

**Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)**

Financial Statements

December 31, 2025



**Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)**

**Financial Statements
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Table of Contents

	Page(s)
INDEPENDENT AUDITOR'S REPORT	1 – 3
Balance Sheets	4
Statements of Revenues, Expenses and Changes in Fund Balances	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 – 11
Supplemental Schedules:	
Schedule of Operating Fund – Budget and Actual Comparison	12 - 14
Schedule of Capital Fund Expenses	15
Schedules of Reserve Fund Expenses	16
Schedule of Future Major Repairs and Replacements	17



McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Pagosa Lakes Property Owners Association
Pagosa Springs, Colorado**

Opinion

We have audited the financial statements of Pagosa Lakes Property Owners Association (the "Association"), which comprise the balance sheets 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Pagosa Lakes Property Owners Association
Pagosa Springs, Colorado

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 U.S. GAAS 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 U.S. GAAS, 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 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 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 financial statement audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 12 – 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Pagosa Lakes Property Owners Association
Pagosa Springs, Colorado

Required Supplementary Information

U.S. GAAP requires that the supplementary information on future major repairs and replacements on page 17 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 U.S. GAAS, 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.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2025. In our 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
April 17, 2026

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2025
(With Comparative Totals For December 31, 2024)

	2025			2024	
	Operating Fund	Capital Fund	Reserve Fund	Total	Total
Assets:					
Cash and cash equivalents	672,436	310,376	397,197	1,380,009	1,667,282
Investments - Certificates of deposit	200,001	410,228	837,227	1,447,456	709,638
Accounts receivable (net of allowance for credit losses of \$21,361 - 2025 and \$41,639 - 2024)	117,406	-	-	117,406	54,810
Accrued interest receivable	3,748	5,182	6,619	15,549	15,446
Prepaid expenses	97,017	-	-	97,017	34,191
Property and equipment, net	4,045,808	-	-	4,045,808	3,866,014
Due (to) from other fund	125,200	(124,999)	(201)	-	-
Total Assets	5,261,616	600,787	1,240,842	7,103,245	6,347,381
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	67,003	-	-	67,003	110,741
Accrued payroll and compensated absences	172,132	-	-	172,132	89,601
Deferred assessments	24,688	-	-	24,688	25,261
Contract liability	186,387	-	-	186,387	166,128
Total Liabilities	450,210	-	-	450,210	391,731
Fund Balances:					
Investment in property and equipment, net	4,045,808	-	-	4,045,808	3,866,014
Operating Fund balance	515,598	-	-	515,598	373,069
Designated - Emergency contingency	250,000	-	-	250,000	250,000
Designated - Capital Fund balance	-	600,787	-	600,787	478,164
Designated - Reserve Fund balance	-	-	1,240,842	1,240,842	988,403
Total Fund Balances	4,811,406	600,787	1,240,842	6,653,035	5,955,650
Total Liabilities and Fund Balances	5,261,616	600,787	1,240,842	7,103,245	6,347,381

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

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended December 31, 2024)

