



**Craig Ranch Community
Association**

**FINANCIAL STATEMENTS (AND
SUPPLEMENTARY
INFORMATION)**

December 31, 2022



REPORT

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Members of
Craig Ranch Community Association
McKinney, Texas

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Opinion

We have audited the accompanying financial statements of Craig Ranch Community Association, which comprise the Balance Sheet as of December 31, 2022, and the related Statements of Revenue, Expenses and Changes in Fund Balance 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 Craig Ranch Community Association as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Craig 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are condition or events, considered in the aggregate, that raise substantial doubt about Craig 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.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of Craig 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 Craig 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.

Report on Summarized Comparative Information

We have previously audited Craig Ranch Community Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements and Schedule of Operating Fund Revenue and Expenses – Budget and Actual is presented for purposes of additional analysis, and is not a required part of the 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 our 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

Accounting principles generally accepted in the United States of America require that the Supplementary 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. 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
January 26, 2024

**Craig Ranch Community Association
Balance Sheet**

| <i>December 31,</i> | 2022 | | | 2021 | |
|---|---------------------------|-----------------------------|-----------------------------|---------------------|---|
| | Operating Fund | Enhancement Fund | Replacement Fund | Total | Total (For Comparative Purposes) |
| Assets | | | | | |
| Cash | \$ 2,627,194 | \$ 4,025,546 | \$ 1,285,582 | \$ 7,938,322 | \$ 3,908,238 |
| Investments | 541,639 | 198,572 | 646,336 | 1,386,547 | 4,375,029 |
| Accounts receivable, net | 58,860 | - | - | 58,860 | 63,863 |
| Insurance proceeds receivable | - | - | 13,814 | 13,814 | 44,053 |
| Other receivables | 567 | - | - | 567 | 4,074 |
| Prepaid expenses | 424,563 | 12,519 | - | 437,082 | 490,972 |
| Property and equipment, net | - | 65,164 | - | 65,164 | 20,119 |
| Other assets | 30,958 | - | - | 30,958 | 43,672 |
| Interfund balance | (448,589) | 73,104 | 375,485 | - | - |
| Total assets | \$ 3,235,192 | \$ 4,374,905 | \$ 2,321,217 | \$ 9,931,314 | \$ 8,950,020 |
| Liabilities and Fund Balance | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 128,855 | \$ 24,644 | \$ - | \$ 153,499 | \$ 198,052 |
| Accrued expenses | 319,874 | 16,830 | - | 336,704 | 72,356 |
| Accrued hail damage repairs | - | - | 21,924 | 21,924 | 21,924 |
| Prepaid assessments | 1,761,304 | - | - | 1,761,304 | 1,919,060 |
| Insurance finance agreements | 111,134 | - | - | 111,134 | 430,549 |
| Note payable | - | - | - | - | 11,826 |
| Performance obligation | - | - | 2,246,458 | 2,246,458 | 2,221,582 |
| Total liabilities | 2,321,167 | 41,474 | 2,268,382 | 4,631,023 | 4,875,349 |
| Fund balance - designated | - | 4,333,431 | 52,835 | 4,386,266 | 3,377,778 |
| Fund balance - undesignated | 914,025 | - | - | 914,025 | 696,893 |
| Total fund balance | 914,025 | 4,333,431 | 52,835 | 5,300,291 | 4,074,671 |
| Total liabilities and fund balance | \$ 3,235,192 | \$ 4,374,905 | \$ 2,321,217 | \$ 9,931,314 | \$ 8,950,020 |

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

Craig Ranch Community Association
Statement of Revenue, Expenses and Changes in Fund Balance

