

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA YOSEMITE VILLAGE HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS

with

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

and

SUPPLEMENTARY INFORMATION

December 31, 2018

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

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TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY



KENT BEICHLER, CPA

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors and Members of the:  
C.D.S. Homeowners Association, Inc.  
DBA Yosemite Village Homeowners Association

I have audited the accompanying financial statements of the C.D.S. Homeowners Association, Inc. DBA Yosemite Village Homeowners Association, which comprise the balance sheet as of December 31, 2018, 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

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## KENT BEICHLE, CPA

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the C.D.S. Homeowners Association, Inc. DBA Yosemite Village Homeowners Association as of December 31, 2018, 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.

### *Report on Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in the Schedule of Operating Fund Revenues and Expenses - Budget and Actual on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "compiled" on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Accounting principles generally accepted in the United States of America require that the supplementary information about future major repairs and replacements on page 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

January 16, 2020

PRELIMINARY AND TENTATIVE  
FOR DISCUSSION PURPOSES ONLY

SUNRISE RIDGE MASTER ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

BALANCE SHEET

December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 19,722	\$133,011	\$152,733
Assessments receivable, net of allowance for doubtful accounts of \$14,000	8,441	-	8,441
Prepaid expenses	<u>10,769</u>	<u>-</u>	<u>10,769</u>
 TOTAL ASSETS	 <u>\$ 38,932</u>	 <u>\$133,011</u>	 <u>\$171,943</u>

LIABILITIES AND FUND BALANCES

Current Liabilities:			
Accounts payable	\$ 4,425	\$ -	\$ 4,425
Prepaid assessments	<u>14,015</u>	<u>-</u>	<u>14,015</u>
 TOTAL LIABILITIES	 18,440	 -	 18,440
Contingency (Note 4)	-	-	-
Fund balances	<u>20,492</u>	<u>133,011</u>	<u>153,503</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 38,932</u>	 <u>\$133,011</u>	 <u>\$171,943</u>

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

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Member assessments (Note 3)	\$254,000	\$136,000	\$390,000
Late fees and other	4,130	-	4,130
Interest income	<u>21</u>	<u>415</u>	<u>436</u>
Total Revenues	<u>258,151</u>	<u>136,415</u>	<u>394,566</u>
<b>Expenses:</b>			
Bad debts	5,529	-	5,529
Water and sewer	61,501	-	61,501
Management	21,000	-	21,000
Administrative	5,334	-	5,334
Insurance	49,433	-	49,433
Building maintenance	7,788	-	7,788
Legal and accounting	4,590	-	4,590
Landscape contract	26,860	-	26,860
Sprinkler repairs	8,504	-	8,504
Electric	6,241	-	6,241
Trash removal	14,150	-	14,150
Miscellaneous landscape	8,876	-	8,876
Mailboxes	-	17,842	17,842
Snow removal	6,157	-	6,157
Lighting	2,631	3,965	6,596
Fences	5,080	8,314	13,394
Roofs	<u>9,261</u>	<u>110,556</u>	<u>119,817</u>
Total Expenses	<u>242,935</u>	<u>140,677</u>	<u>383,612</u>
Excess of Revenues Over Expenses	15,216	(4,262)	10,954
Fund Balance - Beginning of Period	<u>5,276</u>	<u>137,273</u>	<u>142,549</u>
Fund Balance - End of Period	<u>\$ 20,492</u>	<u>\$133,011</u>	<u>\$153,503</u>

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

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess of revenues over expenses	\$ <u>15,216</u>	\$ <u>(4,262)</u>	\$ <u>10,954</u>
Adjustment to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:			
Increase in receivables	(4,089)	-	(4,089)
Decrease in accounts payable	(6,885)	(10,947)	(17,832)
Decrease in prepaid assessments	(1,133)	-	(1,133)
Increase in prepaid expenses	<u>(10,769)</u>	<u>-</u>	<u>(10,769)</u>
	<u>(22,876)</u>	<u>(10,947)</u>	<u>(33,823)</u>
Net cash provided (used) by operating activities	(7,660)	(15,209)	(22,869)
Cash Balance - Beginning of Period	<u>27,382</u>	<u>148,220</u>	<u>175,602</u>
Cash Balance - End of Period	\$ <u>19,722</u>	\$ <u>133,011</u>	\$ <u>152,733</u>