	2025			2024	
	Operating Fund	Capital Fund	Reserve Fund	Total	Total
Revenues:					
Assessments and related fees	1,910,158	329,427	536,470	2,776,055	2,735,283
Property and environmental management	223,396	-	-	223,396	214,222
Recreational amenities	708,383	-	-	708,383	664,375
Community standards fees and fines	137,465	-	-	137,465	178,831
Community lifestyle	32,644	-	-	32,644	25,643
Other revenue	33,665	-	-	33,665	89,866
Interest income	15,069	15,809	34,951	65,829	110,468
Total Revenues	3,060,780	345,236	571,421	3,977,437	4,018,688
Expenses:					
Administrative services	1,007,646	-	-	1,007,646	837,395
Property and environmental management	679,348	-	-	679,348	653,148
Recreational amenities	582,774	-	-	582,774	631,003
Community standards	560,699	-	-	560,699	489,475
Community lifestyle	49,730	-	-	49,730	37,857
Utilities	46,662	-	-	46,662	50,336
Credit loss expense	(8,608)	-	-	(8,608)	28,943
Depreciation	195,315	-	-	195,315	190,185
Capital improvement (Page 15)	-	30,040	-	30,040	580,137
Replacement (Page 16)	-	-	136,446	136,446	754,200
Total Expenses	3,113,566	30,040	136,446	3,280,052	4,252,679
Excess (Deficiency) of Revenues Over Expenses	(52,786)	315,196	434,975	697,385	(233,991)
Fund Balances - Beginning	4,489,083	478,164	988,403	5,955,650	6,189,641
Transfer from / (to) other fund(s), net	375,109	(192,573)	(182,536)	-	-
Fund Balances - Ending	4,811,406	600,787	1,240,842	6,653,035	5,955,650

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

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals For the Year Ended December 31, 2024)

	2025			2024	
	Operating Fund	Capital Fund	Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from owners	3,008,845	329,427	536,470	3,874,742	3,741,290
Interest received	13,344	10,627	41,755	65,726	95,022
Other cash receipts	(15,799)	-	-	(15,799)	89,854
Cash paid for goods and services	(1,120,163)	(47,425)	(136,446)	(1,304,034)	(2,163,853)
Cash paid for payroll and employee benefits	(1,804,736)	-	-	(1,804,736)	(1,809,482)
Transfers	(288,454)	238,015	50,439	-	-
Net Cash Provided (Used) by Operating Activities	<u>(206,963)</u>	<u>530,644</u>	<u>492,218</u>	<u>815,899</u>	<u>(47,169)</u>
Cash Flows From Investing Activities:					
Cash paid to purchase investments	(200,001)	(410,228)	(837,227)	(1,447,456)	(709,000)
Cash received from sale / redemption of investments	69,133	-	640,505	709,638	1,078,709
Cash paid to purchase capital assets	-	(192,573)	(182,536)	(375,109)	(50,237)
Cash received on disposal of assets	9,755	-	-	9,755	86,516
Net Cash Provided (Used) by Investing Activities	<u>(121,113)</u>	<u>(602,801)</u>	<u>(379,258)</u>	<u>(1,103,172)</u>	<u>405,988</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(328,076)	(72,157)	112,960	(287,273)	358,819
Cash and Cash Equivalents - Beginning	<u>1,000,512</u>	<u>382,533</u>	<u>284,237</u>	<u>1,667,282</u>	<u>1,308,463</u>
Cash and Cash Equivalents - Ending	<u><u>672,436</u></u>	<u><u>310,376</u></u>	<u><u>397,197</u></u>	<u><u>1,380,009</u></u>	<u><u>1,667,282</u></u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:					
Excess (deficiency) of revenues over expenses	<u>(52,786)</u>	<u>315,196</u>	<u>434,975</u>	<u>697,385</u>	<u>(233,991)</u>
Adjustments:					
Depreciation	195,315	-	-	195,315	190,185
Transfer (to)/from other fund	(288,454)	238,015	50,439	-	-
(Gain) / loss on disposal of assets	(9,755)	-	-	(9,755)	(86,518)
(Increase) decrease - Accounts receivable	7,146	-	-	7,146	(23,105)
Increase (decrease) - Allowance for credit losses	(20,278)	-	-	(20,278)	865
(Increase) decrease - Accounts receivable - Other	(49,464)	-	-	(49,464)	(12)
(Increase) decrease - Interest receivable	(1,725)	(5,182)	6,804	(103)	(15,446)
(Increase) decrease - Prepaid expenses	(62,826)	-	-	(62,826)	18,741
Increase (decrease) - Accounts payable	(26,353)	(17,385)	-	(43,738)	41,068
Increase (decrease) - Accrued payroll and compensated absences	82,531	-	-	82,531	29,350
Increase (decrease) - Deferred assessments	(573)	-	-	(573)	2,257
Increase (decrease) - Contract liability	20,259	-	-	20,259	29,437
Total Adjustments	<u>(154,177)</u>	<u>215,448</u>	<u>57,243</u>	<u>118,514</u>	<u>186,822</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(206,963)</u></u>	<u><u>530,644</u></u>	<u><u>492,218</u></u>	<u><u>815,899</u></u>	<u><u>(47,169)</u></u>