| <i>For the year ended December 31,</i> | 2022 | | | 2021 | |
|--|---------------------------|-----------------------------|-----------------------------|---------------------|---|
| | Operating Fund | Enhancement Fund | Replacement Fund | Total | Total (For Comparative Purposes) |
| Revenue | | | | | |
| Regular assessments | \$ 5,717,692 | \$ - | \$ 563,797 | \$ 6,281,489 | \$ 5,370,484 |
| Insurance assessments | 96,878 | - | - | 96,878 | 383,339 |
| Special assessments | 169,919 | - | - | 169,919 | - |
| Interest and dividend income | 28,570 | 90,220 | 46,851 | 165,641 | 40,569 |
| Other income | 161,535 | 510 | - | 162,045 | 301,610 |
| Insurance proceeds | 414,988 | - | 31,335 | 446,323 | 6,048 |
| Bad debt recovery | 10,773 | - | - | 10,773 | 5,480 |
| Total revenue | 6,600,355 | 90,730 | 641,983 | 7,333,068 | 6,107,530 |
| Expenses | | | | | |
| Administrative | 1,339,411 | - | - | 1,339,411 | 1,303,302 |
| Community enhancements | - | 761,552 | - | 761,552 | 595,790 |
| Depreciation | 20,119 | - | - | 20,119 | 29,646 |
| Insurance | 1,118,404 | - | - | 1,118,404 | 1,184,207 |
| Maintenance and repairs | 2,464,735 | - | 645,925 | 3,110,660 | 2,818,228 |
| Realized loss (gain) on sale of investments | 9,249 | 256,374 | 104,663 | 370,286 | (1,589) |
| Unrealized loss - investments | 36,672 | 1,129 | 24,725 | 62,526 | 24,431 |
| Utilities | 1,197,448 | - | - | 1,197,448 | 769,580 |
| Total expenses | 6,186,038 | 1,019,055 | 775,313 | 7,980,406 | 6,723,595 |
| Excess (Deficit) of Revenue over Expenses | 414,317 | (928,325) | (133,330) | (647,338) | (616,065) |
| Beginning Fund Balance | 696,893 | 3,324,554 | 53,224 | 4,074,671 | 2,403,281 |
| Interfund Transfers, net | (83,035) | - | 83,035 | - | - |
| Capital Contributions | 30,409 | - | 49,906 | 80,315 | 101,511 |
| Refund to Owners | (144,559) | - | - | (144,559) | - |
| Community Enhancement Fees | - | 1,937,202 | - | 1,937,202 | 2,185,944 |
| Ending Fund Balance | \$ 914,025 | \$ 4,333,431 | \$ 52,835 | \$ 5,300,291 | \$ 4,074,671 |

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

Craig Ranch Community Association Statement of Cash Flows

| <i>For the year ended December 31,</i> | 2022 | | | 2021 | |
|---|---------------------------|-----------------------------|-----------------------------|---------------------|---|
| | Operating Fund | Enhancement Fund | Replacement Fund | Total | Total (For Comparative Purposes) |
| Operating Activities | | | | | |
| Excess (deficit) of revenue over expenses | \$ 414,317 | \$ (928,325) | \$ (133,330) | \$ (647,338) | \$ (616,065) |
| Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities: | | | | | |
| Bad debt provision (recovery) | (10,773) | - | - | (10,773) | (5,480) |
| Depreciation | 20,119 | - | - | 20,119 | 29,646 |
| Unrealized loss - investments | 36,672 | 1,129 | 24,725 | 62,526 | - |
| Realized loss - investments | 9,249 | 256,374 | 104,663 | 370,286 | 1,589 |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | 19,283 | - | - | 19,283 | 105,826 |
| Insurance proceeds receivable | - | - | 30,239 | 30,239 | 170,927 |
| Other receivables | - | - | - | - | 20,000 |
| Prepaid expenses | 57,929 | (4,039) | - | 53,890 | (132,914) |
| Other assets | 12,714 | - | - | 12,714 | - |
| Accounts payable | (64,490) | 19,937 | - | (44,553) | 47,650 |
| Accrued expenses | 281,949 | (17,601) | - | 264,348 | 43,703 |
| Accrued hail damage repairs | - | - | - | - | (206,219) |
| Prepaid assessments | (157,756) | - | - | (157,756) | 383,790 |
| Insurance finance agreements | (319,415) | - | - | (319,415) | 281,809 |
| Performance obligation | - | - | 24,876 | 24,876 | 104,995 |
| Interfund balance | 131,943 | (71,585) | (60,358) | - | - |
| Net cash provided (used) by operating activities | 431,741 | (744,110) | (9,185) | (321,554) | 229,257 |
| Investing Activities | | | | | |
| Property and equipment purchases | - | (65,164) | - | (65,164) | - |
| Net (purchase) sale of investments | 91,831 | 2,100,370 | 363,469 | 2,555,670 | (4,376,618) |
| Net cash provided (used) by investing activities | 91,831 | 2,035,206 | 363,469 | 2,490,506 | (4,376,618) |
| Financing Activities | | | | | |
| Payments on short-term borrowings (payments), net | (11,826) | - | - | (11,826) | (20,272) |
| Interfund transfer | (83,035) | - | 83,035 | - | - |
| Refund to owners | (144,559) | - | - | (144,559) | - |
| Capital contributions and community enhancement fees | 30,409 | 1,937,202 | 49,906 | 2,017,517 | 2,287,455 |
| Net cash provided (used) by financing activities | (209,011) | 1,937,202 | 132,941 | 1,861,132 | 2,267,183 |
| Net Increase (Decrease) in Cash | 314,561 | 3,228,298 | 487,225 | 4,030,084 | (1,880,178) |
| Cash at Beginning of Year | 2,312,633 | 797,248 | 798,357 | 3,908,238 | 5,788,416 |
| Cash at End of Year | \$ 2,627,194 | \$ 4,025,546 | \$ 1,285,582 | \$ 7,938,322 | \$ 3,908,238 |

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

Craig Ranch Community Association Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Craig Ranch Community Association (the "Association") (a property owners association) was formed on March 10, 2004, as a Texas not-for-profit corporation to provide for overall development expansion, administration, maintenance, preservation and architectural control of the Community of Craig Ranch and to maintain and operate property and facilities for the common benefit of the owners and residents. The community consists of approximately 6,331 equivalent units of ownership, including 4,251 residential units and 2,080 commercial units. This development consists of approximately 2,200 acres in McKinney, Texas.

