

***SUMMERLIN NORTH COMMUNITY ASSOCIATION***  
***FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION***  
***DECEMBER 31, 2025***



**HILBURN & LEIN, CPAs**  
A PROFESSIONAL CORPORATION

SUMMERLIN NORTH COMMUNITY ASSOCIATION

DECEMBER 31, 2025

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**HILBURN & LEIN, CPAs**  
A PROFESSIONAL CORPORATION

Gary W. Lein, CPA  
Shareholder

Greg M. Sinacori, CPA  
Shareholder

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of  
Summerlin North Community Association  
Las Vegas, Nevada

### *Opinion*

We have audited the accompanying financial statements of Summerlin North Community Association, which comprise the balance sheet as of December 31, 2025, and the related statements of revenues and 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 Summerlin North Community Association as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *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 Summerlin North 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.

### *Future Major Repairs and Replacements*

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 6 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

### *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, 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 Summerlin North 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 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 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 for the purpose of expressing an opinion on the effectiveness of Summerlin North 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 Summerlin North Community Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.


***Disclaimer of Opinion on Required Supplementary Information***

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

Summerlin North Community Association  
May 28, 2026  
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***Other Matters***

The Schedule of Revenues and Expenses - Budget and Actual on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Las Vegas, Nevada  
May 28, 2026

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2025**

<u>ASSETS</u>			
	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
Cash - Notes 3 and 4	\$ 3,603,626	\$ 2,250,092	\$ 5,853,718
Certificates of Deposit - Note 3	2,575,000	3,153,165	5,728,165
Investments - Note 9	-	404,225	404,225
Assessments Receivable, Net of Allowance for Credit Losses \$1,552,800	327,227	-	327,227
Prepaid Expenses	125,818	-	125,818
Personal Property, Net of Accumulated Depreciation of \$185,908	8,261	-	8,261
<b>TOTAL ASSETS</b>	<b>\$ <u>6,639,932</u></b>	<b>\$ <u>5,807,482</u></b>	<b>\$ <u>12,447,414</u></b>

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 222,499	\$ 55,100	\$ 277,599
Prepaid Assessments	1,529,205	-	1,529,205
Contract Liability - Note 2	-	5,752,382	5,752,382
	<u>1,751,704</u>	<u>5,807,482</u>	<u>7,559,186</u>
<b>FUND BALANCES</b>	<b><u>4,888,228</u></b>	<b><u>-</u></b>	<b><u>4,888,228</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>6,639,932</u></b>	<b>\$ <u>5,807,482</u></b>	<b>\$ <u>12,447,414</u></b>

The accompanying notes are an integral part of these financial statements

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	OPERATING FUND	RESERVE FUND	TOTAL
<b>REVENUES</b>			
Member Assessments	\$ 12,364,745	\$ 502,802	\$ 12,867,547
Late Fees and Fines	288,813	-	288,813
Collection Fees	88,545	-	88,545
Credit Losses	(36,161)	-	(36,161)
Interest Income	101,915	134,948	236,863
Other Income	41,854	-	41,854
	<u>12,849,711</u>	<u>637,750</u>	<u>13,487,461</u>
<b>EXPENSES</b>			
Insurance	166,090	-	166,090
Electricity	68,280	-	68,280
Water	1,563,170	-	1,563,170
Landscaping	2,137,208	748,279	2,885,487
Repairs and Maintenance	107,736	108,336	216,072
Lighting	57,846	-	57,846
Wall and Gate Repairs and Maintenance	48,212	327	48,539
Building Repairs and Maintenance	147,492	-	147,492
Professional Management	1,196,347	-	1,196,347
Professional Fees	112,220	-	112,220
Collection Expense	88,952	-	88,952
Depreciation Expense	2,521	-	2,521
Postage and Printing	203,357	-	203,357
Council Facility and Administration - Note 8	6,385,586	-	6,385,586
Miscellaneous	6,087	-	6,087
	<u>12,291,104</u>	<u>856,942</u>	<u>13,148,046</u>
<b>EXCESS OF REVENUES OR (EXPENSES)</b>	<b>558,607</b>	<b>(219,192)</b>	<b>339,415</b>
Fund Balances at Beginning of Year	4,329,621	219,192	4,548,813
Inter-Fund Transfers	-	-	-
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ <u>4,888,228</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>4,888,228</u></b>