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

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2025

1. Organization

Pagosa Lakes Property Owners Association (the "Association") was incorporated March 14, 1972, in the State of Colorado as a non-profit corporation organized for the purpose of operating and maintaining the common property of the Association, pursuant to the Declaration of Restrictions (the "Declaration") recorded June 24, 1970.

The Association, which is located in Archuleta County, Colorado, consists of 6,373 whole-owned units and 329 timeshare units.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when assessed or earned, and expenses when incurred.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Directors (the "Board") and General Manager, and consistent with the approved annual budget. The Capital Fund consists of Operating Fund balances designated by the Board in the annual budget for expansion of the Association's parks, trails, open space and recreation amenities, as guided by the Association's *Parks, Trails, Open Space and Recreation Master Plan*. The Reserve Fund is designated for major repairs and replacements. The Settlement Fund accounts for funds received pursuant to a court order following the bankruptcy of a related developer in 1997, with expenditures restricted to benefit only specific communities / property owners within the Association.

C. Cash, Cash Equivalents, and Investments

All checking, savings, and money market accounts are considered cash equivalents by the Association for the purpose of the Statement of Cash Flows, since all such funds are highly liquid with no stated maturities.

Certificates of deposit held for investment that are not debt instruments and with original maturities of greater than 90 days when purchased are reported as "Investments – Certificates of Deposit".

D. Receivables and Allowance for Credit Losses

The Association's receivables consist primarily of amounts assessed against unit owner / members for common assessments and other charges levied pursuant to the Declaration and related organizational documents. These receivables are recorded at the invoiced amount and evaluated for potential credit losses, based on historical experience, current economic conditions, and reasonable forecasts. Accounts are considered delinquent if assessments are not received by May 1 of the year in which the assessment was levied.

**Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2025
(Continued)**

2. Summary of Significant Accounting Policies (continued)

D. Receivables and Allowance for Credit Losses (continued)

The Association has the legal ability to place a lien on the underlying title of a delinquent unit owner / member, and a policy that includes retention of legal counsel to pursue collection. This statutory lien ensures that assessments remain secured by the property, providing a strong collection mechanism and reducing the risk of ultimate credit loss. Management has recorded an allowance of \$21,361 at December 31, 2025 to provide for possible credit losses from uncollectible receivables.

Changes in the allowance for credit losses for receivables are as follows for the year ended December 31, 2025:

Allowance for Credit Losses, Beginning of Year	\$	41,639
Charge-offs		(20,278)
Allowance for Credit Losses, End of Year	\$	<u>21,361</u>

E. Prepaid Expenses

Prepaid expenses represent amounts paid in the current fiscal year that benefit subsequent fiscal years.

F. Recognition of Assets

Real and personal common property acquired by the original members from the developer is recognized in the Association's financial statements; however, its disposition by the Board is restricted.

The Association recognizes as assets on its financial statements only real and personal property with an acquisition cost greater than \$5,000, to which the Association holds title and can dispose of for cash, while retaining the proceeds thereto. These assets are recorded at cost and, other than land and lakes, are depreciated, using the straight-line method, over the following estimated useful lives:

		Estimated
		<u>Useful Lives</u>
Furniture, equipment and vehicles		5 - 10 years
Buildings and improvements		15 - 40 years

G. Deferred Assessments

Deferred assessments represents assessments paid in advance of the fiscal year in which the assessments are due.