The Association is organized into 16 residential single-family developments including four townhome developments and two sub-associations. Ten of the single-family developments are organized into service areas. The Association was organized for the purpose of maintaining and protecting the individual elements owned by the owners in common, such as roads, gated entry ways, landscaping, ponds, water features, playground, pool, clubhouse, restroom, track, stormwater management system and other property as deeded from the developer. Disposition of common area property requires consent of the members in accordance with the governing documents.

All policy decisions including the annual budget and owners' assessments are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

Management and accounting services are provided by Community Management Associates, Inc.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs). The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Craig Ranch Community Association Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

The Association is a not-for-profit organization that employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors or the Association voting membership. The financial statements segregate the accounting for such funds as Operating, Enhancement or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The Operating Fund is used to account for financial resources available for the general operations of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors.

The Enhancement Fund consists of accumulated enhancement fee contributions. These community enhancement fees are intended to be used for wildlife preservation and maintenance, cultural programs, recreational leagues, festivals, holiday celebrations, educational programs and community outreach programs. See Note 14 for further details.

The Replacement Fund is used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Texas Property Code and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund is maintained in the pooled reserves balance within each service area.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting receivables. The Association's allowance for doubtful accounts totaled \$207,178 at December 31, 2022.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage period.

Craig Ranch Community Association Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization and Depreciation Policy

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that has not been capitalized is identified in Note 1.

Property and equipment acquired by the Association is capitalized at cost and depreciated over its estimated useful lives, which range from 5 to 10 years, using the straight-line method. These assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If such events or circumstances indicate the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed.

Investments

Investments in debt securities with a maturity date greater than three months at the date of purchase and other debt securities for which there is more than an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal are classified and accounted for as trading debt securities. Equity securities with a readily determinable fair value are accounted for as trading marketable securities. Realized gains and losses on marketable securities and unrealized gains and losses on securities not classified as available for sale are recorded as realized and unrealized gain/ (loss). When significant, unrealized gains and losses on available-for-sale securities if applicable are recognized in unrealized gains and losses on securities as a component of other comprehensive income/(loss).

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the Balance Sheet as of December 31, 2022. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the Balance Sheet as prepaid assessments and performance obligation liabilities.

Revenue Recognition

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

Craig Ranch Community Association Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 26, 2024. See Note 15 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3: OWNERS' ASSESSMENTS

Master association assessments are levied against all lot owners, on a pro-rata basis, to fund the Association's expenses which are common to or benefit the Association's membership at large, such as ownership and operation of the common areas and any recreational amenities, maintenance, insurance, administrative costs, and related items. Base assessments are determined on the basis of a budget prepared annually by the Board of Directors covering the estimated costs of operating the Association during the coming year. The annual rate for 2022 for all owners was \$450.

Service areas within the Association are charged additional assessment fees for expenses that directly impact their service areas as follows:

| Service Area | Assessment Rates | Billing Frequency |
|---|-------------------------|--------------------------|
| Chateaus of the Settlement at Craig Ranch | \$317 | monthly |
| Estates at Craig Ranch | \$140 | monthly |
| Villas at Craig Ranch Estates | \$176 | monthly |
| The Grove at Craig Ranch | \$276 | semi-annually |
| Hemingway at Craig Ranch | \$339 | monthly |
| Craig Ranch North | \$310 | annually |
| Settlement Townhomes at Craig Ranch | \$329 | monthly |
| Southern Hills at Craig Ranch | \$336 | semi-annually |
| Spicewood at Craig Ranch | \$495 | semi-annually |
| The Trails at Craig Ranch | \$430 | semi-annually |
| Wessex Place | \$150 | monthly |
| Watters Branch at Craig Ranch | \$417 | semi-annually |
| Liberty Hill | \$273 | semi-annually |

**Craig Ranch Community Association
Notes to Financial Statements**

NOTE 3: OWNERS' ASSESSMENTS (Continued)

Levied regular assessments for the year ended December 31, 2022 totaled \$6,306,365, of which \$588,673 was allocated to the Replacement Fund. The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the Statement of Revenue, Expenses and Changes in Fund Balance:

| <i>For the year ended December 31,</i> | 2022 | | |
|--|---------------------------|-----------------------------|---------------------|
| | Operating Fund | Replacement Fund | Total |
| Budgeted regular assessments | \$ 5,717,692 | \$ 588,673 | \$ 6,306,365 |
| Less additions to performance obligation | - | (588,673) | (588,673) |
| Add releases from performance obligation | - | 563,797 | 563,797 |
| Total assessments | \$ 5,717,692 | \$ 563,797 | \$ 6,281,489 |

