

HEARTWOOD RANCH HOMEOWNERS ASSOCIATION ANNUAL REPORT TO HOMEOWNERS

Date of report: 2/22/2023

In this document, the Heartwood Ranch Homeowners Association is referred to as HW-HOA. The electronic communication system is referred to as the HWChat (Specifically “[HW-BIZ]” chat). The HWChat and all team chats are accessible by subscription and are open to all Heartwood residents and owners.

| Required disclosures | Information disclosed |
|---|---|
| The date on which its fiscal year commences | HW-HOA commences its fiscal year on January 1 st . |
| Its operating budget for the current fiscal year | The operating budget for 2023 is posted on the Heartwood website as a PDF. It is also posted on the bulletin board in the common house. |
| A list, by unit type, of the association’s current assessments, including both regular and special assessments | The 2023 HW-HOA budget was posted 10/4/2022 to the HWChat, passed 10/17/2022 by posted decision, and was added to the 2022 Decision Log on the Heartwood website. List of both regular and special assessments is here: https://www.heartwoodcohousing.com/2022-decision-log.html |
| Its annual financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure | The annual financial statement for 2022 is posted to the Heartwood website as a PDF. It is also posted on the bulletin board in the common house. |
| The results of its most recent available financial audit or review | All cash is reconciled quarterly by bookkeeper, reviewed by CPA, with results posted by email to all homeowners. |
| A list of all association insurance policies, including, but not limited to, property, general liability, association director and officer professional liability, and fidelity policies. Such list shall include the company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies listed. | <p>Underwriters:</p> <p>Central Insurance Companies (419) 238-1010</p> <p>Continental Casualty Company and Harp Inc thru Mountain West Insurance (970)375-9600</p> <p>PMA Insurance (888)476-2669</p> <p>SiriusPoint Specialty Insurance Corp (888)355-4626</p> <p>A summary of all HW-HOA Insurance policies is included in this document on page 3.</p> |

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| All the association's bylaws, articles, and rules and regulations | The HW-HOA's bylaws, articles, rules, regulations and decisions are here: https://www.heartwoodcohousing.com/documents.html |
| The minutes of the executive board and member meetings for the fiscal year immediately preceding the current annual disclosure | All meeting minutes are posted to the HWChat. |
| The association's responsible governance policies adopted under section 38-33.3-209.5. These are responsible governance policies - due process for imposition of fines - procedure for collection of delinquent accounts | All HW-HOA governance policies, along with the Covenants, can be found here: https://www.heartwoodcohousing.com/documents.html |

| HW-HOA INSURANCE POLICIES | | | | | | | |
|----------------------------------|---|--|--|--|---|---|--|
| | Commercial Property Coverage | Commercial General Liability Coverage | Inland Marine Equipment Coverage | Directors & Officers (D&O) Professional Liability | Umbrella Liability Coverage | Workers Compensation (refer to doc on next page for why we need) | Crime |
| Company Name | Central Insurance | Central Insurance | Central Insurance | Continental Casualty Company | SiriusPoint Specialty Insurance Corp | PMA Companies | Continental Casualty Company |
| Policy Limits | See policy for individual structure detail | See policy for limit detail | \$67,500 | \$1,000,000 | \$5,000,000 | \$1,000,000 | \$1,000,000 |
| Annual Policy Deductible | \$2,500 per covered structure | | \$500 | \$1,000 | N/A | N/A | \$250 - \$1K |
| First Name Insured | HW-HOA | HW-HOA | HW-HOA | HW-HOA | HW-HOA | HW-HOA | HW-HOA |
| Additional Names Insured | None | None | None | None | None | None | None |
| Effective Date | 8/25/2022 – all policies | | | | | | |
| Expiration Date | 8/24/2023 – all policies | | | | | | |
| General Coverage Notes | Covers all HOA structures (carport buildings, pump house, CH, etc.) | Covers bodily injury, personal injury, and property damage caused by the HOA's operations, products, or injury that occurs on the HOA's premises | Covers Kubota tractor, UTV, workshop tools, solar panels | Covers decisions & actions of HOA officers (Steering Team and Treasurer) | Provides extra Liability coverage to help pay costs that exceed the Gen. Liab. limits | Workers Compensation to cover the HOA for contractors and those seen as employees | Provides extra coverage for Employee / Contractor Dishonesty, forgery, theft, disappearance, destruction, computer and wire transfer fraud |

WORKERS COMPENSATION But, We Don't Have Any Employees!