H. Revenue and Revenue Recognition

Assessments are the primary source of revenue for the Association. The Board, with the assistance of management, prepares an annual budget to estimate the expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2025
(Continued)

2. Summary of Significant Accounting Policies (continued)

H. Revenue and Revenue Recognition (continued)

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from various administrative fees and fines as earned upon provision of the underlying goods or service. Fishing and boating permits expire each calendar year-end, so the related revenues are recognized ratably from receipt through the end of the year. Recreation center passes are valid for one year from the date of purchase, so pass revenues are recognized ratably over the one-year use period. All such revenues are non-refundable.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to the members or recovered from the members, retained as a reserve to reduce future assessments, or, with the approval of the Board, transferred to the Reserve Fund.

I. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and Colorado Department of Revenue. The Association's tax returns are no longer subject to examination for tax years prior to 2022 by the Internal Revenue Service and for tax years prior to 2021 by the Colorado Department of Revenue.

J. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Comparative Information

The financial statements include certain prior year comparative information in total, but not by fund. As such, prior year information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, prior year totals should be read in conjunction with the Association's audited financial statements for the year ended December 31, 2024, from which they were derived.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2025
(Continued)

2. Summary of Significant Accounting Policies (continued)

L. Subsequent Events

Management has evaluated subsequent events through **April 17, 2026**; the date these financial statements were available to be issued.

3. Investments – Certificates of Deposit

Certificates of deposit, maturing within one year, interest at 3.65% - 4.10% per annum	\$ 1,447,456
Total	\$ 1,447,456

4. Property and Equipment

Land	\$ 686,377
Lakes	425,755
Buildings and improvements	5,665,014
Equipment and vehicles	1,006,356
At cost	7,783,502
Less: Accumulated depreciation	(3,737,694)
Property and equipment, net	\$ 4,045,808

5. Revenue from Contracts with Customers

For the year ended December 31, 2025, the Association recognized revenue totaling \$810,029 for goods transferred or performance obligations met at a point in time. Aggregate revenues of \$418,908 were recognized in 2025 for goods transferred or performance obligations met over time. Revenues are primarily collected from members of the Association.

Revenues may be affected by general economic conditions and inflationary pressures.

The Association's contract liability activity for the year ended December 31, 2025 was as follows:

Contract liability - Beginning	\$ 166,128
Revenue recognized that was included in contract liability at the beginning of the year	(166,128)
Increase in contract liability due to cash received during the year	186,387
Contract liability - Ending	\$ 186,387

6. Future Major Repairs and Replacements

As permitted by the Declarations, the Association is accumulating funds for future major repairs and replacements of the Association's common property. Accumulated funds are held in separate money market accounts and are generally not available for expenses for normal operations.

The Association commissioned a study by independent reserve study engineers in 2022 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on current estimated replacement costs. The table included in the unaudited supplementary Schedule of Future Major Repairs and Replacements on page 17 is based on the study. The information has been classified into major areas of the Association's common elements and property.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2025
(Continued)

6. Future Major Repairs and Replacements (continued)

The Board is funding for major repairs and replacements over the remaining useful lives of the components based upon the study's estimates of replacement costs and considering amounts previously accumulated in the Reserve Fund. During 2025, the Association levied aggregate Reserve Fund assessments of \$536,470, including \$58,900 specifically for trail maintenance.

Funds are being accumulated in the Reserve Fund based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

7. Retirement Plan

The Association provides eligible employees with a Simplified Employee Pension plan (the "SEP Plan"), as described under section 408(k) of the Internal Revenue Code (the "IRC"). Participating employees may elect to contribute a percentage of their wages to the SEP Plan on a pre-tax basis. In addition, the Association contributes a fixed percentage of each eligible employee's base wages to the SEP Plan, with the percentage determined annually by the Board. Maximum annual individual SEP Plan contribution limits are set by the IRC and by regulation. For 2025, the Association contributed a total of \$59,932 to the SEP Plan accounts of participating employees.