In November 2021, the Association levied a special assessment for the Hemingway at Craig Ranch (“the Hemingway Townhomes”) totaling \$169,919 to help fund the cost of clubhouse repairs. The special assessment was due on February 1, 2022 and the individual owner assessment was \$480. This special assessments was collected from the homeowners and later reimbursed in the amount of \$408 per owner totaling \$144,559, due to an insurance settlement received (see Note 13). During the year ended December 31, 2022, the Association incurred clubhouse repairs totaling \$185,644. The entire special assessment was recognized as revenue to cover clubhouse repairs costs and the refund to owners. The repairs project was completed in December 2022.

In December 2022, the Association levied insurance renewal assessments to cover the increased cost of new insurance premiums for the 2022-2023 policy periods for the Settlement Townhomes at Craig Ranch (“the Settlement Townhomes”) and Chateaus at Craig Ranch (“the Chateaus”) service areas. The Settlement Townhomes assessment is \$1,982 per owner, totaling \$39,635, and due on January 1, 2022. The Chateaus assessment is \$1,468 per owner, totaling \$57,243, and due on March 1, 2022. The related insurance premiums are due in 2022; accordingly, the revenue from these insurance renewal assessments were recognized in 2022.

NOTE 4: REVENUE RECOGNITION

As disclosed in Note 2 to the financial statements, the Association’s customers consist of its members, which are unit owners within the development. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

Performance Obligations

The Association’s revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve, insurance, parcel and special assessments, which are being recognized at a point in time.

**Craig Ranch Community Association
Notes to Financial Statements**

NOTE 4: REVENUE RECOGNITION (Continued)

As of December 31, 2022, the Association has reported a performance obligation liability totaling \$2,246,458, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the Replacement Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association’s efforts towards the satisfaction of a performance obligation. For Operating Fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For Replacement Fund and special/insurance assessment amounts, the Association recognizes revenue at the point in time when the related expenses are incurred. Topic 606 does not apply to interest income, which is recognized in the period it is earned.

Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors:

| <i>For the year ended December 31,</i> | 2022 |
|---|--------------|
| <i>Recognized over time</i> | |
| Operating fund assessments | \$ 5,717,692 |
| <i>Recognized at a point in time</i> | |
| Replacement fund assessments | 563,797 |
| Insurance assessments | 96,878 |
| Special assessments | 169,919 |
| Bad debt recovery | 10,773 |
| Other income | 162,045 |
| <i>Not subject to ASC Topic 606</i> | |
| Interest income | 165,641 |
| Insurance proceeds | 446,323 |
| Total revenue | \$ 7,333,068 |

**Craig Ranch Community Association
Notes to Financial Statements**

NOTE 4: REVENUE RECOGNITION (Continued)

The following table presents information about accounts receivable, contract assets, and contract liabilities:

| <i>For the year ended December 31,</i> | 2022 |
|---|-------------|
| Accounts receivable, net - beginning balance | \$ 63,863 |
| Accounts receivable, net - ending balance | 58,860 |
| Contract assets - no beginning or ending balance for the year | |
| Contract liabilities | |
| Prepaid assessments - beginning balance | 1,919,060 |
| Prepaid assessments - ending balance | 1,761,304 |
| Performance obligation liabilities - beginning balance | 2,221,582 |
| Performance obligation liabilities - ending balance | 2,246,458 |

Shared Maintenance

The Association is paid quarterly by the City of McKinney for expenses related to upkeep of parks and infrastructure of Association property that is available for general public use. The Association recognized \$48,755 of shared maintenance revenue in other income for the year ended December 31, 2022.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association’s governing documents require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments.

The Association conducted a study in 2020 to estimate the remaining useful lives and replacement costs of the major components of common property. The Board of Directors annually reviews this information as part of its budget process. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2022.

The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on their study's estimates of replacement costs and considering amounts previously accumulated in the Replacement Fund. Accordingly, the total funding amount of \$588,673, based on a full funding plan, was included in the 2022 budgets for the master and service areas. Also, the Association collected \$49,906 of initial reserve assessments, which are collected at the closing of new homes and resale homes within the Association and used to provide further resources to the Replacement Fund.

Craig Ranch Community Association Notes to Financial Statements

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Actual expenditures, however, may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 6: INCOME TAXES

The Association is a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code (i.e. Association files non-profit tax Form 990). Therefore, there is no provision or liability for federal income taxes included in the accompanying financial statements. Under this section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, and maintenance of Association property. Net nonexempt function income, which includes unrelated business income and revenues from nonmembers, is taxed at regular federal corporate tax rates. For the year ended December 31, 2022, the Association had no income tax expense.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2022, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2019.

