounts for receivables on the cost basis. Receivables are considered delinquent after 30 days, at which time the Association pursues collection. Receivables are reviewed regularly and the Association establishes an allowance for doubtful accounts on receivables based on an estimate of accounts which will not be fully collected. Accounts are written-off when a homeowner enters bankruptcy or foreclosure. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Prepaid Assessments and Revenue Recognition

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association and are classified as Prepaid Assessments. Revenue from assessments, allocated to either the operating or reserve fund, is recognized as the performance obligation to maintain the community and to provide ongoing services is considered completed, generally on a monthly basis.

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, 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. Accordingly, actual results could differ from those estimates. Estimates for the allowance for receivables are based on the Allowance Method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certificates of Deposit

The Corporation invests in certificates of deposit that generally mature in three years or less. The Corporation intends to hold certificates of deposit until maturity. Certificates of deposit are recorded at cost.

<u>Inventory</u>

Inventory consists of restaurant food/supplies. Inventory is stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out (FIFO) basis.

Interest Earned

The board's policy is to allocate interest earned on all cash and investment accounts to each fund.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Property and Equipment

The Association capitalizes all common real property to which it has title or other evidence of ownership and either:

(1) can dispose of the property, at the discretion of its Board of Directors, for cash or claims to cash, and it can retain the proceeds,

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(2) the property is used to generate significant cash flows from members on the basis of usage.

At December 31, 2024, the common real property capitalized consisted of an administration building, maintenance building, and various other real property improvements.

Property not capitalized consists of land and landscape rights-of-way, the swimming pool and tennis courts. The Association capitalizes all personal property it acquires with a cost basis of \$1,500 or more. Purchased property and equipment is recorded at cost and depreciated utilizing the straight-line method over the useful lives of the property and equipment, generally ranging from 3 to 39 years.

Date of Management's Review

Subsequent events have been evaluated through May 29, 2025, which is the date the financial statements were available to be issued.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The Association enters into various contracts for management, landscape and other services. Generally, all contracts are for one year terms and can be canceled by either party with 30 to 90 day notifications.

NOTE 4 – CERTIFICATES OF DEPOSIT

At December 31, 2024, the Corporation had \$473,070 in a certificates of deposit, \$157,690 of which was reported in the Reserve Fund, and \$315,380 was reported in the Capital Fund. The certificates of deposit outstanding at December 31, 2024, mature in 2025, and earn interest at a rate of 4.25%.

NOTE 5 – CASH AND RESTRICTED CASH

All cash listed, except for Reserve and Capital Fund accounts, is available for current operations and is not bound by any restriction or designation. Reserve Fund cash has been designated by the Board of Directors for use in funding future major repairs and replacements.

As of December 31, 2024, cash balances were as follows:

Petty Cash	\$ 848
Operating Fund Accounts	405,906
Reserve Fund Accounts	346,464
Capital Accounts	 274,257
Total Cash	\$ 1,027,475

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2024, represents assessments due, interest charged on overdue accounts, lien fees on delinquent accounts, and legal fees on accounts in default. Assessments not paid by the due date are charged a \$15 late fee and charged interest at the rate of 18% per annum after 60 days delinquency. The Association's policy is to place liens on units with accounts overdue 90 days. The Association may bring legal action against owners obligated to pay, or foreclose on the property as it deems necessary, to collect assessments receivable. For the year ended December 31, 2024, an allowance for doubtful accounts was recorded in the amount of \$2,200, and bad debt expense was \$3,927.

Receivables consisted of the following at December 31, 2024:

	T	otal Due	Over 90 Days		
Accounts Receivable	\$	60,672	\$	7,001	
Capital Fund Receivables		9,112		_	
Total Gross Receivables		69,784		7,001	
Less: Allowance for Doubtful Accounts		(2,200)		(2,200)	
Total Net Receivables	\$	67,584	\$	4,801	

NOTE 7 – COMMUNITY ENHANCEMENT FEE PERFORMANCE OBLIGATIONS

The Association collects Community Enhancement Fees from each owner upon becoming the owner of a lot. In accordance with FASB ASC 606, Revenue from Contracts with Customers, the Association recognizes related revenue when its performance obligation for these related services is satisfied. The performance obligation is satisfied when the home sale is complete. Revenue is recorded after the home closing is recorded. For the year ended December 31, 2024, the Association recognized \$854,460 in Community Enhancement Fee revenue.