8. Accrued Compensated Absences

The Association's full-time employees accrue paid vacation leave based on the employee's years of continuous service to the Association, with the maximum vacation leave carried over at the end of any calendar year limited to 160 hours. At December 31, 2025, the estimated value of accumulated accrued compensated absences, including related payroll taxes, is \$90,782.

9. Insured Cash Sweep Agreements

The Association has entered into an IntraFi Network Deposit Placement Agreement (the "IntraFi Agreement") with CIT Bank (a division of First-Citizens Bank), under which funds from certain of the Association's accounts with CIT Bank are placed in money market deposit accounts with multiple IntraFi Network member financial institutions. Because each deposit placed with participating IntraFi Network member institutions under the IntraFi Agreement is less than \$250,000, all such Association deposits at CIT Bank are fully insured by the Federal Deposit Insurance Corporation (the "FDIC"). At December 31, 2025, the Association held aggregate deposits of \$493,071 with CIT Bank subject to the IntraFi Agreement.

The Association has entered into an ICS Deposit Placement Agreement (the "ICS Agreement") with TBK Bank SSB, under which funds from certain of the Association's accounts with TBK Bank are placed in demand deposit accounts with multiple ICS member financial institutions. Because each deposit placed with participating ICS member institutions under the ICS Agreement is less than \$250,000, all such Association deposits at TBK Bank are fully insured by the FDIC. At December 31, 2025, the Association held aggregate deposits of \$65,330 with TBK Bank subject to the ICS Agreement.

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget and Actual Comparison
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended December 31, 2024)

	<u>2025</u>		Variance: Positive (Negative)	<u>2024</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Assessments and related fees:				
Assessments	1,777,578	1,777,697	119	1,665,387
Late charges	30,000	29,320	(680)	28,143
Lot consolidation fees	20,000	29,950	9,950	45,250
Other	67,100	73,191	6,091	81,500
Total - Assessments and related fees	<u>1,894,678</u>	<u>1,910,158</u>	<u>15,480</u>	<u>1,820,280</u>
Property and environmental management:				
Fishing permits	171,000	196,581	25,581	188,348
Boat permits	16,500	16,850	350	17,665
Other	8,700	9,966	1,266	8,209
Total - Property and environmental management	<u>196,200</u>	<u>223,397</u>	<u>27,197</u>	<u>214,222</u>
Recreational amenities:				
Association members	366,954	418,908	51,954	386,169
Timeshare members	253,520	253,520	-	243,770
Sponsored events and programs	20,500	12,112	(8,388)	16,826
Other	16,750	23,842	7,092	17,610
Total - Recreational amenities	<u>657,724</u>	<u>708,382</u>	<u>50,658</u>	<u>664,375</u>
Community standards fees and fines:				
Permit fees	13,500	13,078	(422)	18,722
Review and inspection fees	115,000	117,705	2,705	137,746
Other	10,500	6,682	(3,818)	22,362
Total - Community standards fees and fines	<u>139,000</u>	<u>137,465</u>	<u>(1,535)</u>	<u>178,830</u>
Community lifestyle:				
Newsletter advertising	8,000	4,385	(3,615)	5,857
Rent	9,700	13,291	3,591	11,447
Other	7,400	14,968	7,568	8,340
Total - Community lifestyle	<u>25,100</u>	<u>32,644</u>	<u>7,544</u>	<u>25,644</u>
Other revenue:				
Gain (loss) on disposal of assets	-	9,755	9,755	86,518
Other revenue	-	23,910	23,910	3,348
Total - Other revenue	<u>-</u>	<u>33,665</u>	<u>33,665</u>	<u>89,866</u>
Interest income:				
Interest income	25,000	15,069	(9,931)	38,141
Total Revenues	<u>2,937,702</u>	<u>3,060,780</u>	<u>123,078</u>	<u>3,031,358</u>