The accompanying notes are an integral part of these financial statements

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	OPERATING FUND	RESERVE FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of Revenues or (Expenses)	\$ 558,607	\$ (219,192)	\$ 339,415
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Depreciation Expense	2,521	-	2,521
Interest on U.S. Treasury Bills	-	(14,878)	(14,878)
Unamortized Discount on U.S. Treasury Bills	-	(14,746)	(14,746)
<b>Changes in:</b>			
Assessments Receivable	(67,242)	-	(67,242)
Prepaid Expenses	59,939	23,166	83,105
Accounts Payable	66,847	31,934	98,781
Federal Income Tax Payable	(108,080)	-	(108,080)
Prepaid Assessments	65,434	-	65,434
Contract Liability	-	941,829	941,829
	19,419	967,305	986,724
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 578,026</b>	<b>\$ 748,113</b>	<b>\$ 1,326,139</b>

The accompanying notes are an integral part of these financial statements

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES			
Purchase of Certificates of Deposit	\$ <u>(1,575,000)</u>	\$ <u>(850,000)</u>	\$ <u>(2,425,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET DECREASE IN CASH	(996,974)	(101,887)	(1,098,861)
Cash at Beginning of Year	<u>4,600,600</u>	<u>2,351,979</u>	<u>6,952,579</u>
CASH AT END OF YEAR	\$ <u><u>3,603,626</u></u>	\$ <u><u>2,250,092</u></u>	\$ <u><u>5,853,718</u></u>
 SUPPLEMENTARY INFORMATION:			
Cash Paid for Federal Income Taxes	\$ <u><u>108,080</u></u>	\$ <u><u>-</u></u>	\$ <u><u>108,080</u></u>

The accompanying notes are an integral part of these financial statements

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 1 - ORGANIZATION**

The Summerlin North Community Association was incorporated on September 25, 1990. The Association is a statutory planned unit development in Las Vegas, Nevada, organized as a domestic non-profit corporation for purposes of maintaining and preserving the Association's common property. The Association consists of 17,738 residential, commercial, and builder lots.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

ACCOUNTING METHOD

Summerlin North Community Association maintains its records on the accrual basis of accounting. Under this method of accounting, revenue is recognized when performance obligation is met, whether received or not, and expenses are recognized when goods or services are incurred, whether paid or not.

FUND ACCOUNTING

The Association uses fund accounting which requires funds, such as operating funds for day-to-day expenses, and reserve funds designated for future major repairs and replacements of the common property, to be classified separately for accounting and reporting purposes. Disbursements from the operating fund are made in accordance with an annual budget, or as approved by the Board of Directors. Disbursements from the reserve and other designated funds may be made only for their designated purposes.

REVENUE RECOGNITION

Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers requires the recognition of revenue when the 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.

ALLOWANCE FOR CREDIT LOSSES

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the current expected credit loss model. The measurement of expected credit losses under the current expected credit loss methodology is applicable to financial assets measured at amortized cost, consisting of assessments receivable and held-to-maturity debt securities for credit losses using an allowance account for each pool of assets. The net amounts of assessments receivable and held-to-maturity debt securities, less the allowance accounts represent the amount expected to be collected. The current expected credit loss methodology requires that the allowance accounts be measured based on various information that includes historical data and information, current economic conditions, and reasonable and supportable forecasted information about future events. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*ALLOWANCE FOR CREDIT LOSSES (CONTINUED)*

The Association measures its allowance for credit losses related to its held-to-maturity securities using a discounted cash flows approach, based on an evaluation of historical data and past credit loss experience, adjusted for current economic conditions, and reasonable and supportable forecast about future events. The discounted cash flows is computed using the effective interest rate, which is typically the coupon interest rate. Information used in determining the expected amount to be collected for securities includes ratings from major credit agencies, and economic factors, among others.

