

**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE**  
**HOMEOWNERS ASSOCIATION**

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

FOR THE YEAR  
ENDED DECEMBER 31, 2016

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## Independent Auditor's Report

To the Board of Directors  
C.D.S. Homeowners Association, Inc.  
D/B/A Yosemite Village Homeowners Association  
Denver, Colorado

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of C.D.S. Homeowners Association, Inc. D/B/A Yosemite Village Homeowners Association which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C.D.S. Homeowners Association, Inc. D/B/A Yosemite Village Homeowners Association as of December 31, 2016, 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.

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

Accounting principles generally accepted in the United States of America require that the schedule of "Future Major Repairs and Replacements" on pages 10 and 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Olson, Reyes & Sauerwein, LLC*

Denver, Colorado  
August 1, 2017

**C.D.S Homeowners Association, Inc.**  
**D/B/A Yosemite Village Homeowners Association**  
**Balance Sheet**  
**December 31, 2016**

**Assets**

	Operating Fund	Replacement Reserve Fund	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 4,907	\$ 169,171	\$ 174,078
Assessments receivable, net of allowance of \$26,500	4,353	-	4,353
Special assessment receivable	9,751	-	9,751
Total current assets	<u>19,011</u>	<u>169,171</u>	<u>188,182</u>
<b>Other assets</b>			
Deposits	<u>500</u>	<u>-</u>	<u>500</u>
Total assets	<u>\$ 19,511</u>	<u>\$ 169,171</u>	<u>\$ 188,682</u>

**Liabilities and Fund Balances**

<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 31,960	-	31,960
Deferred assessments	<u>12,329</u>	<u>-</u>	<u>12,329</u>
Total current liabilities	44,289	-	44,289
Fund balances (deficit)	<u>(24,778)</u>	<u>169,171</u>	<u>144,393</u>
Total liabilities and fund balances	<u>\$ 19,511</u>	<u>\$ 169,171</u>	<u>\$ 188,682</u>

**C.D.S Homeowners Association, Inc.**  
**D/B/A Yosemite Village Homeowners Association**  
**Statement of Revenues and Expenses**  
**For the Year Ended December 31, 2016**

	Operating Fund	Replacement Reserve Fund	Total
Revenues:			
Member assessments	\$ 330,000	\$ -	\$ 330,000
Interest	-	856	856
Special assessment income	50,000	-	50,000
Board approved transfers to reserve fund	(160,990)	160,990	-
Late fees and other income	7,003	-	7,003
<b>Total revenues</b>	<b>226,013</b>	<b>161,846</b>	<b>387,858</b>
Expenses:			
Buildings and maintenance	49,006	-	49,006
Insurance	44,972	-	44,972
Utilities	61,337	-	61,337
Trash removal	13,971	-	13,971
Management fee	19,772	-	19,772
Landscaping	34,586	-	34,586
Snow removal	7,430	-	7,430
Professional fees	5,698	-	5,698
Administrative	10,065	-	10,065
Bad debts	13,485	-	13,485
Repairs and replacements	-	228,855	228,855
<b>Total expenses</b>	<b>260,321</b>	<b>228,855</b>	<b>489,176</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>(34,308)</b>	<b>(67,010)</b>	<b>(101,318)</b>

**C.D.S Homeowners Association, Inc.**  
**D/B/A Yosemite Village Homeowners Association**  
**Statement of Changes in Fund Balances**  
**For the Year Ended December 31, 2016**

	Operating Fund	Replacement Reserve Fund	Total
Fund balance, beginning of year	\$ 9,530	\$ 236,181	\$ 245,711
Excess (deficit) of revenues over expenses	<u>(34,308)</u>	<u>(67,010)</u>	<u>(101,318)</u>
Fund balance (deficit), end of year	<u>\$ (24,778)</u>	<u>\$ 169,171</u>	<u>\$ 144,393</u>

**C.D.S Homeowners Association, Inc.**  
**D/B/A Yosemite Village Homeowners Association**  
**Statement of Cash Flows**  
**For the Year Ended Decemberr 31, 2016**

	Operating Fund	Replacement Reserve Fund	Total
Cash flows from operating activities:			
Excess (deficit) of revenues over expenses	\$ (34,308)	\$ (67,010)	\$ (101,318)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:			
Bad debt	13,485	-	13,485
(Increase) decrease in :			
Assessments receivable	(18,830)	-	(18,830)
Interfund receivable/payable	(1,240)	1,240	-
Increase (decrease) in:			
Accounts payable and accrued expenses	20,086	-	20,086
Deferred assessments	(10,769)	-	(10,769)
Net cash (used by) operations	(31,576)	(65,770)	(97,346)
Net (decrease) in cash	(31,576)	(65,770)	(97,346)
Cash and cash equivalents at beginning of period	36,483	234,941	271,424
Cash and cash equivalents at end of period	<u>\$ 4,907</u>	<u>\$ 169,171</u>	<u>\$ 174,078</u>
<u>Supplemental disclosures of cash flow information</u>			
Cash paid during the year for:			
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 Summary of Significant Accounting Policies**

