

**River Pines Condominium Association
Financial Statements
December 31, 2019**

**River Pines Condominium Association
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December 31, 2019**

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Independent Auditor's Report

**To the Board of Directors
River Pines Condominium Association
Edwards, Colorado**

We have audited the accompanying financial statements of River Pines Condominium Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances 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

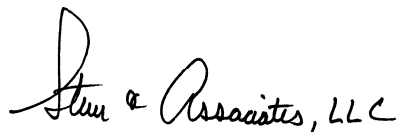
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Pines Condominium Association as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Fund Revenues and Expenses – Budget and Actual on page 9 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 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 our 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 on Future Major Repairs and Replacements on page 10 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.



Stuhr and Associates, LLC
Frisco, Colorado
December 9, 2020

River Pines Condominium Association
Balance Sheet
December 31, 2019

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 245,721	458,302	704,023
Accounts receivable	275	-	275
Due (to) from other fund	(116,912)	116,912	-
TOTAL ASSETS	129,084	575,214	704,298
LIABILITIES AND FUND BALANCES			
Accounts payable	20,012	10,978	30,990
Prepaid member dues	45,286	-	45,286
TOTAL LIABILITIES	65,298	10,978	76,276
Working capital	63,786	-	63,786
Fund balances	-	564,236	564,236
TOTAL LIABILITIES AND FUND BALANCES	129,084	575,214	704,298

See accompanying Notes and Independent Auditor's Report

River Pines Condominium Association
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Regular assessments	\$ 348,078	154,592	502,670
Late charges and fines	964	-	964
Pet fees	2,450	-	2,450
Interest income	-	1,282	1,282
Utility rebates	506	-	506
TOTAL REVENUES	<u>351,998</u>	<u>155,874</u>	<u>507,872</u>
EXPENSES			
Accounting and legal fees	2,711	-	2,711
Arborist	1,215	-	1,215
Electricity	17,790	-	17,790
Elevators	15,150	-	15,150
Fire alarm	8,442	-	8,442
Floor mat rental	2,041	-	2,041
Insurance	38,336	-	38,336
Landscaping	17,508	-	17,508
Maintenance supplies	1,508	-	1,508
Management fees	36,000	-	36,000
Miscellaneous	638	-	638
Natural gas	12,166	-	12,166
Office supplies and expense	202	-	202
Pest control	800	-	800
Plumbing and heating	3,870	-	3,870
Repairs and maintenance:			
Boiler	2,726	-	2,726
Breezeways	3,200	-	3,200
Building	13,613	-	13,613
Irrigation	228	-	228
Onsite	37,000	-	37,000
Roof	1,900	-	1,900
Snow removal	11,647	-	11,647
Telephone	6,238	-	6,238
Trash removal	9,054	-	9,054
Water and sewer	73,505	-	73,505
Major repairs and replacements	-	78,581	78,581
TOTAL EXPENSES	<u>317,488</u>	<u>78,581</u>	<u>396,069</u>
EXCESS OF REVENUES OVER EXPENSES	34,510	77,293	111,803
Beginning Fund Balances	-	452,433	452,433
Fund balance transfer	(34,510)	34,510	-
ENDING FUND BALANCES	<u>-</u>	<u>564,236</u>	<u>564,236</u>

See accompanying Notes and Independent Auditor's Report

**River Pines Condominium Association
Statement of Cash Flows
For the Year Ended December 31, 2019**

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from members	\$ 373,484	154,592	528,076
Interest income	-	1,282	1,282
Other cash receipts	419	-	419
Cash paid for goods and services	(315,528)	(67,603)	(383,131)
Net interfund transfers	121,499	(121,499)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>179,874</u>	<u>(33,228)</u>	<u>146,646</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Fund balance transfer	(34,510)	34,510	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(34,510)</u>	<u>34,510</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	145,364	1,282	146,646
CASH AT BEGINNING OF YEAR	100,357	457,020	557,377
CASH AT END OF YEAR	<u>245,721</u>	<u>458,302</u>	<u>704,023</u>
RECONCILIATION OF EXCESS (DEFICIENCY) OVER EXPENSE TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	34,510	77,293	111,803
(Increase) decrease in Accounts receivable - members	1,635	-	1,635
Increase (decrease) in Accounts payable	1,960	10,978	12,938
Increase (decrease) in Working capital	(88)	-	(88)
Increase (decrease) in Prepaid member dues	20,358	-	20,358
Increase (decrease) in due to (from) other fund	121,499	(121,499)	-
Total Adjustments	<u>145,364</u>	<u>(110,521)</u>	<u>34,843</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>179,874</u>	<u>(33,228)</u>	<u>146,646</u>

