DC RANCH COMMUNITY COUNCIL, INC.

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2025 AND 2024
AND FOR THE YEARS THEN ENDED

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DC RANCH COMMUNITY COUNCIL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DC Ranch Community Council, Inc.

Opinion

We have audited the accompanying financial statements of DC Ranch Community Council, Inc. (an Arizona Corporation), which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DC Ranch Community Council, Inc. as of December 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DC Ranch Community Council, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DC Ranch Community Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in 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 DC Ranch Community Council, Inc.'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 DC Ranch Community Council, Inc.'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 the DC Ranch Community Council's December 31, 2024, financial statements, and we expressed an unqualified opinion on those financial statements in our report dated April 17, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on page 19, 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.

Butler Hansen, PLC

Gilbert, Arizona
June 25, 2026

DC RANCH COMMUNITY COUNCIL, INC.
BALANCE SHEET
DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2024)

	OPERATING FUND	RESERVE FUND	CAPITAL FUND	TOTAL 2025	TOTAL 2024
ASSETS					
Cash and Cash Equivalents	$ 2,695,969	$ 1,733,850	$ 350,896	$ 4,780,715	$ 4,809,558
Investments	-	1,028,448	-	1,028,448	1,448,474
Accounts Receivable, Net of Allowance of $829 and $1,040, 2025 and 2024, respectively	4,750	-	-	4,750	3,400
Commercial Assessments Receivable	38,224	-	-	38,224	1,560
Community Council Benefit Fees Receivable	2,075	-	-	2,075	5,625
Related Party Net Receivable - Covenant Commission	-	-	-	-	514
Related Party Net Receivable - DC Ranch Association	437,697	-	-	437,697	323,838
Prepaid Expenses	182,788	-	-	182,788	101,861
Interest Receivable	-	3,507	-	3,507	8,330
Property and Equipment, Net	-	-	692,787	692,787	747,640
Operating Lease Right-of-Use Assets	971,750	-	-	971,750	1,149,748
Interfund Balances	(895,000)	70,000	825,000	-	-
TOTAL ASSETS	$ 3,438,253	$ 2,835,805	$ 1,868,683	$ 8,142,741	$ 8,600,548
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 79,721	$ 948	$ 15,308	$ 95,977	$ 165,049
Accrued Expenses	175,064	-	-	175,064	337,833
Prepaid Assessments	88,801	-	-	88,801	170,779
Deferred Revenue	17,011	-	-	17,011	24,386
Related Party Net Payable - Covenant Commission	26,732	-	-	26,732	-
Related Party Net Payable - DC Ranch Association	53,128	-	-	53,128	3,874
Operating Lease Liability	1,089,628	-	-	1,089,628	1,149,748
TOTAL LIABILITIES	1,530,085	948	15,308	1,546,341	1,851,669
FUND BALANCES					
Operating Fund	1,908,168	-	-	1,908,168	1,515,949
Reserve Fund	-	2,834,857	-	2,834,857	2,325,679
Capital Fund	-	-	1,853,375	1,853,375	2,907,251
TOTAL FUND BALANCES	1,908,168	2,834,857	1,853,375	6,596,400	6,748,879
TOTAL LIABILITIES AND FUND BALANCES	$ 3,438,253	$ 2,835,805	$ 1,868,683	$ 8,142,741	$ 8,600,548

See accompanying notes to the financial statements.

DC RANCH COMMUNITY COUNCIL, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	OPERATING FUND	RESERVE FUND	CAPITAL FUND	TOTAL 2025	TOTAL 2024
REVENUES					
ASSESSMENTS					
Residential Assessments	$ 2,640,236	$ -	$ -	$ 2,640,236	$ 2,499,276
Builder and Developer Assessments	45,100	-	-	45,100	55,068
Commercial Assessments	954,480	-	-	954,480	907,920
Community Council Benefit Fees	2,544,191	-	-	2,544,191	2,588,409
TOTAL ASSESSMENTS	6,184,007	-	-	6,184,007	6,050,673
PROGRAM REVENUE					
Community Celebration and Events	14,532	-	-	14,532	16,029
Community Programming	113,048	-	-	113,048	69,122
Community Engagement	300	-	-	300	450
TOTAL PROGRAM REVENUE	127,880	-	-	127,880	85,601
FACILITIES REVENUE					
Community Center Rentals	34,700	-	-	34,700	16,335
Resident Access	5,472	-	-	5,472	1,000
TOTAL FACILITIES REVENUE	40,172	-	-	40,172	17,335
OTHER INCOME					
Shared-Cost Management Revenue - DC Ranch Association	834,195	-	-	834,195	920,648
Shared-Cost Management Revenue - Covenant Commission	164,968	-	-	164,968	174,874
Advertising Revenue	5,040	-	-	5,040	5,040
Interest Revenue	76,795	86,673	35,403	198,871	452,355
Other Income (CFD, Key Fobs, Miscellaneous)	56,304	-	-	56,304	37,801
TOTAL OTHER INCOME	1,137,302	86,673	35,403	1,259,378	1,590,718
TOTAL REVENUES	7,489,361	86,673	35,403	7,611,437	7,744,327
EXPENSES					
ADMINISTRATION EXPENSE					
Personnel Expenses	3,002,443	-	-	3,002,443	2,991,901
Administrative Expenses	376,598	-	-	376,598	293,247
Travel, Meetings, and Employee Relations	68,433	-	-	68,433	51,463
TOTAL ADMINISTRATION EXPENSE	3,447,474	-	-	3,447,474	3,336,611
PROGRAM EXPENSE					
Community Celebration and Events	314,640	-	-	314,640	293,790
Community Programming	177,329	-	-	177,329	129,907
Community Engagement	48,732	-	-	48,732	41,643
Communications and Public Affairs	72,330	-	-	72,330	71,499
TOTAL PROGRAM EXPENSE	613,031	-	-	613,031	536,839