In addition to your association master policy, we have included a Workers Compensation and Employers Liability quotation. This insurance would cover Colorado mandated medical and income benefits for employees who become injured or sick as a consequence of their employment. The estimated annual premium for this one year policy is \$300 to \$500. This is the minimum premium and is based on your having no employees as of the policy commencement date. Unless you have employees during the policy period, it will be your final, total premium.

Even though you have no employees, currently, and do not anticipate hiring any, you still need this important coverage. Here are the two principal reasons for that and the answers to frequently asked questions.

Reason #1: Employees of Independent Contractors

- **Isn't the contractor responsible for its own employees?** Normally, independent contractors with employees are required, by State law, to maintain Workers Compensation insurance. However, when a contractor fails to maintain the required insurance, a sick or injured employee may -- and often does -- recover direct from the association...even though he or she is not an association employee.
- **Doesn't a certificate of insurance protect us?** Obtaining a certificate of insurance from each contractor, indicating the existence of Workers Compensation insurance, is a sound measure. However, all it means is that the required coverage is in force on a particular date. It provides no guarantee that coverage will remain in force.
- **If coverage lapses, doesn't the contractor's insurer notify us?** Most certificates of insurance impose a "best efforts" or "reasonable efforts" standard on the insurer regarding the notification of certificate holders. This does not guarantee timely notification.
- **Isn't a hold-harmless agreement from the contractor effective?** Obtaining a properly drafted, enforceable hold-harmless agreement from each contractor can be an effective measure and one we recommend. Under this type of agreement, the contractor guarantees to insulate your association from liability for the injuries and illnesses of its employees. However, an agreement is only as good as the contractor's solvency. If the contractor is not financially up to its legal obligations, its agreements are worthless.
- **Can a contractor drop its insurance and rely on ours?** Anyone who is legally required to maintain Workers Compensation insurance, and fails to do so, is subject to the fines and other penalties prescribed by the District of Columbia Workers Compensation statute. These penalties are intended to be far more burdensome than simple compliance. A prudent and financially sound contractor is unlikely to risk noncompliance. However, financial distress and simple oversight are frequent causes of noncompliance. Even many contractors who are insured attempt to treat some of their employees as independent contractors. This common practice, intended to save on Workers Compensation insurance costs, is virtually impossible for you to detect.

Reason #2: Part-time, Casual, Seasonal and Unanticipated Employees

- **Are all employees covered by Workers Compensation?** The *State of Colorado* Workers Compensation statute determines the scope and application of its benefits. This is usually based on some combination of number of employees, number of hours an employee works each week and types or categories of employment. Each State's statute is unique and only an examination of your statute can provide this information.
- **Is it possible to have an employee and not know it?** A person performing services for you may or may not be an employee for Workers Compensation purposes. What appears to be an independent contractor relationship -- and which may indeed be one for all other purposes -- could be an employment relationship where Workers Compensation is concerned. Aside from any other considerations, courts and Workers Compensation commissions lean toward an employment relationship whenever the person in question is otherwise uninsured.
- **Who can tell us when we need Workers Compensation?** Your insurance or legal advisor can help you with your Workers Compensation requirements. The chief source of information is District of Columbia's Workers Compensation statute. In addition to a plain reading of the statute, there is undoubtedly case law, which has provided interpretations of the statute when necessary.

The only certainty of full compliance with Workers Compensation requirements and the protection of your community's financial resources is this inexpensive coverage. Without it, some degree of unnecessary risk persists. With it, you avoid a potentially severe loss, a possible assessment needed to pay it and the punitive aspects of noncompliance.