See accompanying Notes and Independent Auditor's Report

River Pines Condominium Association
Notes to the Financial Statements
December 31, 2019

A. Nature of Organization

The River Pines Condominium Association (“Association”) was incorporated on January 19, 1999 as a non-profit corporation under the laws of the State of Colorado. The Association is responsible for the operation and maintenance of common property of the River Pines Condominium Association. River Pines Condominium Association consists of 77 residential units in Edwards, Colorado.

B. Summary of Significant Accounting Policies

1. Basis of Accounting

The Association follows the accrual basis of accounting, whereby revenue is recognized when earned rather than received, and expenses are recognized when incurred rather than when paid.

2. 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 purpose:

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.

3. Member assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The Association allocates specific funds from the budget for replacement reserves, and any additional income after the payment of normal operating expenses is also allocated to the replacement reserves for future projects.

Accounts receivable at the balance sheet date represent fees due from unit owners. Management considers all accounts to be collectible, therefore no Allowance for Doubtful Accounts is deemed necessary. At December 31, 2019, the Association had an accounts receivable balance of \$275.

The Association has determined that the revenue recognition standard ASC 606, “Revenue from Contracts with Customers” effective for the Association beginning January 1, 2019, does not apply to the Association as no customer relationship exists with the members as defined by ASC 606.

River Pines Condominium Association
Notes to the Financial Statements
December 31, 2019

B. Summary of Significant Accounting Policies (continued)

4. Income taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2019. 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 incurred no federal or state income tax expense for the year ended December 31, 2019.

The Association is no longer subject to examination in the U.S. federal and Colorado state tax jurisdictions years before 2016. There are no current examinations of the Association's prior year tax returns. No changes in this position are expected in the next twelve months.

6. Property and equipment

Real property and common areas acquired from 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. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

7. 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 may differ from those estimates.

C. Working Capital

The Association's declaration requires the collection of working capital at the time of the sale of each condominium unit in the amount equal to two months' installments of the annual assessments at the rate in effect at the time of the sale. Working capital funds are to meet unforeseen expenditures or to acquire additional equipment or services in connection with the common property for the benefit of the members of the Association. Any unused portion of the working capital deposit shall be returned to each unit owner upon the sale of his condominium unit. As of December 31, 2019, total working capital deposits with the Association were \$63,786.

D. Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers investments that are highly liquid and readily converted to cash as cash equivalents, which normally includes investments purchased with an original maturity of three months or less. The composition of cash and cash equivalents as of December 31, 2019 consists of checking, money market accounts, and one certificate of deposit.

E. Prepaid member dues

Prepaid member dues are amounts collected in advance by the Association on assessments for the subsequent fiscal year. There was \$45,286 in prepaid member dues as of December 31, 2019.

River Pines Condominium Association
Notes to the Financial Statements
December 31, 2019

F. Management Agreement

Effective April 28, 2016, the Association entered into an agreement with Vail Management Company for property management and administrative services. The initial term of the agreement was June 1, 2016 through May 31, 2017 after which time the agreement shall automatically renew for successive one-year terms unless either party gives at least 60 days written notice to the other. Total management fees for the year ended December 31, 2019 were \$36,000, with a balance due to Vail Management of \$11,969 in accounts payable at December 31, 2019.

G. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$458,302 at December 31, 2019, are held in separate accounts and are generally not available for operating purposes.

The Association, through its board of directors and management, annually updates an informal reserve study 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 accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund 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.

H. Concentration of Credit Risk

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits in the operating, money market accounts, certificate of deposit, and accounts receivable.

The cash accounts consist of demand deposit and interest bearing accounts, maintained at one high quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. The Association's account balances exceeded this limit of protection by \$450,270 on December 31, 2019.

I. Subsequent Event and Date of Management's Review

On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. As of March 19, 2020, the Colorado State Governor ordered the closure of the physical location of every "non-essential" business for an extended period of time. As of the date of these financial statements, the COVID-19 pandemic is on-going. Future potential impacts may include continued disruptions or restrictions on the management company's ability to work and the collectability of homeowner dues. The future effects of these issues are unknown.

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 9, 2020, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

River Pines Condominium Association
Schedule of Operating Fund Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Regular assessments	\$ 348,078	348,078	-
Late charges and fines	-	964	964
Pet fees	-	2,450	2,450
Utility rebates	-	506	506
TOTAL REVENUES	<u>348,078</u>	<u>351,998</u>	<u>3,920</u>
EXPENSES			
Accounting and legal fees	7,900	2,711	5,189
Arborist	3,000	1,215	1,785
Electricity	21,000	17,790	3,210
Elevators	15,000	15,150	(150)
Fire alarm	8,500	8,442	58
Floor mat rental	1,728	2,041	(313)
Insurance	44,000	38,336	5,664
Landscaping	17,500	17,508	(8)
Maintenance supplies	1,500	1,508	(8)
Management fees	36,000	36,000	-
Miscellaneous	500	638	(138)
Natural gas	15,050	12,166	2,884
Office supplies and expense	1,000	202	798
Pest control	900	800	100
Plumbing and heating	7,000	3,870	3,130
Repairs and maintenance:			
Boiler	3,000	2,726	274
Breezeways	3,200	3,200	-
Building	14,500	13,613	887
Irrigation	2,500	228	2,272
Onsite	37,000	37,000	-
Roof	2,000	1,900	100
Snow removal	10,000	11,647	(1,647)
Telephone	5,800	6,238	(438)
Trash removal	12,000	9,054	2,946
Water and sewer	77,500	73,505	3,995
Operating expenses	<u>348,078</u>	<u>317,488</u>	<u>30,590</u>
EXCESS OF OPERATING FUND REVENUES OVER OPERATING FUND EXPENSES	<u>-</u>	<u>34,510</u>	<u>34,510</u>

See Independent Auditor's Report

River Pines Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2019

The Association's management conducts an annual informal study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacements costs are based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs 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 Association's Board of Directors has not allocated the Replacement Fund Balance or the 2019 funding requirement to each component of common property.

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

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Asphalt seal coat	2	\$14,758
Overlay of Asphalt	4	166,103
Boulder Walls (Bldg A & B)	9	175,053
Entry Monument	10	13,714
Gutters	2	40,000
Heat tape Building A,B,C,D	1 – 6	71,316
Irrigation replacement	1	10,000
Lighting	9	68,804
Metal stairs and railings, A,B,C	1 - 3	43,124
Balcony railing replacement A,B,C	4	51,240
Bldg D Balcony and replacement	9	41,251
Exterior stair and replacement, A,B,C	13 - 19	136,662
Balcony repairs and painting Bldg D	6	4,398
Roof shingle – replacement – A,B,C	11 – 15	665,251
Flat roof replacement, A,B,C	12	105,733
Roof shingle – replacement - D	16	111,614
Stucco replacement/repair Phase 1	4	69,094
Stucco replacement/repair Phase 2	9	80,099
Stucco replacement/repair Phase 3	14	92,857
Siding replacement Phase 1	9	290,000
Siding replacement Phase 2	12	312,000
Siding replacement Phase 3	15	341,000
Elevator replacement A,B,C	14 - 24	1,563,588
Concrete sidewalks	2	5,000
Boiler replacement, A,B,C,D	1	145,000
Breezeway recoating	3	24,874
Landscape Overhaul – Phase 1 and 2	9 - 14	178,145
Breezeway D Entry replacement	2	24,149
Garage Venting & ceiling heaters, A,B,C,D	2 - 12	64,046
Fire alarm – smoke detectors A,B,C	5	4,270
Jet all lines	2	13,000
Balcony deck & fascia repairs-A,B,C	1 – 2	240,000
Building B balcony SW excavation	27	26,228
Gas meter grounding	27	12,047
Miscellaneous	1	5,000
Paint stucco	6	90,895
Paint all wood siding	3	65,128
		\$5,365,441

See Independent Auditor's Report