(CONTINUED)

See accompanying notes to the financial statements.

DC RANCH COMMUNITY COUNCIL, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	OPERATING FUND	RESERVE FUND	CAPITAL FUND	TOTAL 2025	TOTAL 2024
EXPENSES (CONTINUED)					
FACILITIES EXPENSE					
DC Ranch Facilities Expense	236,257	-	-	236,257	285,132
Desert Camp Community Center	378,797	-	-	378,797	202,430
The Homestead Community Center	99,524	-	-	99,524	127,596
Market Street Park/Paths and Trails/Seasonal Décor	91,823	-	-	91,823	85,376
TOTAL FACILITIES EXPENSE	806,401	-	-	806,401	700,534
GENERAL EXPENSE					
Insurance and Taxes	88,643	-	-	88,643	93,194
Management Fee - DC Ranch Association Shared Cost	442,703	-	-	442,703	472,362
Depreciation Expense	-	-	172,754	172,754	56,641
Loss on Disposal of Assets	-	-	-	-	51,555
Other General Expense	49,294	-	-	49,294	34,139
TOTAL GENERAL EXPENSE	580,640	-	172,754	753,394	707,891
RESERVE FUND EXPENDITURES	-	332,091	-	332,091	497,904
CAPITAL FUND EXPENDITURES	-	-	1,811,525	1,811,525	7,512,604
TOTAL EXPENSES	5,447,546	332,091	1,984,279	7,763,916	13,292,383
EXCESS REVENUES (EXPENSES)	2,041,815	(245,418)	(1,948,876)	(152,479)	(5,548,056)
FUND BALANCES BEGINNING OF YEAR	1,515,949	2,325,679	2,907,251	6,748,879	12,296,935
TRANSFERS BETWEEN FUNDS					
Operating Fund Reserve Contributions	(754,596)	754,596	-	-	-
Operating Fund Transfers to Capital Fund	(895,000)	-	895,000	-	-
TOTAL TRANSFERS BETWEEN FUNDS	(1,649,596)	754,596	895,000	-	-
FUND BALANCES END OF YEAR	$ 1,908,168	$ 2,834,857	$ 1,853,375	$ 6,596,400	$ 6,748,879

See accompanying notes to the financial statements.

DC RANCH COMMUNITY COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	OPERATING FUND	RESERVE FUND	CAPITAL FUND	TOTAL 2025	TOTAL 2024
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess Revenues (Expenses)	$ 2,041,815	$ (245,418)	$ (1,948,876)	$ (152,479)	$ (5,548,056)
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities					
Accretion of Investment Discount	-	(4,974)	-	(4,974)	(42,641)
Provision for Credit Loss Expense	(211)	-	-	(211)	(1,523)
Depreciation Expense	-	-	172,754	172,754	56,641
Amortization of Right of Use Asset	177,998	-	-	177,998	-
Loss on Disposal of Assets	-	-	-	-	51,555
(Increase)/Decrease In					
Accounts Receivable	(1,139)	-	-	(1,139)	752
Commercial Assessments Receivable	(36,664)	-	-	(36,664)	3,132
Community Council Benefit Fees Receivable	3,550	-	-	3,550	(2,075)
Related Party Net Receivable - Covenant Commission	514	-	-	514	(514)
Related Party Net Receivable - DC Ranch Association	(117,028)	3,169	-	(113,859)	(69,707)
Prepaid Expenses	(80,927)	-	-	(80,927)	(6,528)
Interest Receivable	-	4,823	-	4,823	661
Increase/(Decrease) In					
Accounts Payable	(4,127)	(9,102)	(55,843)	(69,072)	68,721
Accrued Expenses	(74,634)	-	(88,135)	(162,769)	(9,469)
Prepaid Assessments	(81,978)	-	-	(81,978)	68,186
Deferred Revenue	(7,375)	-	-	(7,375)	14,213
Related Party Payable - Covenant Commission	26,732	-	-	26,732	(224)
Related Party Payable - DC Ranch Association	49,254	-	-	49,254	3,874
Operating Lease Liability	(60,120)	-	-	(60,120)	(7,762)
Net Cash Provided (Used) by Operating Activities	1,835,660	(251,502)	(1,920,100)	(335,942)	(5,420,764)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Maturities	-	425,000	-	425,000	5,122,781
Purchase of Fixed Assets	-	-	(117,901)	(117,901)	(733,055)
Net Cash Provided (Used) by Investing Activities	-	425,000	(117,901)	307,099	4,389,726
CASH FLOWS FROM FINANCING ACTIVITIES					
Operating Fund Transfers to Reserve Fund	(754,596)	754,596	-	-	-
Operating Fund Transfers to Capital Fund	(895,000)	-	895,000	-	-
Change in Interfund Balances	892,588	(70,000)	(822,588)	-	-
Net Cash Provided (Used) by Financing Activities	(757,008)	684,596	72,412	-	-
NET INCREASE (DECREASE) IN CASH	1,078,652	858,094	(1,965,589)	(28,843)	(1,031,038)
CASH AND CASH EQUIVALENTS, BEGINNING	1,617,317	875,756	2,316,485	4,809,558	5,840,596
CASH AND CASH EQUIVALENTS, ENDING	$ 2,695,969	$ 1,733,850	$ 350,896	$ 4,780,715	$ 4,809,558
SUPPLEMENTARY INFORMATION					
Income Taxes Paid	$ -	$ -	$ -	$ -	$ -
Interest Paid	$ -	$ -	$ -	$ -	$ -