NOTE 8 – MEMBER ASSESSMENTS

Association members are subject to annual assessments, billed on a periodic basis, to provide funds for the Association's operating expenses and major repairs and replacements. The master association assessed 1,035 residential memberships and 348 commercial memberships for the current year. During 2024, the combined annual assessment for residential memberships was \$3,924, payable in monthly installments of \$327 with \$228.05 per month allocated to operations, \$63.45 allocated to security, \$19.50 designated to fund future major repairs and replacements and \$16 designated to fund future capital improvement expenditures.

The annual assessment for commercial members was \$1,928.40, payable in monthly installments of \$160.70 per month, with \$136.94 allocated to operations, \$7.76 designated to fund future major repairs and replacements and \$16 designated to fund future capital improvement expenditures. Since only residential members benefit from the Estate Club and Security services, commercial members are not assessed for these services.

Assessment revenue allocated to the operating and reserve funds is recognized as the related performance obligation is satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its annual assessments billed on a periodic basis is satisfied over time on a daily prorata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from homeowners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. There is no maximum annual assessment defined in the Association's governing documents.

At December 31, 2024, the Association had delinquent accounts of \$60,672. It is the opinion of the Board of Directors that the Association will ultimately prevail against the majority of the homeowners with delinquent assessments.

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 past experience and susceptibility to factors outside the Association's control. The balances of accounts receivable as of the beginning and end of the year are \$78,082 and \$60,672, respectively.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and Equipment as of December 31, 2024, consisted of the following:

	Accumulated		Net Book	
	 Cost		epreciation	 Value
Buildings and Improvements	\$ 6,208,467	\$	1,165,729	\$ 5,042,738
Furniture and Fixtures	773,192		316,274	456,918
Equipment	1,202,592		652,410	550,182
Office Equipment	7,688		3,417	4,271
Vehicles	499,961		358,190	141,771
Computer Systems and Upgrades	 77,397		73,981	 3,416
Total Property and Equipment	\$ 8,769,297	\$	2,570,001	\$ 6,199,296

Depreciation expense for the year ended December 31, 2024 is \$386,711.

NOTE 10 - CONCENTRATION OF CREDIT RISK

The financial instruments that potentially subject the Association to credit risk consist principally of assessments and other receivables, the majority of which contain provisions for recovery by placing liens on real property and through legal judgments. In the event that the property owners and satellite associations did not comply with the terms of the Covenants, Conditions and Restrictions, Gainey Ranch Community Association could incur a loss equal to the amount due. The Association has net accounts receivable at December 31, 2024, totaling \$67,584, which are subject to a significant concentration of credit risk, given that the receivables are earned entirely within the homeowner association industry, and primarily from a small geographical area, which can be impacted by similar economic conditions. Member assessments may be secured by liens upon a member's property or legal judgements. The Association monitors the collectability of these receivables and pursues collection as needed. Should the Association's collection efforts be unsuccessful, the Association could incur losses up to the full amount due. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts.

The Association places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. Although the Board's policy is to have all amounts covered by insurance, at various times, deposits designated as cash and cash equivalents and investments may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC).

NOTE 11 – INCOME TAXES

During the year ended December 31, 2020, the Association applied for tax exempt status under Internal Revenue Code Section 501 (a). The tax exempt status was approved on March 25, 2021, with an effective date of exemption of November 20, 2020. The Association is classified as an exempt "social welfare" organization under Internal Revenue Code Section 501 (c)(4) of the Internal Revenue Code. The Association is in the process of filing protective claims for income taxes paid in prior years. The amount of any potential refunds for prior years has not been recorded in the financial statements.

NOTE 12 – UNCERTAIN TAX POSITIONS

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax position for the year ending December 31, 2024.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2024.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2022, or by Arizona state tax authorities for years before 2021.

NOTE 13 – BANK LOAN

On March 20, 2020, the Association entered into a Secured Promissory Note (also referred to as Line of Credit) with CIT BANK, N.A., successor by merger to Mutual of Omaha Bank, for a Line of Credit not to exceed \$6,500,000. With a portion of these funds, the Association paid a loan fee of \$16,250 and filing fees of \$200 and paid off the prior Loan and Security Agreement, dated April 25, 2014, obligation of \$1,161,367.71, with CIT BANK, N.A., successor by merger to Mutual of Omaha. Based on this payment, the prior Loan and Security Agreement obligations were satisfied, and the Association no longer has any obligations under this prior debt agreement dated April 15, 2014. After the various payments on the date of closing, March 20, 2020, the remaining available funds to the Association for the new Line of Credit was \$5,322,182.29.

The initial terms of the Line of Credit under the Secured Promissory Note, executed on March 20, 2020, funded construction of the new Gainey Ranch Estate Club, contingency costs, soft costs, closing costs and other related costs within the project. According to the initial terms of the Line of Credit agreement, funds would be available until March 1, 2021 (the draw period), for disbursement to the Association in one or more advances. Throughout the draw period, until and including April 1, 2021, the Association was obligated to pay interest-only payments to the lender at a rate of 4.10% of the outstanding balance. Beginning May 1, 2021, the Association would then begin making monthly principal and interest payments, which will be payable in 228 successive monthly payments.

On April 15, 2021, the Association and CIT BANK, N.A. modified the Secured Promissory Note terms to state that until and including May 1, 2021, on the 1st day of each calendar month, commencing with the first payment on May 1, 2021, interest only shall be payable monthly on the unpaid principal balance of the loan at the interest rate set forth in the loan agreement. After May 1, 2021, principal and interest due shall be payable by 227 successive monthly payments of principal and interest on the 1st day of the month, commencing with the first payment on June 1, 2021. The draw period for the remaining loan funds was also modified to state that the remaining loan funds will be available until May 1, 2021. CIT BANK, N.A. advanced the remaining loan balance of \$4,689,410 on April 21, 2021, and held the funds separately under the Bank's control until the construction draw requests were received from the Association, which occurred in 2022.

The principal and interest payments will be calculated based on the entire unpaid principal balance outstanding on May 1, 2021. The loan is collateralized by all money, accounts and deposit accounts of the Association and all rights of the Association to levy and collect regular and special assessments. The maturity date of the loan is April 1, 2040.

The loan balance at December 31, 2024, was \$5,633,210. The Association paid \$256,308 in principal payments in 2024. Total interest expense recorded in 2024 for this loan was \$241,493. Accrued interest on this loan at December 31, 2024, was \$21,635.

The classification of debt as of December 31, 2024, was as follows:

 Total Debt
 \$ 5,633,210

 Less: Current Portion
 (267,867)

 Total Long-Term Debt
 \$ 5,365,343

NOTE 13 – BANK LOAN (CONTINUED)

Minimum payments of debt are as follows:

Years Ending December 31,	
2025	\$ 267,867
2026	279,217
2027	291,048
2028	302,822
2029	316,210
Thereafter	 4,176,046
Total future minimum payments	\$ 5,633,210

NOTE 14 - MAJOR REPAIR AND REPLACEMENT EXPENSES

In 2024, the following major repair and/or replacement expenses were paid from the reserve fund:

Gate Post – Tennis Courts	\$ 1,250
Water Heater	1,400
North Gate Palm Tree Lighting	3,361
Pool Heater	4,526
Reserve Study Software	1,800
Mainline Break(s)	8,650
LPR Camera at West Gate	1,665
View Fence Replacement	16,750
Slurry Seal and Paving	3,798
Valves	1,900
West Gate Motors and Operator	3,307
Hydraulic Operator	7,057
Spa Filter	3,146
Tennis Court Resurfacing	46,355
Storm Damage	4,661
Chevron Markers	2,855
Paint Crosswalks and Street Lines	8,195
Irrigation Repairs	2,969
Water Box	1,515
New Sign - Administration Office	 4,891
Total Major Repairs and Replacements	\$ 130,051

The Association is accumulating funds for future replacements and major repairs and maintenance. The annual provision to the reserve fund is determined by the Board of Directors and is based, in part, on projected reserve expenses derived in a study performed in 2022 by a licensed contractor who inspected the property, which has been updated with an effective date of January 1, 2025. The study provides an estimate of the repair and replacement costs of buildings, improvements, equipment and common area infrastructure.

The Reserve Fund represents funds restricted by the Board of Directors to meet these anticipated expenses. The reserve fund has been accumulated from homeowner and commercial assessments and fees, specifically assessed for the purpose of funding the reserve fund, and from other net revenues.

NOTE 14 – MAJOR REPAIR AND REPLACEMENT EXPENSES (CONTINUED)

Actual expenditures may vary from the estimated amounts determined by the study discussed above, and the variations may be material. Therefore, amounts to be accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, the Association may increase regular assessments up to the maximum annual assessment, levy special assessments, subject to member approval, or may delay major repairs and replacements until funds are available.

At December 31, 2024, funds accumulated for this purpose were \$604,761. The activity for the Reserve Fund in the year ended December 31, 2024, is summarized as follows:

Beginning Balance, Reserve Fund	\$ 306,227
Homeowner Assessments	242,190
Commercial Assessments	32,406
Interest Income	11,148
Less: Major Repairs and Replacement Expenditures	(130,051)
Excess Revenues (Expenses)	461,920
Fund Transfers	
Landscape Maintenance Asset Depreciation	35,495
Fixed Asset Acquisitions Transferred to Operating	(92,654)
Additional Transfers Between Funds	200,000
Net Fund Transfers	142,841
Ending Balance, Reserve Fund	\$ 604,761

THE GAINEY RANCH COMMUNITY ASSOCIATION

SUPPLEMENTARY INFORMATION





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THE GAINEY RANCH COMMUNITY ASSOCIATION REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2024

Gainey Ranch Community Association had a reserve study conducted in 2022, which has been updated with an effective date of January 1, 2025, by Facilities Advisors, Inc. The Association's Board of Directors used this study as an aid in the development of a reserve strategy for the repair and replacement of components of common property. The study was useful in identifying the components which would need repair or replacement and in estimating their useful lives and replacement costs. The Board reviews every line item in these estimates, revises them on an annual basis, and incorporates them into goals and planning concerns of the Association as a whole. For the year ended December 31, 2024, the Board considered these elements and determined reserve fund requirements. Replacement costs were considered at "market" with no inflation factor being incorporated in the calculations. The amounts reported in the reserve fund are for demonstrative purposes only and were allocated based on the estimated current replacement cost.

The following table is based on the study prepared by Facilities Advisors, Inc. and presents significant information about the components of common property:

		Esti	mated Future]	Reserve
	Remaining	Re	eplacement	Fur	nd Balance
Component	Life (Years)		Cost		nber 31, 2024
Administration/Common Areas	0 to 15	\$	1,516,639	\$	193,524
Security	0 to 22		476,915		84,666
Maintenance	0 to 18		782,019		127,000
Estate Club	0 to 31		2,058,711		199,571
Total		\$	4,834,284	\$	604,761

THE GAINEY RANCH COMMUNITY ASSOCIATION SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2024

	Administration	Security	Estate Club	Landscape Maintenance	Building Maintenance	Major Repairs	Capital Repairs	Total Expenses
Salaries and Wages	\$ 945,185	\$ 353,266	\$ 396,408	\$ 1,106,440	\$ 258,812	\$ -	\$ -	\$ 3,060,111
Payroll Taxes and Employee Related Expenses	193,886	52,395	55,202	113,473	45,035	_	-	459,991
Utilities and Telephone	135,901	77,642	96,077	155,143	25,534	-	-	490,297
Office Supplies and Expenses	23,414	3,412	13,639	9,894	-	-	-	50,359
Permits, Fees, Licenses and Taxes	1,754	-	976	4,544	354	-	-	7,628
Legal and Professional Services	54,101	-	-	-	-	-	-	54,101
Insurance	39,541	6,636	23,070	42,235	3,112	-	-	114,594
Interest Expense	-	-	-	-	-	-	241,493	241,493
Repairs and Maintenance - Facilities and Equipment	29,830	8,533	21,910	57,342	10,883	-	-	128,498
Repairs and Maintenance - Common Property	86,472	26,379	31,076	67,135	1,805	130,051	144,881	487,799
Outside Services	669,632	83,297	79,943	89,666	-	-	-	922,538
Plants, Trees, Etc.	51,324	88	21,532	4,639	-	-	-	77,583
Supplies	54,321	12,407	38,675	113,874	18,244	-	-	237,521
Equipment Rental and Lease	17,703	-	16,531	6,320	735	-	-	41,289
Other Administration	11,586	2,789	71,419	(2,075)				83,719
Total Expenses Before Depreciation								
and Maintenance Allocations	2,314,650	626,844	866,458	1,768,630	364,514	130,051	386,374	6,457,521
Depreciation	24,893	24,035	302,288	35,495	-	-	-	386,711
Landscape Maintenance Allocation	505,722	-	54,560	(1,703,992)	-	-	-	(1,143,710) (A)
Building Maintenance Allocation	141,131	5,496	35,826	-	(399,758)	-	-	(217,305) (A)
General and Administration Allocation	(161,613)	161,613		(34,537)	34,537			- _
Total Expenses	\$ 2,824,783	\$ 817,988	\$ 1,259,132	\$ 65,596	\$ (707)	\$ 130,051	\$ 386,374	\$ 5,483,217

⁽A) \$1,143,710 of landscape maintenance expenses and \$217,305 of building maintenance expenses were allocated to satellite associations.