C.D.S. Homeowners Association, Inc. D/B/A Yosemite Village Homeowners Association (the “Association”) was incorporated in November of 1975, in the State of Colorado, to administer the operation and management of common areas. The Association consists of 100 residential units, located in Arapahoe County, Colorado.

The Association is charged with the responsibility for the care, maintenance, and preservation of the unit exteriors and common areas as well as promoting the health, safety and welfare of the residents within the jurisdiction of the Association.

Fund accounting on accrual basis

The Association’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 Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association and recurring maintenance costs of the property.

Replacement Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less.

Prepaid expenses

The Association may acquire items such as insurance on an annual basis. Amounts not applicable to the current operating period are recorded as prepaid and expensed in the appropriate accounting period.

Property and equipment

Common area property, which was conveyed by the developer to the Association, is carried at no value in the financial statements. In accordance with accounting rules established by the American Institute of Certified Public Accountants in its “Audits of Common Interest Realty Associations”, the Association’s policy is not to capitalize common area assets unless they are (1) separately disposable or (2) used to generate significant revenues on the basis of usage. Improvements to these assets are expensed as incurred.

Interfund transfers

At various times, the Operating Fund and Replacement Reserve Fund may not have completed the cash transfers required under accrual accounting. Cash held for transfer to or from one fund to the other fund, if any, is shown as due from one fund to the other.

**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**Note 1 Summary of Significant Accounting Policies (continued)**

Deferred assessments

The Association recognizes revenues as dues are assessed. Amounts received prior to the date of assessment are classified as deferred assessments. Deferred assessments amounted to \$12,329 at December 31, 2016.

Member assessments

Assessments by the Association are set by the Board of Directors on an annual basis and are payable monthly. Assessments are a legal obligation of the owners, and generally are regarded as secondary only to any first mortgage on the unit. Legal fees incurred in collection of assessments and late fees charged are included in the assessment receivable. The board has elected to establish a reserve for uncollectible assessments receivable from the owners in the amount of \$26,500 at December 31, 2016. Assessments receivable are shown net of the allowance for uncollectible assessments on the face of the balance sheet.

Concentration of credit risk

As of December 31, 2016, the Associations cash and temporary cash investments consisted of interest bearing accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, the Association had no uninsured cash balances. The receivables at the balance sheet date represent fees due from homeowners. The Association's accounts receivable and are subject to minimal risk.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Association to make accounting estimates that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Subsequent events

Management has evaluated subsequent events existing in the Association's financial statements through the date of the auditors' report which is the date the financial statements were available for issue. Management has determined that there were no material subsequent events that would require recognition or additional disclosure in the Association's financial statements through this date.

**Note 2 Income Taxes**

The Association qualifies as a tax-exempt homeowners' association in accordance with Internal Revenue Service Code Section 528. Under that section, the Association excludes from taxation income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the Federal government and 4.63% by the State of Colorado.

**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**

**Note 2 Income Taxes (continued)**

Management evaluates its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing liabilities in the financial statements. Recognition of tax benefits of an uncertain tax position is required only when the position is “more likely than not” to be sustained assuming examination by taxing authorities. At December 31, 2016, the Association has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

The Association files income tax returns in the U.S. federal jurisdiction and the State of Colorado. No tax returns are currently under examination. The statute of limitations on the Association’s tax returns remains open for the years ended December 31, 2013 through December 31, 2016. The Association is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

The Association had no federal or state income tax liabilities for the year ended December 31, 2016.

**Note 3 Legal Actions**

From time to time the Association may become involved in various litigation matters involving ordinary and routine claims incidental to homeowner associations. A significant portion of these matters involve the collection of delinquent assessments and covenant compliance wherein the Association is the plaintiff. Management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Association’s financial condition.

**Note 4 Replacement Reserve Funds**

The Association’s governing documents require that funds be accumulated for future repairs and replacements. Accumulated funds are held in separate accounts and generally are not available for operating purposes.

The Association contracted Association Reserves, an independent engineer, to conduct a reserve study in October of 2015, to estimate the remaining useful lives of the components of common property. The table included in the unaudited supplementary information of Future Major Repairs and Replacements is based on the study. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements.