SUPPLEMENTARY NON-CASH ITEMS

The Council entered into a new operating lease agreement for office space during the year ended December 31, 2024, with a present value of the minimum lease payments of $1,149,748. See Note 12 of the accompanying notes to the financial statements.

See accompanying notes to the financial statements.

DC RANCH COMMUNITY COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2024)

NOTE 1 - NATURE OF THE ORGANIZATION

DC Ranch Community Council, Inc. (the "Council"), a nonprofit corporation, was incorporated on March 15, 1996, under the general non-profit laws of the State of Arizona. The Council was established to provide management, maintenance and preservation of the common areas and other property owned by the Council or property placed under its jurisdiction and for the furtherance and promotion of the social welfare of the DC Ranch community. The Council is managed by a paid staff, with the Board of Directors providing oversight and policy making. The Council provides services to 2,698 residential property owners, 31 builder/developer property owners, and 970 assessment units based on each one-sixth acre owned. The Board of Directors also approves and implements an annual financial budget from which the Council operates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Capital Fund
The Capital Fund is used to account for the purchase of new equipment, construction of new amenities, and the upgrade of existing assets.

Cash and Cash Equivalents
For statement of cash flows purposes, the Council considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, purchased with original maturity dates of three months, or less, as cash and cash equivalents. Certificates of deposit and financial instruments, with original maturities, at date of purchase, of more than three months, are classified as certificates of deposit.

Certificates of Deposit and US Treasury Securities
The Council invests in Certificates of Deposit and US Treasury Securities that generally mature in five years or less. The Council intends to hold certificates of deposit until maturity.

Accounts Receivable
Receivables at December 31, 2025, and 2024, represent assessments due and other fees levied by the Council. The Council's assessments receivable is secured via the real property assessed and every reasonable effort is applied in attempting to collect receivables. The Council may bring legal action against owners obligated to pay, or foreclose on the property, as it deems necessary, to collect assessments receivable.

Fair Value of Financial Instruments
Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts. At December 31, 2025, and 2024, all financial instruments are classified as Level I (inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets) within the fair value hierarchy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of FASB ASU 326 Financial Instruments-Credit Losses Update No. 2025-05

The Council adopted FASB Accounting Standards Update No. 2025-05, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which modifies the measurement of current expected credit losses on certain financial statements. The Current Expected Credit Losses update provides a framework for estimating and recognizing credit losses on financial assets measured at amortized cost based on historical credit loss experience, current conditions, and reasonable forecasts of future cash flows at the end of a reporting period. The Council elected a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. The Council is utilizing the modified retrospective transition method, meaning the new accounting principle is applied prospectively. The adoption of this Standard did not have a material impact on the Council's financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates for the allowance of credit losses for receivables are based on historical credit loss experience and the practical expedient that assumes the current conditions as of the balance sheet do not change for the remaining life of the receivables.

Property and Equipment

In accordance with American Institute of Certified Public Accountants guidelines, the Council capitalizes all common real property to which it has title or other evidence of ownership and either:

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

- or -

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

The Council capitalizes all personal property it acquires with a cost of $5,000 or more. Purchased personal property and equipment is recorded at cost and depreciated using the straight-line depreciation method over the useful lives of the property, generally five to seven years. Replacements, major repairs, and purchases of additional commonly owned real estate are accounted for as expenses in the year of expenditure. It is the responsibility of the Council to preserve and maintain the common property.

Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with property owners or other DC Ranch entities are satisfied. Generally, this satisfaction of performance obligations and transfer of controls occurs, and revenues are recognized, as services are provided to property owners. The amounts charged, and the amount of consideration the Council receives in exchange for its services provided, are established, and approved by the Board of Directors. The Council recognizes revenue through the following steps: identifying the contract with property owners; identifying the performance obligations in the contract; determining the transaction prices; allocating the transaction price to the performance obligation; and recognizing revenue when or as each performance obligation is satisfied.

Interest Income

Interest income is generally allocated to each fund based on actual earnings from depository accounts maintained separately for each fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Property

Certain land areas were contributed by the developer, upon completion of the project, at no cost to the Council; therefore, are not reflected in the financial statements. The contributed areas consist of paths, paved sidewalks, community centers, and a park which can never be sold or subdivided.

Assessments Receivable

Council property owners are subject to annual assessments to provide for the Council's operating expenses, future capital acquisitions, and future repairs and improvements. Assessments receivable, as of December 31, 2025, and 2024, represent assessments due and other fees levied by the Council. The Council's policies provide that assessments are due by the first day of each month. Finance charges of $15 per month are added to all accounts deemed to be delinquent by 30 days. The Council seeks legal counsel and places liens on properties owned by property owners whose assessments are delinquent after 90 days past due. Assessments not disbursed at year-end are retained by the Council for use in future years. The Council uses the allowance method to account for doubtful receivables. Receivables are reviewed on a routine basis, and the Council records an allowance for credit losses when management determines that a receivable may be uncollectible. The Council could incur losses, up to the full amount of the receivables, even though assessments are a personal obligation of the property owners at the time of the assessment and may be secured by real property.

Prepaid Assessments

The annual budgets and assessments are approved by the Board of Directors. The Council receives assessments from property owners to provide funds for operating expenses, future capital acquisitions, and major repairs and replacements. Payments received by the Council prior to the assessment due date are not recognized as revenue and are presented as Prepaid Assessments until the corresponding assessment is made by the Council.

Income Taxes

The Council has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(4) of the Internal Revenue Code for exempt function income earned. A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when required. The state tax rate that is applied to net taxable income is 5.5%. The Council accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Council recognizes tax positions only to the extent that Management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by fund balance class. Prior period summarized financial information has been presented for comparison with current period amounts. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2024 from which the summarized information was derived. While the summarized information in the current year financial statements from 2024 is not in conformance with generally accepted accounting principles, the December 31, 2024 financial statements were prepared in conformance with generally accepted accounting principles.

Date of Management's Review

Subsequent events have been evaluated through June 25, 2026, which is the date the financial statements were available to be issued.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2025 and 2024:

	2025	2024
Residential Assessments Receivable	$ 5,579	$ 4,440
Commercial Assessments Receivable	38,224	1,560
Community Council Benefit Fee Receivable	2,075	5,625
Total Gross Receivables	45,878	11,625
Less: Allowance for Credit Losses	(829)	(1,040)
Total Net Receivables	$ 45,049	$ 10,585

Total provision for credit loss expense for the years ended December 31, 2025 and 2024, totaled ($211) and ($1,523), respectively. Accounts receivable past due greater than 90 days at December 31, 2025 and 2024, totaled $2,927 and $700, respectively.

NOTE 4 - ASSESSMENT AND COMMUNITY COUNCIL BENEFIT FEE REVENUE

DC Ranch Community property owners are subject to annual assessments, billed on a periodic basis, to provide funds for the Council's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue allocated to the operating and reserve funds is recognized as the related performance obligation is satisfied for transaction amounts expected to be collected. The Council's performance obligation related to annual assessments, billed on a periodic basis, is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding property owners' assessments. The Council's policy is to retain legal counsel and place liens on the properties of property owners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Council for use in the succeeding year. There is no maximum annual assessment defined in the Council's governing documents.

Residential Assessments
The assessments for the residential parcels are to provide funds for the Council's operating expenses, future capital acquisitions, and future major repairs and replacements. Each residential lot was assessed $984 annually, billed on an installment basis at $82 a month. The revenue for residential assessments in 2025 and 2024 was $2,640,236 and $2,499,276, respectively, which represent approximately 35% and 32%, respectively, of total revenue recorded.

Commercial Assessments
The assessments for the commercial parcels varied according to the number of equivalent units calculated based on the square footage of real property per parcel. The total commercial assessment revenue was $954,480 and $907,920 for 2025 and 2024, respectively, which represent 13% and 12%, respectively, of total revenue recorded. Excess assessments at year end are retained by the Council for use in future periods.

Builder and Developer Assessments
Builders and developers are assessed monthly at 100% of the annualized assessment rates. For the years ended December 31, 2025 and 2024, the Council billed assessments to builders and developers in the amount of $45,100 and $55,068, respectively.

At December 31, 2025 and 2024, the Council had delinquent assessments of $5,579 and $6,000, respectively. It is the opinion of the Board of Directors that the Council will ultimately prevail against the majority of the property owners with delinquent assessments.

NOTE 4 - ASSESSMENT AND COMMUNITY COUNCIL BENEFIT FEE REVENUE (CONTINUED)

The Council treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Council's control. The balances of assessments receivable as of the beginning and end of the year ended December 31, 2025, are $6,000 and $5,579, respectively.

Community Council Benefit Fees

Community Council Benefit Fees are collected from the sale of residential and commercial property within the DC Ranch community based on a percentage of the gross sales price of the property. The percentage charged for residential and commercial property resales is ½ of 1%. During the years ended December 31, 2025 and 2024, the Council recorded $2,544,191 and $2,588,409, respectively, in Community Council Benefit Fee revenue, which represent approximately 33% and 33%, respectively, of total revenue recorded.

NOTE 5 - INVESTMENTS

The Council’s held-to-maturity investments consisted of the following at December 31, 2025 and 2024:

	2025	2024
Certificates of Deposit (Cost)	$ 250,000	$ 425,000
U.S. Treasury Securities (Par Value)	785,000	1,035,000
Unaccreted Discount	(6,552)	(11,526)
Total Investments	$ 1,028,448	$ 1,448,474

The Council’s investments held at December 31, 2025 and 2024, were held in the reserve fund and mature(d) at various dates between 2025 and 2028. The Certificate of Deposit will mature at cost and U.S. Treasury Securities will mature at par value. The interest rate for the Certificate of Deposit was 0.90% and the interest rates for the US Treasury Securities range from 2.625% to 4.25%.

The fair value of the investments is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of held to maturity investments at December 31, 2025 and 2024, is determined as follows:

	2025	2024
Cost and Par Value	$ 1,035,000	$ 1,460,000
Less: Accreted Discount	(13,697)	(8,519)
Less: Unaccreted Discount	(6,552)	(11,526)
Unrealized Gain/(Loss)	17,499	(4,621)
Total Fair Value	$ 1,032,250	$ 1,435,334

The Council’s Board of Directors has resolved that all investments are intended to be held until maturity. Accordingly, the unrealized gains (losses) of $17,499 and ($4,621) as of December 31, 2025 and 2024, respectively, on these investments are (were) not recognized.

NOTE 5 - INVESTMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of all investments of the Council measured at fair value on a recurring basis as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 247,035	$ -	$ -	$ 247,035
US Treasury Securities	785,215	-	-	785,215
Total Investments	$ 1,032,250	$ -	$ -	$ 1,032,250

The following table presents the fair value hierarchy for the balances of all investments of the Council measured at fair value on a recurring basis as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 413,697	$ -	$ -	$ 413,697
US Treasury Securities	1,021,637	-	-	1,021,637
Total Investments	$ 1,435,334	$ -	$ -	$ 1,435,334

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Council's primary source of revenue is property owner assessments and community council benefit fees, which are earned on assessable lots or parcels located within a small geographic area. Assessments, community council benefit fees, and related receivables are subject to significant concentration of credit risk, given that they are primarily from a small geographical area, which can be impacted by similar economic conditions. Assessments may be secured by liens upon a property owner's property or legal judgments. The Council monitors the collectability of these receivables and pursues collection as needed. Should collection efforts be unsuccessful, the Council could incur losses up to the full amount due. Management assesses the collectability of these receivables on a monthly basis and provides for an allowance for credit losses.

The Residential Assessment revenue of $2,640,236 and $2,499,276 in 2025 and 2024, was 35% and 32%, respectively, of total revenue. Commercial Assessment revenue of $954,480 in 2025 was 13% of revenue and $907,920 in 2024 was 12% of total revenue. The Community Council Benefit Fee revenue of $2,544,191 and $2,588,409 in 2025 and 2024, were 33% and 33%, respectively, of total revenue.

The Council places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. The Council also maintains investment accounts in a brokerage account, which are covered up to $500,000, limited to $250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At various times, deposits with these financial institutions, designated as cash and cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), or other types of insurance programs.

NOTE 7 - CORPORATE INCOME TAX

The Council has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(4) of the Internal Revenue Code for exempt function income earned. A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when required. For the years ended December 31, 2025 and 2024, the federal and state tax liabilities have not been accrued and based on historical liabilities, are not expected to have a material impact on the financial statements.

NOTE 8 - UNCERTAIN TAX POSITIONS

The Council accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Council recognizes tax positions only to the extent that Management believes it is "more likely than not" that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions for the years ending December 31, 2025 and 2024.

The Council believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Council's financial condition, net income, or cash flows. Accordingly, the Council has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2025 and 2024.

The Council is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Council believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2023, or by Arizona state tax authorities for years before 2022.

