

**ROCKY MOUNTAIN VILLAGE ESTATES
CONDOMINIUM ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITOR'S REPORT

For The Year Ended December 31, 2020

Independent Auditor's Report

To the Board of Directors of
Rocky Mountain Village Estates Condominium Association

Opinion

We have audited the accompanying financial statements of Rocky Mountain Village Estates Condominium Association, which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances and of 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 Rocky Mountain Village Estates Condominium Association as of December 31, 2020, 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.

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 the Association and to meet our ethical responsibilities in accordance with 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.

Management's Responsibility for the Financial Statements

The Association's Board of Directors and its designated agents comprise "Management" of the Association. 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 the Association'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 Responsibility 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibility for the Audit of the Financial Statements, continued

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 the Association'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 the Association'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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements located after the footnotes in this report 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, which 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 thereon.

Weidner & Associates, P.C.

Certified Public Accountants
Denver, Colorado
September 1, 2021

Rocky Mountain Village Estates Condominium Association
Balance Sheet
December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$57,174	\$112,431	\$169,605
Certificates of deposit and other fixed income securities		402,964	402,964
Petty cash	844		844
Total cash	<u>58,018</u>	<u>515,395</u>	<u>573,413</u>
Accrued interest		1,384	1,384
Accounts receivable - members	422		422
Furniture and equipment, less accumulated depreciation of \$6,151 (Note 2)	0	852	852
Interfund receivable (payable) (Note 4)	<u>(24,343)</u>	<u>24,343</u>	<u>0</u>
Total assets	<u>\$34,097</u>	<u>\$541,974</u>	<u>\$576,071</u>
LIABILITIES AND FUND BALANCES:			
Accounts payable	\$39,643		\$39,643
Income taxes payable	1,165		1,165
Payroll tax liabilities	4,269		4,269
Deferred revenue - prepaid assessments	<u>7,523</u>		<u>7,523</u>
Total liabilities	52,600	0	52,600
Fund balances	<u>(18,503)</u>	<u>541,974</u>	<u>523,471</u>
Total liabilities and fund balances	<u>\$34,097</u>	<u>\$541,974</u>	<u>\$576,071</u>

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

Rocky Mountain Village Estates Condominium Association
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$665,091		\$665,091
Allocation of assessments to replacement fund (Note 4)	(150,960)	\$150,960	0
Guest suite income	6,875		6,875
Late fees and other member charges	1,375		1,375
Other income	986		986
Interest		8,529	8,529
Total revenues	<u>523,367</u>	<u>159,489</u>	<u>682,856</u>
EXPENSES:			
Administrative			
Insurance	\$62,499		\$62,499
Legal and audit	16,021		16,021
Other administrative	19,998	\$568	20,566
Building			
Fire protection	20,890	28,225	49,115
Gutters		29,284	29,284
Tile flooring		29,007	29,007
Plumbing repairs	4,987	16,086	21,073
Heating systems	10,050	1,770	11,820
Other building	39,118		39,118
Grounds			
Snow removal	6,650		6,650
Other grounds	6,693	1,725	8,418
Recreation facility			
	450		450
Utilities			
Water and sewer	93,640		93,640
Gas and electric	44,661		44,661
Cable TV	42,975		42,975
Trash removal	7,769		7,769
Payroll			
Wages, taxes, benefits	158,267		158,267
Workers comp insurance	4,058		4,058
Total expenses	<u>538,726</u>	<u>106,665</u>	<u>645,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(15,359)	52,824	37,465
Fund balances - beginning of year	(3,144)	489,150	486,006
FUND BALANCES - END OF YEAR	<u>(\$18,503)</u>	<u>\$541,974</u>	<u>\$523,471</u>

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

Rocky Mountain Village Estates Condominium Association
Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	(\$15,359)	\$52,824	\$37,465
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
Depreciation - does not use cash		568	568
(Increase) decrease in accounts receivable	(393)		(393)
Increase (decrease) in accounts payable	21,411	(49,750)	(28,339)
Increase (decrease) in income taxes payable	(1,134)		(1,134)
Increase (decrease) in prepaid assessments	(4,038)		(4,038)
Net cash provided by (used in) operating activities	<u>487</u>	<u>3,642</u>	<u>4,129</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Originating interfund receivable (payable)	<u>24,343</u>	<u>(24,343)</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>24,343</u>	<u>(24,343)</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	24,830	(20,701)	4,129
Cash at beginning of year	<u>33,188</u>	<u>536,096</u>	<u>569,284</u>
CASH AT END OF YEAR	<u><u>\$58,018</u></u>	<u><u>\$515,395</u></u>	<u><u>\$573,413</u></u>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u><u>\$2,299</u></u>	<u><u>\$0</u></u>	<u><u>\$2,299</u></u>
Interest paid during the year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

Rocky Mountain Village Estates Condominium Association
Notes to Financial Statements
December 31, 2020

NOTE 1. ORGANIZATION

Rocky Mountain Village Estates Condominium Association (“The Association”) is a residential management association incorporated on June 26, 1992 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Evergreen, Colorado and consists of the owners of 130 residences. The Members elect the Association’s Board of Directors. The Board volunteers its time to manage the affairs of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis.

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association’s two funds are the operating fund and the replacement fund. The operating fund is used to account for the general operations of the Association. The replacement fund is used to account for money set aside and related expenses for major repairs and replacements.

