

**ARBORS AT MOUNTAIN SHADOWS  
CONDOMINIUM OWNERS ASSOCIATION, INC.**

**Financial Statements  
For the Year Ended December 31, 2014**



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Arbors at Mountain Shadows Condominium Owners Association, Inc.  
Colorado Springs, Colorado

We have reviewed the accompanying balance sheet of Arbors at Mountain Shadows Condominium Owners Association, Inc. as of December 31, 2014, and the related statements of revenue, expenses, and changes in fund balances, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Association has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

*Waugh & Goodwin, LLP*  
Colorado Springs, Colorado  
January 19, 2015

ARBORS AT MOUNTAIN SHADOWS CONDOMINIUM OWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2014

(See Independent Accountants' Review Report)

ASSETS

	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 74,521	\$ 176,524	\$ 251,045
Assessments receivable	1,086		1,086
Prepaid insurance	4,294		4,294
TOTAL ASSETS	<u>\$ 79,901</u>	<u>\$ 176,524</u>	<u>\$ 256,425</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:			
Accounts payable	\$ 3,879	\$	\$ 3,879
Assessments received in advance	6,908		6,908
Current portion of deferred contract revenue	<u>1,400</u>		<u>1,400</u>
Total current liabilities	12,187		12,187
DEFERRED CONTRACT REVENUE	<u>10,967</u>		<u>10,967</u>
Total liabilities	23,154		23,154
FUND BALANCES	<u>56,747</u>	<u>176,524</u>	<u>233,271</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 79,901</u>	<u>\$ 176,524</u>	<u>\$ 256,425</u>

See Notes to Financial Statements

ARBORS AT MOUNTAIN SHADOWS CONDOMINIUM OWNERS ASSOCIATION, INC.  
Statement of Revenue, Expenses, and Changes in Fund Balances  
For the Year Ended December 31, 2014  
(See Independent Accountants' Review Report)

	Operating Fund	Replacement Reserve Fund	Total
REVENUE:			
Homeowner assessments	\$ 251,425	\$ 39,167	\$ 290,592
Contract income	1,633		1,633
Fines & late charges	1,505		1,505
Interest income	27	47	74
Clubhouse income	30		30
Total revenue	<u>254,620</u>	<u>39,214</u>	<u>293,834</u>
EXPENSES:			
Insurance	32,598		32,598
Fire hydrant/control system	31,779		31,779
Grounds contract	30,537		30,537
Water & sewer	28,312		28,312
Management fees	24,000		24,000
Miscellaneous grounds maintenance	22,271		22,271
Electricity	16,579		16,579
Clubhouse	15,692		15,692
Landscape repair	11,549		11,549
Snow removal	10,988		10,988
Accounting	10,142		10,142
Pool	8,907		8,907
Trash removal	8,775		8,775
Administration	5,166		5,166
Asphalt	6,403		6,403
Legal fees	6,112		6,112
General supplies & repairs	5,885		5,885
Natural gas	4,743		4,743
Roof repair	4,650		4,650
Irrigation	3,658		3,658
Animal waste removal	3,490		3,490
Stucco repair	2,600		2,600
Street maintenance	1,115		1,115
Security/intercom	1,006		1,006
Janitorial	921		921
Bad debts	732		732
Miscellaneous building maintenance	615		615
Total expenses	<u>299,225</u>		<u>299,225</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	(44,605)	39,214	(5,391)
FUND BALANCES, beginning of year	<u>101,352</u>	<u>137,310</u>	<u>238,662</u>
FUND BALANCES, end of year	<u>\$ 56,747</u>	<u>\$ 176,524</u>	<u>\$ 233,271</u>

See Notes to Financial Statements

## ARBORS AT MOUNTAIN SHADOWS CONDOMINIUM OWNERS ASSOCIATION, INC.

## Statement of Cash Flows

For the Year Ended December 31, 2014

(See Independent Accountants' Review Report)

	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenue over (under) expenses	\$ (44,605)	\$ 39,214	\$ (5,391)
Adjustments to reconcile excess of revenue over (under) expenses to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Decrease in assessments receivable	2,441		2,441
Decrease in accounts payable	(106)		(106)
Decrease in assessments received in advance	(1,675)		(1,675)
Increase in deferred revenue contract	<u>12,367</u>		<u>12,367</u>
Total adjustments	<u>13,027</u>		<u>13,027</u>
Net cash provided (used) by operating activities	<u>(31,578)</u>	<u>39,214</u>	<u>7,636</u>
NET INCREASE (DECREASE) IN CASH	(31,578)	39,214	7,636
CASH AND CASH EQUIVALENTS, beginning of year	<u>106,099</u>	<u>137,310</u>	<u>243,409</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 74,521</u>	<u>\$ 176,524</u>	<u>\$ 251,045</u>

See Notes to Financial Statements

ARBORS AT MOUNTAIN SHADOWS CONDOMINIUM OWNER ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2014

(See Independent Accountants' Review Report)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Association was incorporated in 1992 as a Colorado nonprofit corporation to provide for the maintenance, preservation and architectural control of the Common Area and to promote the recreation, health, safety, and welfare of the residents within the Association, pursuant to the Condominium Declaration for Arbors at Mountain Shadows Condominium Owners Association, Inc. The development consists of 140 residential units located in Colorado Springs, Colorado.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting. Financial resources are classified for accounting purposes into two funds. The operating fund is used to account for the general operations of the Association. The replacement reserve fund is used to accumulate monies designated for future major repairs and replacements.

Income Tax

The Association has elected to be taxed as a homeowner association under Internal Revenue Code Section 528. 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 the Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed by the federal government and by the State of Colorado.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2012 to 2014 remain open to examination by the Internal Revenue Service; Colorado income tax returns for 2011 to 2014 are open to examination. The Association believes it does not have any uncertain tax positions that are material to the financial statements.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

#### Supplemental Cash Flow Disclosures

For purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits and short-term investments with an initial maturity of three months or less.

During the year ended December 31, 2014, the Association did not pay any income taxes or interest.

#### Assessments Receivable

Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with owners having outstanding balances, it has concluded that any losses on balances outstanding at December 31, 2014 will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

#### Property

Real property and common areas acquired by the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. According to the Association's governing documents, the common elements shall remain undivided and shall not be subject to participation.

#### Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 19, 2015, the date that the financial statements were available to be issued.

## Notes to Financial Statements

### B. RELATED PARTY TRANSACTIONS

The Association's Board President also serves as the property manager for the Association. During 2014, she was paid \$24,000 in compensation as property manager.

### C. DEFERRED CONTRACT REVENUE

During the year ended December 31, 2013, the Association entered into a ten year Services Agreement with Comcast of Colorado, LLC, granting Comcast the right to provide its services to the premises. Comcast agreed to pay the Association a fee of \$14,000 in exchange for these rights. The Association is recognizing this fee over the ten year life of the Services Agreement.

For the year ended December 31, 2014, the Association recognized \$1,633 of contract revenue.

### D. REPLACEMENT RESERVE FUNDS

Article XI, Section 11.3 J. of the Declaration states that the annual assessment set by a vote if the members shall include amounts for the creation of reasonable reserves for the periodic replacement, repair and maintenance of the common area and buildings.

The Association has allocated amounts from owners' monthly maintenance assessments to the reserve replacement fund. The replacement reserve funds have been segregated from the Association's operating fund.

### E. FUTURE MAJOR REPAIRS AND REPLACEMENTS

As of December 31, 2014, the Association has not conducted a reserve analysis to determine the remaining useful lives of the components of common property and current estimates of costs for major repairs and replacements which may be required in the future.

The Board is funding for future major repairs and replacements over the remaining useful lives of the components. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement reserve 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 or pass special assessments.