NOTE 9 - COMPENSATED BALANCES

Regular full-time or regular part-time employees working a minimum of 20 hours per week accrue vacation time. Vacation time is accrued per pay period, based on the length of service of the employee. A maximum of 80-160 hours of vacation time, based on length of service, can be accumulated at any given time. Any unused accrued vacation time is paid out to employees at the time of termination.

For the years ended December 31, 2025 and 2024, the Council had recorded accrued vacation of $58,616 and $102,581, respectively. All employees are provided paid sick leave by the Council. Eligible full-time employees receive 10 days paid sick leave at the beginning of the calendar year. Part-time staff accrue one hour of paid sick time for each 30 hours worked. Accrued sick leave is not paid out to employees at the time of termination.

NOTE 10 – LINE OF CREDIT

In the year ended December 31, 2025, the Council renewed a $500,000 line of credit. The interest rate is variable and based on an index rate as defined in the Promissory Note. The Council did not utilize this Line of Credit during the year ended December 31, 2025.

NOTE 11 - PROPERTY AND EQUIPMENT

Depreciable property and equipment in use as of December 31, 2025 and 2024 consisted of the following:

	2025	2024
Vehicles and Equipment	$ 407,635	$ 337,635
Furniture and Fixtures	83,870	83,870
Leasehold Improvements	533,809	533,809
Gross Property and Equipment	1,025,314	955,314
Accumulated Depreciation	(402,990)	(230,236)
Net Property and Equipment	622,324	725,078
Construction in Progress	70,463	22,562
Net Property and Equipment	$ 692,787	$ 747,640

NOTE 11 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years ended December 31, 2025 and 2024, was $172,754 and $56,641, respectively. In the year ended December 31, 2025, the Council acquired equipment with a cost of $117,901, which represents $70,000 of equipment and $47,901 of construction in progress. In the year ended December 31, 2024, the Council disposed of equipment and leasehold improvements with acquisition costs of $239,371 and accumulated depreciation of $187,816, for a net loss of $51,555, and acquired equipment with a cost of $733,055.

NOTE 12 - OPERATING LEASE OBLIGATIONS

For the year ended December 31, 2024, the Council's previous office lease (the "Prior Office Lease") was accounted for as a right-of-use ("ROU") asset and corresponding operating lease liability of $7,762, and that lease expired during 2024. On November 1, 2024, the Council commenced a new 89-month operating lease (the "New Office Lease") for office space, which expires in March 2032. This lease includes an initial five-month base rent abatement followed by scheduled base rent escalations of $500 annually, beginning in the 18th lease month.

In addition to base rent, the Council pays its proportionate share of building operating expenses (such as utilities, common-area maintenance, insurance, and real estate taxes) and other charges including applicable rent taxes, parking fees, and after-hours services. These variable lease costs are excluded from the lease liability measurement and expensed as incurred, as they depend on usage or fluctuating costs. The New Office Lease also provides a monthly rent credit of $9,520 per month from lease month 6 through 53, applied against base rent and contingent on no uncured tenant default at each applicable date. The lease includes a single five-year renewal option which is not included in the lease term.

The future base operating lease payments at December 31, 2025, are as follows:

Years Ended December 31,	
2026	$ 130,260
2027	136,260
2028	142,260
2029	233,940
2030	268,500
Thereafter	343,500
Total Undiscounted Lease Payments	1,254,720
Interest Expense	(165,092)
Total	$ 1,089,628

The above schedule factors in the rent credits of $9,520 applied to lease months 6 through 53. The lease's discount rate of 4.06% reflects the incremental borrowing rate (using a risk-free rate election) as the rate implicit in the lease was not readily determinable.

The office space is leased by the Council, which shares this cost with the DC Ranch Association, Inc. (the "Ranch") and The Covenant Commission (the "Covenant") under the terms of the annual cost-sharing agreement (See Note 13 – Cost-Sharing Agreement for Management Fee). Total lease expense paid by the Council under the Prior Office Lease included a base lease amount which escalated 3% each year and included additional amounts for a storage unit, property taxes, property insurance, and CAM. Under the terms of the New Office Lease, the base rent escalates at a rate of $500 beginning in the 18th lease month and will increase by $500 every 12 lease months thereafter.

NOTE 12 - OPERATING LEASE OBLIGATIONS (CONTINUED)

The Council is responsible for paying additional rent, which is their proportionate share of Operating Expenses, which are defined in the agreement for the New Office Lease.

The following summarizes the weighted average remaining lease terms and discount rates as of December 31, 2025:

Weighted average remaining lease term (Years)	6.25
Weighted average discount rate	4.06%

The value of the Right of Use Asset and Lease Liability as of December 31, 2025, are as follows:

	2025	2024
Office Space – ROU Asset	$ 1,149,748	$ 1,149,748
Accumulated Amortization	(177,998)	(-)
Office Space – ROU Asset, Net	$ 971,750	$ 1,149,748
Total Lease Liabilities	$ 1,089,628	$ 1,149,748

Cash paid for the operating lease liability is reported within operating cash flows on the statement of cash flows. The total lease payments are allocated between the three DC Ranch Community entities as follows for the years ended December 31, 2025 and 2024, respectively.