DELINQUENT ASSESSMENTS

The Association’s policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations the Association’s property, including common areas, is generally not capitalized in these financial statements. The Association’s property is commonly owned by the resident-owners and, other than the property described below, cannot be detached from the development and sold, and is not used by the Association to generate revenue. Personal property purchases in excess of \$500 (landscape equipment, bike rack, computer, and clothes dryer) are capitalized at cost within the fund which incurred the cost and depreciated over their estimated useful lives of 5 years. Fully depreciated items remain on the books if such items are still in use.

ESTIMATES

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

Rocky Mountain Village Estates Condominium Association
Notes to Financial Statements
December 31, 2020

NOTE 3. ASSESSMENTS

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners are based on each unit's square footage. January assessments ranged from \$256 to \$767; February through December assessments ranged from \$264 to \$793. Assessments included amounts designated in the Association's budget for the replacement fund as discussed in Note 4 below. Total monthly assessments (including amounts assessed for the replacement fund) are included in revenue when billed. The Association may levy special assessments to cover costs as described in the Association's governing documents.

NOTE 4. REPLACEMENT FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that a replacement fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of replacement fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the replacement fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements."

The Association's budget for 2020 allocated \$150,960 of assessment revenues to the replacement fund. That amount was transferred during the year. Future allocations of assessment revenues to the replacement fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual replacement fund expenses may vary from the reserve study's estimates. These variations may be material. Therefore, the replacement fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

Withdrawals from the replacement fund during 2020 exceeded replacement fund expenses by \$24,343. That amount comprises the interfund balance on the Balance Sheet.

NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management, and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had net taxable income for the year which was taxed at a 30% rate on the federal return and at a 4.55% rate on the Colorado return. The Association's federal income taxes for 2020 were \$1,005; Colorado income taxes were \$160.

Rocky Mountain Village Estates Condominium Association
Notes to Financial Statements
December 31, 2020

NOTE 6. DATE OF MANAGEMENT'S REVIEW

The Association's Board of Directors and its designated agents comprise "Management" of the Association. In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

Rocky Mountain Village Estates Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2020
Unaudited

An independent engineer updated the reserve study in 2019 to estimate the remaining useful lives and the repair and replacement costs of the components of the Association's common property. The following information is based on the study and presents significant information about the components of the Association's common property. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study. Some of the items in the following table may have already been repaired or replaced as of the date of this report.

Activity / Component	As of October 2019	
	Average Useful Life (Years)	Estimated Current Average Repair and Replacement Costs
Common Areas:		
Asphalt - resurface	25	\$96,000
Asphalt - seal / crack fill / repair	4	19,600
Handrails - replace	30	8,400
Wood fence - replace	25	27,500
Carport improvements	5 - 25	29,500
Signage - replace	10	3,200
Pole lights - replace	30	31,500
Lawn mowers - replace	12	7,700
Bergen House:		
Exterior wall lights - replace	25	7,100
Wood exterior - seal / paint	7	97,500
Stucco / EIFS - seal / paint	15	9,200
Wood / composite siding - replace	60	540,000
Common windows - replace (20%)	5	6,400
Roof - replace	25	160,000
Interior walls - repaint	10	27,200
Interior lights - replace	30	10,450
Stairwell carpet - refurbish	20	16,000
Tile flooring - replace	50	25,500
Carpet - replace	10	56,000
Mailboxes - replace	30	6,400
Furnishings and décor - update (10%)	5	1,500
Bathrooms - remodel	30	5,700
Common rooms - remodel	30	21,500
Guest suite - remodel	10	4,150
Kitchen - remodel	30	8,800
Kitchen appliances - replace	20	2,350
Fireplace - replace	30	4,800
Intercom / entry system - replace	15	3,200

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Rocky Mountain Village Estates Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2020
Unaudited

	<u>As of October 2019</u>	
	<u>Average Useful Life (Years)</u>	<u>Estimated Current Average Repair and Replacement Costs</u>
Bergen House continued:		
Elevator modernizations	25	125,000
AHU furnace - replace	30	50,000
Pumps / valves - replace (33%)	5	9,700
Fire control panel - update / replace	20	39,000
Boilers - replace	25	85,000
Water storage tanks - replace	30	7,400
Genesee House:		
Exterior wall lights - replace	25	\$7,500
Wood exterior - seal / paint	7	115,000
Stucco / EIFS - seal / paint	15	9,200
Wood / composite siding - replace	60	590,000
Common windows - replace (20%)	30	6,400
Roof - replace	25	170,000
Interior walls - repaint	10	30,300
Interior lights - replace	30	10,450
Stairwell carpet - refurbish	20	16,000
Tile flooring - replace	50	25,500
Carpet - replace	10	63,000
Mailboxes - replace	30	6,400
Furnishings and décor - update (10%)	5	1,500
Bathrooms - remodel	30	5,700
Common rooms - remodel	30	15,000
Guest suite - remodel	10	4,150
Kitchen - remodel	30	8,800
Kitchen appliances - replace	20	2,350
Fireplace - replace	30	4,800
Intercom / entry system - replace	15	3,200
Elevator modernizations	25	125,000
AHU furnace - replace	30	50,000
Pumps / valves - replace (33%)	5	10,300
Fire control panel - update / replace	20	7,900
Boilers - replace	25	197,500
Water storage tanks - replace	30	9,200
Total - Common, Bergen and Genesee		<u>\$3,048,400</u>
Reserve fund balance at December 31, 2020		<u>\$541,974</u>