In evaluating expected credit losses for held-to-maturity securities, the Association analyzes investments in terms of creditworthiness, bond rating, and the impact of the current and forecasted direction of the economic and business environment on collectability of such investments. Because held-to-maturity securities consist solely of U.S. Treasury instruments, guaranteed by the U.S. government, there is an expectation of full collection of the adjusted cost of the securities, and zero expected loss from nonpayment. Consequently, no allowance for credit losses has been recorded on these held-to-maturity securities.

From time to time, there may be changes in current economic conditions, such as rates of interest, inflation, unemployment, and borrower forecasted ability to make payments, among others, that may impact the overall economic outlook and change the forecast of the expected amount of held-to-maturity securities to be collected. In those situations, the Association factors in those changes into its computation of expected losses. In 2025, there were no changes in the Association's accounting policies and methodology in measuring credit losses related to its assessment receivables and held-to-maturity securities.

*MEMBER ASSESSMENTS*

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and future major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligation to the reserve fund assessments is satisfied when these funds are expended for their designated purpose. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association's policy is to assess late fees on assessments over 30 days past due, and place liens on the properties of homeowners whose assessments are 90 days or more delinquent. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The allowance estimate is derived from a review of the Association's historical losses based on the ageing of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Association.

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

MEMBER ASSESSMENTS (CONTINUED)

The Association believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Association's assessments receivable have remained constant since the Association was built out. The Association's allowance for credit losses is adjusted for each year based upon management's analysis of assessments receivable, in which the main methodology is the aged accounts over nine months (270 days) super priority lien. Allowance for credit losses related to violations or fines is analyzed based on the history of the Association's collections. For the year ended December 31, 2025, uncollectible assessments, late fees, and fines of \$36,161 were excluded from revenue. Assessments receivable at the balance sheet date represents amounts due from members for maintenance assessments, late fees, other fees, and fines, if any, due from owners, and are stated at the amounts expected to be collected. The balances of assessments receivable at the beginning of 2025 and the end of 2025 were \$1,504,387 and \$1,880,027, respectively. The balances of allowance for credit losses related to assessments receivables at the beginning of 2025 and the end of 2025 were \$1,244,401 and \$1,552,800, respectively.

PROPERTY AND EQUIPMENT

Real property and common areas annexed to the Association by the Declarant are not capitalized on the Association financial statements. Common property, which consists of walls, a community management building, sidewalks, fences, lighting, signs, and various landscaping, are restricted to use by the Association's members, their tenants, and guests. Such property provides no probable future economic benefit to the Association, and such ownership is only a legal formality that has no effect on the financial position of the Association. Replacements and improvements to the real property and common areas are also not capitalized. According to the Association governing documents, a majority of all owners must approve dispositions of any common real property.

Personal property purchased with Association funds, to which the Association holds the title, is capitalized at cost, and depreciated over an estimated useful life using the straight-line method of depreciation. Personal property consists of office furniture and equipment, and useful lives range from 5 to 7 years.

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, 2025. Contract liabilities represent revenue collected in advance of the contract period or amount billed in excess of revenue recognized. These liabilities are reported on the Balance Sheet as a contract liability. The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligation related to replacement of reserve assessments. The balances of contract liabilities as of the beginning of 2025 and end of 2025 were \$4,810,553 and \$5,752,382 respectively.

USE OF ESTIMATES

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make certain estimates and assumptions that affect amounts reported in the statements and accompanying notes. Assets, liabilities, and contingency disclosures require estimates as of the date of the financial statements. Revenues and expenses require estimates during the reporting period. Actual results could differ from those estimates.

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the financial statements were issued.

CASH FLOW STATEMENT

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

INVESTMENTS

Investments in government agency bonds, notes, and certificates that the Association has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized in interest income using the interest method over the period to maturity.

FAIR VALUE MEASUREMENTS AND VALUATION TECHNIQUES

In accordance with U.S. GAAP, a three-tiered hierarchy of input levels is used for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities;

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets and liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets;

Level 3 - Fair values are calculated based on pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

**NOTE 3 - OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF RISK**

The Association holds US Treasury Bills with LPL Financial. The underlying investments are direct obligations of the U.S. Treasury which are guaranteed by the full faith and credit of the United States Government. The Association's investments in Certificates of Deposit are all FDIC insured deposits (\$250,000 limit) with a diversified group of banking institutions as well as the Association's Insured Cash Sweep (ICS) accounts.