	2025	2024
DC Council	$ 45,832	$ 87,810
DC Ranch	48,887	93,664
Covenant	7,129	13,648
Total Office Payments	$ 101,849	$ 195,122

NOTE 13 - COST-SHARING AGREEMENT FOR MANAGEMENT FEE

DC Ranch Community Council (the "Council"), DC Ranch Association (the "Ranch") and The Covenant Commission (the "Covenant") comprise the principal components of the "Property" known as DC Ranch. During the course of the year, through a cost-sharing agreement, the related parties share various business expenses, such as office space and payroll. Under the current cost-sharing agreement effective for the year ended December 31, 2025, the Council pays the Ranch, and the Ranch and the Covenant pay the Council a monthly net reimbursement fee approved by the Executive Directors of the Council and Ranch and President of the Covenant. The actual costs for each entity are reviewed at year end and the expense reimbursement fees are adjusted based on the actual expenses incurred during the year.

NOTE 13 - COST-SHARING AGREEMENT FOR MANAGEMENT FEE (CONTINUED)

For the year ended December 31, 2025, the gross shared-cost revenue and expenses were as follows:

	Shared-Cost Revenue				Shared-Cost Expense			Net
	From Council	From Ranch	From Covenant	Total	Incurred by Council	Incurred by Ranch	Total	
Council	$ -	$ 834,195	$ 164,968	$ 999,163	$ -	$ (442,703)	$ (442,703)	$ 556,460
Ranch	442,703	-	6,091	448,794	(834,195)	-	(834,195)	(385,401)
Covenant	-	-	-	-	(164,968)	(6,091)	(171,059)	(171,059)
Total	$ 442,703	$ 834,195	$ 171,059	$1,447,957	$ (999,163)	$ (448,794)	$ (1,447,957)	$ -

For the year ended December 31, 2024, the gross shared-cost revenue and expenses were as follows:

	Shared-Cost Revenue				Shared-Cost Expense			Net
	From Council	From Ranch	From Covenant	Total	Incurred by Council	Incurred by Ranch	Total	
Council	$ -	$ 920,648	$ 174,874	$1,095,522	$ -	$ (472,362)	$ (472,362)	$ 623,160
Ranch	472,362	-	6,931	479,293	(920,648)	-	(920,648)	(441,355)
Covenant	-	-	-	-	(174,874)	(6,931)	(181,805)	(181,805)
Total	$ 472,362	$ 920,648	$ 181,805	$1,574,815	$ (1,095,522)	$ (479,293)	$ (1,574,815)	$ -

Although the three DC Ranch Community entities bill each other on a net basis for convenience purposes, the gross allocations for revenues and expenses are reported in the financial statements. For the years ended December 31, 2025, and 2024, the gross and net shared-cost revenue, expenses and net billings for the Council were as follows:

	2025	2024
Revenue from DC Ranch	$ 834,195	$ 920,648
Less Expense to DC Ranch	(442,703)	(472,362)
Net billed Ranch/Council	391,492	448,286
Revenue from Covenant	164,968	174,874
Total Net Billings	$ 556,460	$ 623,160

The largest shared expense relates to the payroll and benefits of employees shared between the Council and the Ranch. The Council and the Ranch use their own payroll providers to pay their employees, then allocate the costs based on the cost-sharing agreement. For the years ended December 31, 2025 and 2024, the Council allocated $629,951 and $740,217, respectively, of payroll costs to the Ranch and $148,972 and $156,365, respectively to the Covenant. For the years ended December 31, 2025 and 2024, the Ranch allocated approximately $295,865 and $290,264, respectively, of payroll costs to the Council. Because the percentage of payroll reimbursements in the Cost-Sharing Agreements change each year, these payroll costs may not be directly comparable.

The Council has delegated the responsibility for the collection of its assessments to the Ranch. As a result, the Ranch acts as an agent between the Council and the property owners and builders paying assessments approved by the Executive Directors of the Council and Ranch, and President of the Covenant Board. The funds collected by the Ranch are subsequently transferred to the Council each month.

NOTE 14 - COST-SHARING REVENUE RECOGNITION

The Council recognizes revenue it earns through the cost-sharing agreements from other DC Ranch entities to be compensated for the operating expenses it incurs to maintain and preserve the community. As described in more detail in Note 13 - Cost-Sharing Agreement for Management Fee, the three organizations shared certain costs for which they are compensated. The three entities bill each other monthly on a net basis based on the annual budget, which is reconciled to actual expense after year end. The cost-sharing revenue is recognized as the related performance obligation is satisfied for transaction amounts expected to be collected. The Council's performance obligation related to cost-sharing revenue, billed on a periodic basis, is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from the Ranch and Covenant. Under the cost-sharing agreement no additional fees above the actual costs are billed to the other organizations. Therefore, there are no excess cost-sharing revenues at year end.