NOTE 7: CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual owner units. Should the collection of any such liens be enforced by sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any other liens that have priority. Market value may be influenced by the real estate market in McKinney, Texas.

Craig Ranch Community Association Notes to Financial Statements

NOTE 8: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Association's investments at December 31, 2022 totaling \$1,386,547 were invested as follows:

| | Fair Value Measurements Using | | | Total |
|--------------------------------------|--|--|--|---------------------|
| | Quoted Prices in Active Markets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 | |
| Investments | | | | |
| Trading marketable securities | | | | |
| Mutual funds - fixed income | \$ 192,101 | \$ - | \$ - | \$ 192,101 |
| Mutual funds - equities | 24,381 | - | - | 24,381 |
| Exchange traded funds - fixed income | 293,169 | - | - | 293,169 |
| Exchange traded funds - equities | 15,110 | - | - | 15,110 |
| Money market | 262,838 | - | - | 262,838 |
| Trading debt securities | | | | |
| Municipal bonds | - | 598,948 | - | 598,948 |
| | <u>\$ 787,599</u> | <u>\$ 598,948</u> | <u>\$ -</u> | <u>\$ 1,386,547</u> |

Craig Ranch Community Association Notes to Financial Statements

NOTE 8: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Unrealized losses related to these investments totaling \$36,672, \$1,129 and \$24,725 in the operating, enhancement and replacement funds, respectively, have been reported on the accompanying statement of revenue, expenses and changes in fund balance.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual funds: Valued at the daily closing price as reported on the active market in which the mutual fund is traded. Mutual funds held by the Association are closed-end mutual funds that are registered with the SEC. These funds may trade at a premium or discount to the daily Net Asset Value price. The mutual funds held by the Association are deemed to be actively traded.

Exchange traded funds: Valued at the closing price reported on the active market in which the exchange traded funds are traded. Exchange traded funds held by the Association are registered with the SEC. The exchange traded funds held by the Association are deemed to be actively traded.

Money Market: Valued at the closing price reported on the active market in which the money market funds are traded. The advisor for the money market funds held by the Association maintains a stable \$1.00 share price. The investment normally consists of at least 80% of the fund's assets in U.S. Government securities and repurchase agreements for those securities. The money market funds held by the Association are deemed to be actively traded.

Municipal Bonds: Valued at quoted prices for similar investments in the active bond market. The municipal bonds held by the Association are deemed to be actively traded. The Association's investment in municipal bonds have an unrealized gain of \$1,322 as of December 31, 2022.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

Craig Ranch Community Association Notes to Financial Statements

NOTE 9: PROPERTY AND EQUIPMENT

The following schedule summarizes the Association's property and equipment:

| <i>December 31,</i> | 2022 |
|-------------------------------|-------------|
| Office leasehold improvements | \$ 296,460 |
| Furniture and equipment | 70,430 |
| <hr/> | |
| Total property and equipment | 366,890 |
| Less accumulated depreciation | (301,726) |
| <hr/> | |
| Property and equipment, net | \$ 65,164 |
| <hr/> | |

Depreciation expense for the year ended December 31, 2022 was \$20,119.

NOTE 10: INTERFUND BALANCE

As of December 31, 2022, the Operating Fund owed \$375,485 to the Replacement Fund and \$73,104 to the Enhancement Fund. This interfund balance is reported on the accompanying Balance Sheet. The Association intends to repay this interfund loan from the operating fund to replacement fund in 2023.

NOTE 11: INSURANCE FINANCE AGREEMENTS

The Association has obtained short-term note payable with financial institutions to finance its annual insurance policy premium for the Hemingway Townhomes service area. The note is payable in monthly installments of \$52,041, bears interest at 4.2% and matures in March, 2023. The balance of the note at December 31, 2022 totaled \$104,081.

The Association also obtained short-term note payable with financial institutions to finance its annual insurance policy premium for the Settlement Townhomes service area. The note is payable in monthly installments of \$1,876, bears interest at 5.5% and matures in March, 2023. The balance of the note at December 31, 2022 totaled \$7,053.

NOTE 12: CAPITAL CONTRIBUTIONS

Every transfer of a home by an owner other than the developer is liable to the Association for a sales fee (i.e. capital contribution). The fees vary depending on the particular service area and range from two months to six months of assessment fees for the Operating Fund and the Replacement Fund. The capital contributions related to sales within the Association's community is intended to provide the Association with additional working capital. During the year ended December 31, 2022, the Association assessed capital contributions of \$30,409 and \$49,906 in the Operating and Replacement Funds, respectively.