The Association holds structured Certificates of Deposit linked to the performance of the S&P 500, including instruments linked to S&P 500 futures contracts and instruments utilizing a point-to-point payoff methodology based on changes in the referenced index or contract value between issuance and maturity dates.

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 4 - CASH**

Cash at December 31, 2025, as represented on the balance sheet is detailed as follows:

	OPERATING FUND	RESERVE FUND
Banc of California:		
ICS Sweep Checking Account	\$ 1,593,844	\$ -
ICS Sweep Money Market Account	2,009,782	-
ICS Sweep Money Market Account	-	1,267,767
ICS Sweep Money Market Account	-	950,024
LPL Financial:		
ICS Money Market Account	-	32,301
	\$ 3,603,626	\$ 2,250,092

**NOTE 5 - FEDERAL INCOME TAXES**

The Association has received IRS approval under Internal Revenue Section 501(c)(4) to file as an organization exempt from federal income tax. All income except unrelated business activity revenue is exempt from taxation. For the year ended December 31, 2025, the Association had no unrelated business activity revenue, resulting in no tax liability. Tax years open under the statute of limitations are 2023, 2024, and 2025.

**NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$5,752,382 at December 31, 2025, and are presented on the accompanying balance sheet as a contract liability (assessments received in advance) and/or reserve fund equity is held in separate accounts and are not available for operating purposes.

The Association engaged an independent consultant who conducted a study in 2024 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of future replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase the regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. According to the reserve study, the recommended reserve contribution for 2025 was \$1,444,631. The Association assessed \$1,44,631 and recognized in \$502,802 assessment revenue for reserve funding in 2025.

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 7 - OTHER TRANSACTION**

On September 26, 1997, the Declarant entered into a special transaction with a commercial property owner. The commercial property paid the Association \$160,053 as a one-time assessment. This figure was computed based on the present value of their current monthly assessment of \$1,087 at eight percent for 30 years. On a monthly basis, the regular monthly assessment is recognized as assessment income along with the applicable discount. For 2025, \$13,046 in assessment income was recognized, net of a present value discount of \$10,840. The remaining balance of \$134,289 has been combined with other prepaid assessments.

**NOTE 8 - THE SUMMERLIN COUNCIL**

In 1997, the members of the Association voted to amend the existing governing documents of the Association to form The Summerlin Council. The Council provides for member services and recreational programs, facilities and amenity maintenance, and park monitor services within Council parks. Funding for The Summerlin Council comes from Summerlin North, South, and West Community Associations, and Summerlin Centre Owner's Association based on the total density of each Association.

For 2025, Summerlin North Community Association was required to contribute \$6,385,586 which represented approximately 33.04% of the Council operations. In order to assist the Council in paying operational expenses on a timely basis, each Association advances the Council funds based on anticipated expenses. This is reconciled monthly with any over payment shown as a prepaid expense, and any under payment shown as a liability.

The Mutual Benefit Agreement entered into with The Summerlin Council ran through December 31, 2025. The agreement is automatically extended for a successive period of one year, unless one of the executing parties provides notice at least 90 days prior to the termination date of its intention not to renew the agreement. The agreement was renewed for 2026.

**NOTE 9 - INVESTMENTS**

Management has classified all investments as held-to-maturity as the Association has the positive intent and ability to hold the assets until maturity; therefore, no unrealized gain or loss is reported. These investments are carried at cost adjusted for amortization of premiums and accretion of discounts. Investments consist of U.S. Treasury Bills. Amortized cost totals \$404,225. The balances of allowance for credit losses related to held-to-maturity securities at the beginning of 2025 and the end of 2025 were both zero. The Association monitors the credit quality of held-to-maturity debt securities using credit-agency ratings published by Moody's, Standard and Poor's, and Fitch. In situations in which ratings vary, the Association uses the lowest rating for a particular investment among the three credit rating agencies. Investments in U.S. Treasuries are considered to be AAA-rated regardless of external credit rating, because they are fully insured by the United States Government.