NOTE 15 - RELATED PARTY TRANSACTIONS

DC Ranch Community Council (the “Council”), DC Ranch Association (the “Ranch”) and DC Ranch Covenant Commission (the “Covenant”), comprise the principal components of the “Property” known as DC Ranch. During the course of the year, through a cost-sharing agreement described in Note 13 – Cost-Sharing Agreement for Management Fee, the Council recognized revenue and expense related to the cost-sharing agreement.

For the year ended December 31, 2025, the gross shared cost management fee revenue from the Ranch and the Covenant was $999,163 and the related shared-cost management fee was $442,703, a net revenue amount of $556,460 which is described in more detail in Note 13 - Cost-Sharing Agreement for Management Fee. For the year ended December 31, 2024, the gross shared cost management fee revenue from the Ranch and the Covenant was $1,095,522 and the related shared-cost management fee was $472,362, a net revenue amount of $623,160, which is described in more detail in Note 13 - Cost-Sharing Agreement for Management Fee.

The Council had receivable balances from the Ranch and the Covenant of $437,697 and $0, respectively, for the year ended December 31, 2025, and had receivable balances from the Ranch and the Covenant of $323,838 and $514, respectively, for the year ended December 31, 2024.

At December 31, 2025, the Council owed the Ranch $53,128 and the Covenant $26,732, and at December 31, 2024, the Council owed the Ranch $3,874.

NOTE 16 - DESERT CAMP SITE IMPROVEMENT PROJECT

The Council has renovated the Desert Camp Community Center (the “Community Center”) through the Desert Camp Site Improvement Project (DCSIP), which includes an expanded fitness center, a dedicated fitness studio, preservation of important viewpoints, and a resident gathering space. The total square footage of the Community Center increased from 7,362 square feet to 15,107 square feet. The Community Center opened in December 2024, but the project was not completed, and final costs were not billed until 2025. Total project costs were approximately $10.2 million and were funded through the Capital Fund with excess benefit fees. Costs expensed in the years ended December 31, 2025 and December 31, 2024, were $1,685,930 and $7,512,604, respectively.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The Council enters into various contracts for services. In general, contracts are for terms of one year or less and can be canceled by either party with 30-to-90-day notifications.

NOTE 18 - RESERVE FUND

The Council's governing documents require funds to be accumulated for future major repairs and replacements. At December 31, 2025 and 2024, funds accumulated for this purpose totaled $2,834,857 and $2,325,679. The funds are held in separate accounts and are generally not available for operating purposes.

In 2025, the Council engaged a firm to conduct a study to estimate the remaining useful lives and replacement costs of the common property components. The reserve study was completed in 2025 and is updated regularly. Funds are being accumulated in the reserve fund based on estimated future replacement costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed the Council may, with Board approval under certain conditions, increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

NOTE 19 - DEFINED-CONTRIBUTION RETIREMENT PLAN

Employees may participate in a 401(k) defined-contribution retirement plan after 90 days of employment. Under the plan, the Council makes matching contributions equal to 100% of employee elective deferrals up to 3% of compensation, plus 50% of employee elective deferrals exceeding 3% but not exceeding 5% of compensation. The maximum matching contribution is 4% of an employee's compensation when the employee contributes at least 5% of compensation. For the years ended December 31, 2025 and 2024, the Council made matching contributions to the plan of approximately $65,750 and $64,416, respectively.

DC RANCH COMMUNITY COUNCIL, INC.

REQUIRED SUPPLEMENTARY INFORMATION

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DC RANCH COMMUNITY COUNCIL, INC.
REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2025

In 2025, the Council engaged an independent firm to conduct a study to estimate the replacement costs of certain common property components. The study is updated by the Council's staff regularly. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated future replacement costs were determined by using an inflation rate of 3.5%.

The estimated fully funded balance is interpreted as having 100% of the funds needed at a given point in time, based on the actual life of the components compared to their estimated useful lives, not as having 100% of the replacement cost of all components.

The following table is based on this study and presents significant information about the components of common property.

Common Areas	Current Remaining Life (Years)	Estimated Current Replacement Cost	Estimated Fully Funded Balance	Reserve Fund Balance December 31, 2025
Desert Camp Community Center Components	0 to 39	$ 3,911,148	$ 1,309,453	$ Not Allocated
The Homestead Community Center Components	0 to 21	1,930,027	981,799	-
Lighting	5 to 29	285,850	117,253	-
Paths and Trails	0 to 20	155,000	95,000	-
Vehicles	7	70,000	8,105	-
Market Street Park	1 to 18	764,000	720,017	-
Administrative	0 to 8	408,380	212,046	-
Unallocated	N/A	-	-	2,834,857
Totals		$ 7,524,405	$ 3,443,673	$ 2,834,857

See independent auditor's report.