If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION**  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

**Note 5 Replacement Projects**

The Board of Directors plans the Replacement Funds expenditures each year depending on the reserve study and the owners' reports of physical conditions. During the year covered the following projects were undertaken and completed by the Replacement Reserve Fund:

Project Description:	
Siding	\$ 35,908
Roofing	93,021
Painting	95,351
Fencing	3,000
Ground Maintenance	1,575
Total	\$ 228,855

**Note 6 Special Assessment**

In 2015 and 2016 the Association levied special assessments to finance painting and siding of the Association buildings. The total special assessment was \$1,500 per unit of which \$1,000 per unit was assessed in 2015 and \$500 per unit was assessed in 2016.

**Note 7 Related Party Transactions**

The Association engaged the services of an active member of the Association's Board who is also an owner of a residential unit. Total compensation paid for maintenance related services for the year ended December 31, 2016 was \$15,508 of which \$3,475 is payable as of December 31, 2016. The related party transactions were consummated on terms equivalent to those that prevail in arm's length transactions.

**C.D.S. HOMEOWNERS ASSOCIATION, INC.  
D/B/A  
YOSEMITE VILLAGE  
HOMEOWNERS ASSOCIATION**

**SUPPLEMENTARY INFORMATION**

**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION**  
**FUTURE MAJOR REPAIRS AND REPLACEMENTS**

December 31, 2016

(UNAUDITED)

The Association contracted Association Reserves to conduct a study in October 2015, to estimate the remaining useful lives and the replacement cost of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives assuming an inflation rate of 3%.

The following information assumes all prior year repairs and replacements suggested by the reserve study have been completed and presents significant information about the components of common property:

Components	Expected Useful Life (Years)	Remaining Useful Life	Next Expected Replacement Year	Next Estimated Replacement Cost
Concrete Sidewalks - Repair	5	3	2020	\$ 11,255
Concrete Swales - Repair	15	7	2024	8,867
Asphalt - Seal and Repair	4	4	2020	19,134
Asphalt - Mill & Overlay	25	7	2024	273,622
Asphalt - Crack Fill/Repair	1	0	2017	1,545
Fencing: Metal - Repair/Paint	5	1	2018	6,365
Fencing: Metal - Replace	30	26	2043	102,179
Fencing: Patio Wood - Replace	1	0	2017	15,450
Fencing: Perimeter Wood	20	9	2026	94,074
Carport Roof/Dwnspt-Replace (Ph 1)	20	20	2036	198,672
Carport Roof/Dwnspt-Replace (Ph 2)	20	0	2017	113,300
Carport Roof/Dwnspt-Replace (Ph 3)	20	1	2018	106,090
Carports - Repair	8	2	2019	13,113
Retaining Walls - Repair	5	3	2020	11,255
Mailboxes - Replace	20	9	2025	13,048
Sign/Monument - Refurbish/Replace	20	18	2035	26,303
Pole Lights - Replace	20	4	2021	128,679
Trees - Trim/Remove	3	1	2018	10,609
Landscaping - Refurbish	20	18	2036	43,838
Common Area Stairs - Repair	10	5	2022	14,329
Building Exterior - Seal/Paint	8	8	2024	174,181
Building Siding - Large Repairs	8	8	2024	101,342
Building Siding - Small Repairs	8	8	2020	5,628
Roof: Low Slope - Replace (2004)	20	7	2024	114,009
Roof: Low Slope - Replace (2007)	20	10	2027	39,451
Roof: Low Slope - Replace (2008)	20	11	2028	40,634

**C.D.S. HOMEOWNERS ASSOCIATION, INC.**  
**D/B/A YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION**  
**FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)**

December 31, 2016

(UNAUDITED)

<u>Components</u>	<u>Expected Useful Life (Years)</u>	<u>Useful Life</u>	<u>Next Expected Replacement Year</u>	<u>Next Estimated Replacement Cost</u>
Roof: Low Slope - Replace (2015)	20	18	2035	157,816
Roof: Low Slope - Replace (2016)	20	20	2036	162,550
Roof: Low Slope - Replace (2017)	20	0	2017	92,700
Roof: Low Slope - Replace (2018)	20	1	2018	95,481
Roof: Low Slope - Replace (2019)	20	2	2019	124,571
Roof: Low Slope - Replace (2020)	20	3	2020	128,308
Irrigation Lines - Contingency	10	8	2025	65,239
Backflow Devices - Replace	2	0	2017	2,060
				<u>\$ 2,515,697</u>