Maturities of debt securities classified as held-to-maturity were as follows at December 31, 2025:

	Amortized Cost Basis
2026	\$ <u>404,225</u>

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**NOTE 10 – SUBSEQUENT EVENT**

In February 2026, three checks written to the Association vendors were altered by an unknown third party. It is believed the vendor payments were stolen at the Post Office drop box. Management and The Metropolitan Police Department are thoroughly investigating this matter. Banc of California has fully reimbursed the Association for the three altered checks.

**SUPPLEMENTARY FINANCIAL INFORMATION**

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
SCHEDULE OF RESERVE ANALYSIS  
DECEMBER 31, 2025**

**(UNAUDITED)**

The Association engaged an independent specialist to conduct a Reserve Study in 2024 to estimate the remaining useful lives and the replacement costs of the common property components. Replacement cost projections are based on future estimated replacement costs with assumed values of interest at 2.5% and inflation at 2.5%. The study uses the threshold method, which funds the reserve by attaining and maintaining a specified dollar or percent funded amount.

<u>MAJOR COMPONENT LOCATION</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>ESTIMATED FUTURE REPLACE- MENT COST</u>
General Common Area	0 - 9	\$ 1,301,392
Hills Village North	0 - 15	503,380
Hills Village South	0 - 6	595,393
Pueblo	0 - 24	585,184
Canyons	0 - 9	400,513
Trails	0 - 12	564,918
Crossings	0 - 12	703,378
Arbors	0 - 18	1,879,803
Community Management Building	0 - 26	<u>675,777</u>
		<u>\$ 7,209,738</u>

(See Independent Auditors' Report)

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	ACTUAL	BUDGET (UNAUDITED)	VARIANCE FAVORABLE/ (UNFAVORABLE) (UNAUDITED)
<b><u>OPERATING FUND</u></b>			
<b>REVENUES</b>			
Member Assessments	\$ 12,364,745	\$ 12,379,909	\$ (15,164)
Late Fees and Fines	288,813	120,000	168,813
Collection Fees	88,545	100,000	(11,455)
Credit Losses	(36,161)	(20,000)	(16,161)
Interest Income	101,915	30,000	71,915
Water District Rebate	-	75,000	(75,000)
Other Income	41,854	31,560	10,294
	12,849,711	12,716,469	133,242
<b>EXPENSES</b>			
Insurance	166,090	169,986	3,896
Electricity	68,280	85,000	16,720
Water	1,563,170	1,200,000	(363,170)
Landscaping	2,137,208	2,663,076	525,868
Repairs and Maintenance	107,736	209,000	101,264
Lighting	57,846	75,000	17,154
Wall and Gate Repairs	48,212	106,000	57,788
Building Maintenance	147,492	154,600	7,108
Professional Management	1,196,347	1,195,626	(721)
Professional Fees	112,220	162,371	50,151
Collection Expense	88,952	120,000	31,048
Depreciation Expense	2,521	2,000	(521)
Postage and Printing	203,357	180,000	(23,357)
Council Facility and Administration	6,385,586	6,385,560	(26)
Miscellaneous	6,087	8,250	2,163
	12,291,104	12,716,469	425,365
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 558,607</b>	<b>\$ -</b>	<b>\$ 558,607</b>

(See Independent Auditors' Report)

**SUMMERLIN NORTH COMMUNITY ASSOCIATION  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	ACTUAL	BUDGET (UNAUDITED)	VARIANCE FAVORABLE/ (UNFAVORABLE) (UNAUDITED)
<b><u>RESERVE FUND</u></b>			
<b>REVENUES</b>			
Member Assessments	\$ 502,802	\$ 1,444,631	\$ (941,829) *
Interest Income	134,948	15,000	119,948
	637,750	1,459,631	(821,881)
 <b>EXPENSES</b>			
Landscaping Repairs	748,279	600,000	(148,279)
Common Area Repairs	108,336	173,414	65,078
Wall and Fence Repairs	327	100,000	99,673
	856,942	873,414	16,472
 <b>EXCESS OF REVENUES OR (EXPENSES)</b>			
	\$ (219,192)	\$ 586,217	\$ (805,409)

\*These reserve assessments were billed in 2025 but not yet earned and have been included in the contract liability on the balance sheet.

(See Independent Auditors' Report)