(Continued)

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget and Actual Comparison
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended December 31, 2024)
(Continued)

	<u>2025</u>		<u>Variance:</u>	<u>2024</u>
	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
Expenses:				
Administrative services:				
Bank and credit card charges	4,400	4,740	(340)	3,635
Elections	10,000	20,122	(10,122)	6,375
Equipment and technology	46,200	55,362	(9,162)	41,600
Insurance	101,995	208,182	(106,187)	73,199
Office	20,700	16,841	3,859	16,790
Other	16,617	33,679	(17,062)	62,290
Personnel	608,506	568,740	39,766	539,346
Professional services	86,000	99,980	(13,980)	94,161
Total - Administrative services	<u>894,418</u>	<u>1,007,646</u>	<u>(113,228)</u>	<u>837,396</u>
Property and environmental management:				
Capital	9,500	6,037	3,463	6,810
Equipment and tools	44,000	27,831	16,169	24,032
Lakes:				
Fisheries maintenance	9,000	12,334	3,334	4,956
Stocking	119,000	131,310	(12,310)	105,775
Weed and algae control	27,000	28,503	(1,503)	15,082
Maintenance	64,800	38,029	26,771	42,101
Other	1,100	458	642	228
Personnel	444,220	421,847	22,373	436,737
Professional services	7,000	7,174	(174)	3,643
Signage	13,505	5,825	7,680	13,784
Total - Property and environmental management	<u>739,125</u>	<u>679,348</u>	<u>66,445</u>	<u>653,148</u>
Recreational amenities:				
Equipment	14,000	5,570	8,430	5,873
Maintenance	48,000	32,616	15,384	54,805
Other	37,750	29,162	8,588	29,168
Personnel	467,900	410,116	57,784	430,572
Supplies	14,000	7,965	6,035	9,947
Utilities	107,100	97,345	9,755	100,638
Total - Recreational amenities	<u>688,750</u>	<u>582,774</u>	<u>105,976</u>	<u>631,003</u>
Community standards:				
Community enhancement	65,000	47,897	17,103	40,096
Equipment	5,900	7,864	(1,964)	5,510
Office	10,750	16,173	(5,423)	9,573
Other	1,400	1,317	83	1,687
Personnel	489,700	486,564	3,136	432,177
Printing	1,000	140	860	150
Professional services	500	744	(244)	283
Total - Community standards	<u>574,250</u>	<u>560,699</u>	<u>13,551</u>	<u>489,476</u>

(Continued)

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget and Actual Comparison
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended December 31, 2024)
(Continued)

	<u>2025</u>		Variance: Positive (Negative)	<u>2024</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		<u>Actual</u>
Expenses (continued):				
Community lifestyle:				
Community activities	23,739	17,847	5,892	14,079
Clubhouse	6,250	4,114	2,136	1,562
Newsletter	32,000	23,398	8,602	17,984
Other	400	551	(151)	328
Website and Association Voice	4,000	3,820	180	3,904
Total - Community lifestyle	<u>66,389</u>	<u>49,730</u>	<u>16,659</u>	<u>37,857</u>
Utilities:				
Electricity	19,420	12,362	7,058	17,438
Natural gas	9,600	6,620	2,980	7,256
Telephone and cellular	13,750	15,291	(1,541)	11,858
Waste	4,400	4,045	355	3,965
Water	12,600	8,344	4,256	9,820
Total - Utilities	<u>59,770</u>	<u>46,662</u>	<u>13,108</u>	<u>50,337</u>
Credit loss expense:				
Credit loss expense	15,000	(8,608)	23,608	28,943
Depreciation:				
Depreciation	-	195,315	(195,315)	190,185
Total Expenses	<u>3,037,702</u>	<u>3,113,566</u>	<u>(75,864)</u>	<u>2,918,345</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(100,000)</u>	<u>(52,786)</u>	<u>47,214</u>	<u>113,013</u>