Craig Ranch Community Association Notes to Financial Statements

NOTE 13: INSURANCE CLAIM

In 2022, as a result of severe weather conditions, the Association sustained significant damage to its common property as well as damage to individual owner units. As a result of the damage, the Association filed an insurance claim with its carrier and received proceeds totaling \$446,323, of which \$31,335 was recognized in the Replacement Fund to reimburse reserves for the restroom renovation. Part of these proceeds were redistributed to individual unit owners based on individual claims for reimbursement of repairs paid out-of-pocket by the owners. These owner claims totaled \$25,166 in 2022. In addition, the Association incurred repairs totaling \$154,309 which are included in maintenance and repairs in the Operating Fund on the accompanying statement of revenue, expenses and changes in fund balance. As of December 31, 2022, the Association has estimated a remaining amount of repairs and owner claims totaling \$235,513, which is included in accrued expenses on the accompanying balance sheet.

NOTE 14: ENHANCEMENT FEES

The Association's Community Charter (the "Charter") requires that all real estate sales within the development pay an amount for community enhancement fees; excluding sales from or to the Founder ("Developer") and Developer sales to a parcel developer or builder that holds title solely for purposes of development and resale. This fee is calculated as 0.25% of the first \$300,000 of the total sales price, plus 0.5% of the sales price in excess of \$300,000. The fees are to provide funding for activities and such other purposes as described in Note 2. For the year ended December 31, 2022, the Association assessed enhancement fees of \$1,937,202 and incurred expenses of \$761,552, which is reported in the Enhancement Fund on the accompanying Statement of Revenue, Expenses and Changes in Fund Balance. In addition, enhancement fees totaling \$65,164 were utilized for a furniture deposit, which is included in property and equipment on the accompanying balance sheet at December 31, 2022. Accumulated enhancement fees are included in Enhancement Fund balance on the accompanying Balance Sheet and will be used for future enhancement fund activities.

NOTE 15: SUBSEQUENT EVENTS

On March 10, 2023, the Association commenced a new lease, originally executed on September 21, 2022, for 2,931 square feet of office space. The first full month's rent payment was due in August of 2023. The landlord prorated March rent and abated April – July payments. The Association anticipates spending approximately \$103,000 for buildout costs in addition to the property owner's allowance of \$73,000. The lease term is 88 months following the commencement date and the rent escalates from \$27.75 per square foot per year to \$30.75 per square foot in the last year of the term.

In January 2023, the Association levied an insurance assessment for the Chateaus totaling \$41,387 to fund the insurance premiums for the 2023 insurance. The special assessment has a due date of March 1, 2023 and individual owner assessments are \$1,061.

**Craig Ranch Community Association
Notes to Financial Statements**

NOTE 15: SUBSEQUENT EVENTS (Continued)

In April 2023, the Association levied an insurance assessment for Settlement Townhomes totaling \$44,629 to fund the insurance premiums for the 2023 insurance. The special assessment has a due date of June 1, 2023 and individual owner assessments are \$2,231.

Supplementary Information

Craig Ranch Community Association
Schedule of Changes in Accumulated Funds for Future Major Repairs and
Replacements

For the year ended December 31,

2022

| Component | Beginning Balance | Additions | Subtractions | Transfers | Ending Balance |
|--|----------------------|------------|--------------|------------|-------------------|
| Master | | | | | |
| Pooled items: | | | | | |
| Community elements | | | \$ (29,502) | | |
| Dr. Kenneth Cooper Park | | | (2,070) | | |
| Landscape | | | (26,640) | | |
| Miscellaneous | | | (1,106) | | |
| Loss on investment | | | (21,033) | | |
| Total pooled | \$ 313,110 | \$ 211,253 | (80,351) | \$ 120,000 | \$ 564,012 |
| Chateaus of the Settlement at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Exterior building elements | | | (42,660) | | |
| Total pooled | 21,898 | 26,810 | (42,660) | - | 6,048 |
| Estates at Craig Ranch | | | | | |
| Nonpooled items: | | | | | |
| Streets | 165,070 | 34,528 | (34,225) | 100,000 | 265,373 |
| Pooled items: | | | | | |
| Access control and perimeter elements | | | (32,018) | | |
| Landscape | | | (52,400) | | |
| Miscellaneous | | | (1,175) | | |
| Loss on investment | | | (28,757) | | |
| Total pooled | 265,014 | 65,681 | (114,350) | (100,000) | 116,345 |
| The Grove at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Shade structure | | | (4,870) | | |
| Total pooled | 37,050 | 18,757 | (4,870) | - | 50,937 |
| Hemingway at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Clubhouse elements | | | (31,335) | | |
| Exterior building elements | | | (167,251) | | |
| Pool elements | | | (2,329) | | |
| Property site elements | | | (95,470) | | |
| Miscellaneous | | | (1,668) | | |
| Loss on investment | | | (38,429) | | |
| Total pooled | 922,471 | 225,907 | (336,482) | - | 811,896 |

(continued)

Craig Ranch Community Association
Schedule of Changes in Accumulated Funds for Future Major Repairs and
Replacements (Continued)