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

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(1) Nature of Organization

The C.D.S. Homeowners Association, Inc. DBA Yosemite Village Homeowners Association was incorporated in the State of Colorado in November, 1975. The Association is responsible for the operation and maintenance of the common property of the C.D.S. Homeowners Association, Inc. DBA Yosemite Village Homeowners Association. The Association consists of 100 residential units located in Arapahoe County, Colorado.

(2) Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 16, 2020, the date that the financial statements were available to be issued.

(3) Summary of Significant Accounting Policies

Fund Accounting

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 purposes.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

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

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years. For the year ended December 31, 2018, monthly assessments were \$325 per unit with \$113.33 per month transferred to the replacement fund.



C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2018

(3) Summary of Significant Accounting Policies, Continued

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 and 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. At December 31, 2018, property not capitalized consists of fences, streets, sidewalks and greenbelts. According to the Association's governing documents, unit owners must approve dispositions of any common real property. Property and equipment acquired by the Association are recorded at cost.

(4) Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$133,011 at December 31, 2018, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund.

Association Reserves conducted a study in October, 2015 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 current replacement costs, considering amounts previously designated for future repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements 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 regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2018

(5) Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2018. Under that Section, the Association is not taxed on 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 at 4.63% by the State of Colorado. The Association had no taxable income for the year ended December 31, 2018.

The Association has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for the year ended December 31, 2018. The Association evaluates its uncertain tax positions using the provisions of FASB Statement No. 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized.

NEGATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

SUPPLEMENTARY INFORMATION

CONFIDENTIAL AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

SCHEDULE 1 - SCHEDULE OF OPERATING FUNDS REVENUES AND EXPENSES -  
BUDGET AND ACTUAL

For the Year Ended December 31, 2018

	<u>Actual</u>	<u>Compiled Budget</u>	<u>Difference</u>
<b>Revenues:</b>			
Regular assessments	\$254,000	\$254,000	\$ -
Late fees and other	<u>4,151</u>	<u>1,725</u>	<u>2,426</u>
Total Revenues	<u>258,151</u>	<u>255,725</u>	<u>2,426</u>
<b>Expenses:</b>			
Office and administrative Management	5,334	3,950	(1,384)
Utilities	21,000	21,000	-
Insurance	6,241	6,500	259
Water and sewer	49,433	51,000	1,567
Sprinkler system repairs	61,501	56,000	(5,501)
Landscape contract	8,504	4,500	(4,004)
Building maintenance	26,860	30,000	3,140
Legal and accounting	7,788	10,800	3,012
Miscellaneous landscape	4,590	5,300	710
Trash removal	8,876	16,500	7,624
Snow removal	14,150	15,000	850
Lighting	6,157	16,000	9,843
Fences	2,631	1,000	(1,631)
Roofs	5,080	4,700	(380)
Bad debts	9,261	12,500	3,239
Total Expenses	<u>5,529</u>	<u>975</u>	<u>(4,554)</u>
	<u>242,935</u>	<u>255,725</u>	<u>12,790</u>
Excess of Revenues Over Expenses	<u>\$ 15,216</u>	<u>\$ -</u>	<u>\$ 15,216</u>

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY

C.D.S. HOMEOWNERS ASSOCIATION, INC.  
DBA Yosemite Village Homeowners Association

SCHEDULE 2 - SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
AND REPLACEMENTS (COMPILED)

December 31, 2018

Association Reserves conducted a study in October, 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the time of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>
Concrete	4-8 years	\$ 17,000
Fences	1-27 years	137,000
Asphalt	1-8 years	234,500
Carports	1-5 years	340,000
Exteriors	1-4 years	222,500
Roofs	1-19 years	735,000
Pole lights	5 years	111,000
Irrigation	1-9 years	52,000
Other	2-19 years	<u>81,000</u>
		<u>\$1,930,000</u>

TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY