



**CEDAR LANE AT CHERRY CREEK
HOMEOWNERS ASSOCIATION, INC.**

Independent auditor's report on
Financial Statements
And Supplementary Information

Declarant Control Period September 1, 2015 - July 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Homeowners
Cedar Lane at Cherry Creek Homeowners Association, Inc.

I have audited the accompanying financial statements of Cedar Lane at Cherry Creek Homeowners Association, Inc., which comprise the balance sheet as of July 31, 2019 and the related statements of revenues, expenses, and changes in fund balances and cash flows for the period September 1, 2015 to July 31, 2019.

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 the 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 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 of 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cedar Lane at Cherry Creek Homeowners Association, Inc. as of July 31, 2019 and the results of its operations and its cash flows for the period September 1, 2015 to July 31, 2019 are in accordance 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 Schedule of Future Major Repairs and Replacements 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. The Association has not conducted a reserve study and will not present supplementary information.

Sonny Senulis, CPA



Principal
Finite, LLC

Aurora, Colorado
April 20, 2020

Cedar Lane at Cherry Creek Homeowners Association, Inc.

July 31, 2019

Balance Sheet

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 34,140	\$ 51,722	\$ 85,863
Accounts receivable, net	12,138	-	12,138
Other Receivables	34,708	-	34,708
Total Assets	<u><u>80,986</u></u>	<u><u>51,722</u></u>	<u><u>132,709</u></u>
LIABILITIES			
Accounts payable	1,244	-	1,244
Prepaid assessments	5,148	-	5,148
Design Review Fees	45,198	-	45,198
Total Liabilities	<u>51,589</u>	<u>-</u>	<u>51,589</u>
MEMBER'S EQUITY			
Fund balances	29,397	51,722	81,120
Total member's equity	<u>29,397</u>	<u>51,722</u>	<u>81,120</u>
Total Liabilities and Member's Equity	<u><u>\$ 80,986</u></u>	<u><u>\$ 51,722</u></u>	<u><u>\$ 132,709</u></u>

Cedar Lane at Cherry Creek Homeowners Association, Inc.

Statement of Revenues, Expenses and Changes in Fund Balances

For the Declarant Control Period September 1, 2015 - July 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Homeowner Assessments	\$ 112,722	\$ -	\$ 112,722
Developer Assessments	84,641	-	84,641
Developer Contributions	144,526	-	144,526
Allocation of assessments to replacement fund	(58,174)	58,174	-
Working Capital	12,180	-	12,180
Late fees and other income	153	-	153
Interest income	24	180	203
Total Revenues	<u>296,072</u>	<u>58,354</u>	<u>354,426</u>
EXPENSES			
Repairs and maintenance	196,533	-	196,533
Management	24,000	-	24,000
Utilities	16,446	-	16,446
Snow Removal	12,847	-	12,847
Insurance	8,492	-	8,492
Administrative	5,689	-	5,689
Legal and Professional Fees	2,667	-	2,667
Reserve Expense	-	6,631	6,631
Total Expenses	<u>266,675</u>	<u>6,631</u>	<u>273,306</u>
Excess (deficit) of revenues over expenses	29,397	51,722	81,120
MEMBER'S EQUITY			
Beginning fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Ending fund balances	<u>\$ 29,397</u>	<u>\$ 51,722</u>	<u>\$ 81,120</u>

Cedar Lane at Cherry Creek Homeowners Association, Inc.

Statement of Cash Flows

For the Declarant Control Period September 1, 2015 - July 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ 29,397	\$ 51,722	\$ 81,120
Adjustments to reconcile excess (deficit) to cash			
Decrease (increase) in operating assets:			
Accounts Receivable	(12,138)	-	(12,138)
Other Receivables	(34,708)	-	(34,708)
Increase (decrease) in operating liabilities:			
Accounts payable	1,244	-	1,244
Prepaid assessments	5,148	-	5,148
Design Review Fees	45,198	-	45,198
Cash provided by (used from) operating activities	<u>34,140</u>	<u>51,722</u>	<u>85,863</u>
Net increase (decrease) in cash and cash equivalents	34,140	51,722	85,863
CASH AND CASH EQUIVALENTS:			
Cash at beginning of year	-	-	-
Cash at End of Year (7/31/2019)	<u><u>\$ 34,140</u></u>	<u><u>\$ 51,722</u></u>	<u><u>\$ 85,863</u></u>

Cedar Lane at Cherry Creek Homeowners Association, Inc.

Notes to Financial Statements

July 31, 2019

Note 1. Nature of Organization

Cedar Lane at Cherry Creek Homeowners Association, Inc (the "Association") was incorporated on September 11, 2015, in the state of Colorado. The Association is responsible for the operation, management, maintenance, and improvements of the common property within the development. The Association is located in Denver County, Colorado and consists of the owners of 23 residences.

Note 2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with the accrual method of accounting.

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 – used to account for financial resources available for the general operations of the association

Replacement Fund – used to accumulate financial resources designated for future major repairs and replacements

CASH AND CASH EQUIVALENTS

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The Association's cash and cash equivalents at July 31, 2019 consisted of a checking account book balance of \$34,140 in the operating fund; and savings accounts and a money market funds book balance of \$51,722 in the replacement fund.

MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for their Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and owner assessments are determined by the Board of Directors.

The total member assessment for the Association for the declarant control period from September 1, 2015 to July 31, 2019 was \$112,722 of which \$58,174 was designated to the replacement fund. The total Declarant (Richmond American Homes of Colorado, Inc.) assessment was \$84,641. The Declarant had also made additional Developer Contributions in the amount of \$144,526.

WORKING CAPITAL

The Association requires every owner of each unit (other than Builder), to make at the time of purchase, a non-refundable contribution to the Association in an amount equal to two times the regular monthly assessment against that Unit in effect. Funds in the Working Capital fund should be segregated for the use and benefit of the Association to meet unforeseen expenditures.

The total Working Capital for the Declarant control period from September 1, 2015 to July 31, 2019 was \$12,180.

ASSESSMENTS RECEIVABLE

Assessments are stated on the balance sheet at face value. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

RECOGNITION OF ASSETS AND DEPRECIATION POLICY

Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

INTEREST INCOME

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

INCOME TAXES

The Association must file annual federal and Colorado income tax returns. Homeowner associations may be taxed either as homeowner associations (1120-H) or as regular corporations (1120). For the declarant control period from September 1, 2015 to July 31, 2019, the Association filed its federal income tax returns 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 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.

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.

Note 3. Date of Management's Review

In preparing the financial statements, the Association 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.

Note 4. Contingencies

The Association is a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Note 5. Related Party Transactions

The Association was Declarant-controlled from its date of incorporation on September 11, 2015 until July 31, 2019 when it transferred the control to the homeowners. The Declarant, Richmond American Homes of Colorado, Inc., was obligated to pay Declarant assessments and additional Declarant contributions (detailed in Note 2).

Note 6. Future Major Repairs and Replacements

The Association has not conducted a reserve study of its various common elements. However, the Association has been allocating funds to the reserve account for possible future major repairs and replacements. These funds are being accumulated based on estimated future costs. Actual results may vary from these estimates, and such 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 to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Cedar Lane at Cherry Creek Homeowners Association, Inc.

July 31, 2019

Summary AJE

Account Description	DR	CR
Other Receivables	34,708.10	
Landscape-Tree/Shrub/Flower	16,628.10	
Assessments	15,911.00	
Design Review Fees	12,500.00	
Res Exp - Antennas/Card Reader	4,364.00	
Sewer	663.68	
Prior Mgmt Citywide Operating	267.82	
Misc Expense	62.99	
Interest - Reserves	4.74	
Retained Earnings	1.84	
Developer Contribution		33,256.20
Equity - Operating		25,968.65
Developer Assessments		15,331.00
Equity - Reserves		4,368.74
Antennas/Card Reader		4,364.00
Accounts Payable		663.68
Other Payables		580.00
Working Capital		580.00
Total	85,112.27	85,112.27

Cedar Lane at Cherry Creek Homeowners Association, Inc.

July 31, 2019

Audit Adjusting Journal Entries (AJEs)

AJE 1	DR	Sewer		663.68	
	CR		Accounts Payable		663.68
Accrue July 2019 Payables					
AJE 2	DR	Prior Mgmt Citywide Operating		267.82	
	DR	Design Review Fees		30,000.00	
	DR	Retained Earnings		1.84	
	DR	Misc Expense		62.99	
	DR	Interest - Reserves		4.74	
	CR		Equity - Operating		25,968.65
	CR		Equity - Reserves		4,368.74
Correct Equity, Design Review and Cash account balances					
AJE 3	DR	Res Exp - Antennas/Card Reader		4,364.00	
	CR		Antennas/Card Reader		4,364.00
Reclassify Asset to Res Expense					
AJE 4	DR	Assessments		580.00	
	CR		Other Payables		580.00
Reclassify Funds owed to 2821 E Cedar Ave Lot 9 LLC and 2821 E Cedar Ave Lot 16 LLC (\$290 each)					
AJE 5	DR	Other Receivables		17,500.00	
	CR		Design Review Fees		17,500.00
Record Design Review Fees as Receivables from 7 uncollected lots 1/1/19-7/31/19					
AJE 6	DR	Landscape-Tree/Shrub/Flower		16,628.10	
	DR	Other Receivables		16,628.10	
	CR		Developer Contributions		33,256.20
Reclassify Flower Expense and record receivable from Declarant					
AJE 7	DR	Assessments		15,331.00	
	CR		Developer Assessments		15,331.00
Reclassify 2019 Developer Assessments					
AJE 8	DR	Other Receivables		580.00	
	CR		Working Capital		580.00
Lot 2 - Working Capital not charged upon sale					

Cedar Lane at Cherry Creek Homeowners Association, Inc.

July 31, 2019

Trial Balance Worksheet

Acct #	Account Description	July 31, 2019		AJE #	July 31, 2019
		Unadjusted	Adjustments		Adjusted
1010	Premier Bank Operating	23109.33			23109.33
1011	Prior Mgmt Citywide Operating	-267.82	267.82	2	0.00
1015	Premier Bank Reserve	51,722.42			51,722.42
1016	Premier Bank Operating Reserve	11,030.92			11,030.92
1040	Accounts Receivable	12,138.00			12,138.00
	Other Receivables	0.00	34,708.10	5,6,8	34,708.10
1300	Antennas/Card Reader	4,364.00	-4,364.00	3	0.00
	Accounts Payable	0.00	-663.68	1	-663.68
	Other Payables	0.00	-580.00	4	-580.00
2020	Prepaid Assessments	-5,148.00			-5,148.00
2050	Design Review Fees	-57,697.50	12,500.00	2,5	-45,197.50
3000	Equity - Operating	5,038.44	-25,968.65	2	-20,930.21
3020	Equity - Reserves	-46,960.94	-4,368.74	2	-51,329.68
	Retained Earnings	-1.84	1.84	2	0.00
4000	Assessments	-46,933.00	15,911.00	4,7	-31,022.00
	Developer Assessments	0.00	-15,331.00	7	-15,331.00
	Interest - Operating Reserves	-16.00			-16.00
	Interest - Reserves	-89.78	4.74	2	-85.04
4040	Developer Contribution	16,628.10	-33,256.20	6	-16,628.10
4086	Working Capital	-2,320.00	-580.00	8	-2,900.00
4090	Transfer to Reserves	4,669.00			4,669.00
	Misc Expense	0.00	62.99	2	62.99
5000	Accounting Fees	250.00			250.00
5025	ACC Expense	730.00			730.00
5030	Legal-Collections/Late Letter Fees	200.00			200.00
5035	Legal-Corporate	50.00			50.00
5045	Management Contract	3,500.00			3,500.00
5055	Office Supplies	17.85			17.85
5060	Postage & Delivery	59.28			59.28
5065	Printing & Reproduction	68.60			68.60
5070	Professional Fees	25.00			25.00
5075	Storage	700.00			700.00
5301	Electrical Repairs/Maintenance	1,800.00			1,800.00
5320	Fence Maintenance	5,189.30			5,189.30
5345	Irrigation System	769.64			769.64
5350	Landscaping Contract	2,985.00			2,985.00
5355	Landscape-Tree/Shrub/Flower	11,800.00	16,628.10	6	28,428.10
5390	Snow Removal	4,093.00			4,093.00
8000	Gas and Electric	390.56			390.56
8010	Sewer	781.96	663.68	1	1,445.64
8025	Water	1,079.01			1,079.01
8040	Telephone	914.47			914.47
9000	Transfer from Operating	-4,669.00			-4,669.00
	Res Exp - Antennas/Card Reader	0.00	4,364.00	3	4,364.00
Balance		0.00	0.00		0.00
Profit (Loss)		-2,672.99	11,532.69		8,859.70