For the year ended December 31,

2022

| Component | Beginning Balance | Additions | Subtractions | Transfers | Ending Balance |
|--|----------------------|-------------------|---------------------|------------------|---------------------|
| Craig Ranch North | | | | | |
| Pooled items: | | | | | |
| Pool and pool house elements | | | \$ (4,121) | | |
| Property site elements | | | (40,600) | | |
| Miscellaneous | | | (983) | | |
| Loss on investment | | | (24,251) | | |
| Total pooled | \$ 263,404 | \$ 45,660 | (69,955) | \$ - | \$ 239,109 |
| Settlement Townhomes at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Exterior building elements | | | (3,820) | | |
| Total pooled | 77,852 | 18,101 | (3,820) | - | 92,133 |
| Southern Hills at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Fences and trellis | | | (5,346) | | |
| Total pooled | 1,145 | 18,105 | (5,346) | - | 13,904 |
| Spicewood at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Landscape, tree maintenance | | | (8,020) | | |
| Total pooled | 31,746 | 10,146 | (8,020) | - | 33,872 |
| The Trails at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Landscaping - tree maintenance | | | (26,403) | | |
| Total pooled | 46,037 | 24,876 | (26,403) | (36,965) | 7,545 |
| Watters Branch at Craig Ranch | | | | | |
| Pooled items: | | | | | |
| Property site elements | | | (28,272) | | |
| Pool and pool house elements | | | (1,568) | | |
| Miscellaneous | | | (2,073) | | |
| Loss on investment | | | (16,918) | | |
| Total pooled | 130,009 | 16,941 | (48,831) | - | 98,119 |
| Total | \$ 2,274,806 | \$ 716,765 | \$ (775,313) | \$ 83,035 | \$ 2,299,293 |

Craig Ranch Community Association
Schedule of Changes in Accumulated Funds for Future Major Repairs and
Replacements (Continued)

| <i>December 31,</i> | 2022 |
|----------------------------------|---------------------|
| Performance obligation liability | \$ 2,246,458 |
| Replacement fund balance | 52,835 |
| Total | \$ 2,299,293 |

Craig Ranch Community Association
Schedule of Operating Fund Revenue and Expenses – Budget and Actual

For the year ended December 31,

2022

| | Actual | Budget (Unaudited) | Variance - Favorable (Unfavorable) (Unaudited) |
|---|-------------------|-------------------------------|---|
| Revenue | | | |
| Regular assessments | \$ 5,717,692 | \$ 5,599,310 | \$ 118,382 |
| Insurance assessments | 96,878 | 39,635 | 57,243 |
| Special assessments | 169,919 | 169,900 | 19 |
| Interest income | 28,570 | 4,561 | 24,009 |
| Other income | 161,535 | 53,857 | 107,678 |
| Insurance proceeds | 414,988 | - | 414,988 |
| Bad debt recovery | 10,773 | - | 10,773 |
| Total revenue | 6,600,355 | 5,867,263 | 733,092 |
| Expenses | | | |
| Administrative | 1,339,411 | 1,399,875 | 60,464 |
| Bad debt provision | - | 47,169 | 47,169 |
| Depreciation | 20,119 | - | (20,119) |
| Insurance | 1,118,404 | 1,205,512 | 87,108 |
| Maintenance and repairs | 2,464,735 | 2,475,428 | 10,693 |
| Realized loss on sale of investments | 9,249 | - | 9,249 |
| Unrealized loss - investments | 36,672 | - | (36,672) |
| Utilities | 1,197,448 | 780,641 | (416,807) |
| Total expenses | 6,186,038 | 5,908,625 | (258,915) |
| Excess (deficit) of revenue over expenses | 414,317 | (41,362) | 455,679 |
| Beginning fund balance | 696,893 | - | 696,893 |
| Interfund transfers, net | (83,035) | - | (83,035) |
| Capital contributions | 30,409 | 41,362 | (10,953) |
| Refund to owners | (144,559) | - | (144,559) |
| Ending fund balance (deficit) | \$ 914,025 | \$ - | \$ 914,025 |

Craig Ranch Community Association
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

The following table is based on professional studies prepared in 2020 for the master and service areas:

| Component | Estimated Remaining Useful Life | Estimated Replacement Cost | Accumulated Funds at 12/31/22 |
|--|---------------------------------------|----------------------------------|-------------------------------------|
| Master | | | |
| Pooled items: | | | |
| Clubhouse elements (The Compass) | 7 - 28+ | \$ 452,500 | |
| Community elements | 0 - 28+ | 1,283,000 | |
| Crescent Park | 6 - 28+ | 193,300 | |
| Crossroads Park | 2 - 28+ | 955,380 | |
| Dog park | 0 - 28+ | 228,070 | |
| Dr. Kenneth Cooper Park | 2 - 10 | 363,600 | |
| Heron Bay Park | 6 - 16 | 15,800 | |
| Millie Cooper Park | 1 - 28+ | 168,300 | |
| Total pooled items | | 3,659,950 | \$ 564,012 |
| Chateaus of the Settlement at Craig Ranch | | | |
| Pooled items: | | | |
| Exterior building elements | 5 - 21 | 1,352,872 | |
| Property site elements | 0 - 28+ | 347,600 | |
| Total pooled items | | 1,700,472 | 6,048 |
| Estates at Craig Ranch | | | |
| Nonpooled items: | | | |
| Streets | 0 - 28+ | 4,118,000 | 265,373 |
| Pooled items: | | | |
| Access control and perimeter elements | 0 - 25 | 639,220 | |
| Pond elements | 0 - 28+ | 827,160 | |
| Total pooled items | | 1,466,380 | 116,345 |
| The Grove at Craig Ranch | | | |
| Pooled items: | | | |
| Concrete sidewalks | 1 - 28+ | 169,400 | |
| Fences | 2- 27 | 28,560 | |
| Landscaping - tree maintenance | 0 | 3,500 | |
| Mailbox stations | 19 | 40,000 | |
| Playground equipment | 14 | 37,500 | |
| Shade structure | 5 - 14 | 15,000 | |
| Signage | 14 | 7,000 | |
| Site furniture | 12 | 15,000 | |
| Total pooled items | | 315,960 | 50,937 |

(continued)

**Craig Ranch Community Association
Supplementary Information on Future Major Repairs and Replacements
(Continued) (Unaudited)**

| Component | Estimated Remaining Useful Life | Estimated Replacement Cost | Accumulated Funds at 12/31/22 |
|--|---------------------------------------|----------------------------------|-------------------------------------|
| Hemingway at Craig Ranch | | | |
| Pooled items: | | | |
| Clubhouse elements | 0 - 17 | \$ 219,750 | |
| Exterior building elements | 0 - 27 | 3,775,530 | |
| Pool elements | 2 - 13 | 188,450 | |
| Property site elements | 0 - 28+ | 1,021,640 | |
| Total pooled items | | 5,205,370 | \$ 811,896 |
| Craig Ranch North | | | |
| Pooled items: | | | |
| Pool and pool house elements | 0 - 22 | 511,220 | |
| Property site elements | 0 - 28+ | 1,306,670 | |
| Total pooled items | | 1,817,890 | 239,109 |
| Settlement Townhomes at Craig Ranch | | | |
| Pooled items: | | | |
| Exterior building elements | 4 - 19 | 72,059 | |
| Property site elements | 7 - 28+ | 76,250 | |
| Total pooled items | | 148,309 | 92,133 |
| Southern Hills at Craig Ranch | | | |
| Pooled items: | | | |
| Concrete sidewalks | 2 - 28+ | 393,800 | |
| Fences and trellis | 1 - 27 | 59,840 | |
| Landscaping | 0 | 4,000 | |
| Mailbox stations | 18 | 54,000 | |
| Pergolas | 19 - 23 | 48,000 | |
| Playground equipment | 11 | 70,000 | |
| Signage | 13 | 5,000 | |
| Site furniture | 13 | 11,500 | |
| Total pooled items | | 646,140 | 13,904 |

(continued)

**Craig Ranch Community Association
Supplementary Information on Future Major Repairs and Replacements
(Continued) (Unaudited)**

| Component | Estimated Remaining Useful Life | Estimated Replacement Cost | Accumulated Funds at 12/31/22 |
|--|---------------------------------------|----------------------------------|-------------------------------------|
| Spicewood at Craig Ranch | | | |
| Pooled items: | | | |
| Concrete sidewalks | 1 - 28+ | \$ 78,100 | |
| Landscaping - tree maintenance | 0 | 2,500 | |
| Mailbox stations | 18 | 38,000 | |
| Retaining wall, masonry, inspection and capital repairs | 13 | 2,000 | |
| Signage | 13 | 6,000 | |
| String lights | 16 | 4,000 | |
| Total pooled items | | 130,600 | \$ 33,872 |
| The Trails at Craig Ranch | | | |
| Pooled items: | | | |
| Concrete sidewalks | 1 - 28+ | 211,200 | |
| Gazebo | 20 | 33,500 | |
| Landscaping - tree maintenance | 0 | 2,000 | |
| Mailbox stations | 17 | 16,000 | |
| Pavers | 12 | 14,420 | |
| Site furniture | 10 | 8,400 | |
| Total pooled items | | 285,520 | 7,545 |
| Watters Branch at Craig Ranch | | | |
| Pooled items: | | | |
| Property site elements | 0 - 28+ | 165,620 | |
| Pool and pool house elements | 2 - 27 | 144,285 | |
| Total pooled items | | 309,905 | 98,119 |
| Total | | \$ 19,804,496 | \$ 2,299,293 |