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Capital Fund Expenses
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended December 31, 2024)

	2025	2024
Improvements to the General Common Elements:		
Capital improvements:		
Mailbox improvements	96	279,586
Lake facilities	1,893	-
Total - Capital improvements	1,989	279,586
Recreation center improvements:		
Gymnasium	-	7,500
Parking lot	27,231	293,051
Miscellaneous improvements	820	-
Total - Recreation center improvements	28,051	300,551
Improvements to Capital Assets:		
Capital improvements:		
SVL boat ramp easement	180,000	-
SVL improvements	12,573	-
Total - Capital improvements	192,573	-
Total expenses - Capital Fund	222,613	580,137
Less:		
Improvements to capital assets reported in the Operating Fund	(192,573)	-
Total Expenses - Capital Fund	30,040	580,137

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Reserve Fund Expenses
For the Year Ended December 31, 2025
(With Comparative Actual Amounts For the Year Ended December 31, 2024)

	2025	2024
Replacements, Major Repairs and Improvements:		
General Common Elements:		
Server upgrades	6,157	2,137
Sound equipment	-	1,778
Paving and seal coating	-	238,293
Recreation center projects	14,754	439,450
Pool projects	3,792	-
Mailboxes	50,634	49,001
Fire mitigation	33,674	18,750
Other equipment	-	518
Other	27,435	4,273
Total - General Common Elements	136,446	754,200
Capital Assets:		
Equipment	13,601	-
Fishing pier	14,823	-
Maintenance shed	19,811	-
Recreation center equipment	17,413	-
Vehicles	116,888	-
Total - Capital Assets	182,536	-
Total expenditures - Reserve Fund	318,982	754,200
less:		
Replacements and improvements to capital assets reported in the Operating Fund	(182,536)	-
Total Expenses - Reserve Fund	136,446	754,200

Pagosa Lakes Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2025
(Unaudited)

During 2022, the Board commissioned a study by independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. The study, which is reviewed annually by the Board and management, projected future replacement costs over a 30-year period, using a 3% annual inflation adjustment.

The Board has elected not to allocate the Reserve Fund balance to specific components of common property.

The following table summarizes the current remaining useful lives and estimated costs for the next replacement cycle, as outlined in the study, and presents significant information about the components of the Association's common property. The full study is available on the Association's website at <https://www.plpoa.com>

Components	Estimated Remaining Useful Lives (Years)	Estimated Replacement Costs (all components)	Reserve Fund Balance at Dec. 31, 2025
Exterior building elements:			
Administration building	8 - 22	208,226	
Clubhouse	2 - 22	144,535	
Maintenance shop	2 - 23	130,959	
Recreation Center	1 - 15	463,114	
Interior building elements:			
Administration building	0 - 9	92,860	
Clubhouse	3 - 15	229,650	
Recreation Center	0 - 19	480,513	
Building services elements:			
Administration building	5 - 12	22,500	
Clubhouse building	10	11,000	
Maintenance shop	0 - 11	16,500	
Recreation Center	1 - 18	381,000	
Property site elements:			
Administration building and Clubhouse	0 - 27	208,140	
Maintenance shop	0 - 19	28,600	
Recreation Center	0 - 28	236,180	
Lakes and common areas:			
Dams	0 - 11	300,696	
Parking and sidewalks	0 - 27	476,640	
Bridge, docks, and fences	0 - 21	331,390	
Gazebos and playground equipment	8 - 16	162,000	
Dredging and erosion control	1 - 27	240,000	
Fire mitigation	0 - 3	296,850	
Mailbox stations	0 - 27	848,528	
Maintenance equipment:			
Boat, ATV, and other equipment	0 - 11	293,560	
Tractors and trailers	0 - 17	155,000	
Vehicles	0 - 9	258,000	
Totals		6,016,441	1,240,842