

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016 AND 2015

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016 AND 2015

CONTENTS

Independent Auditor's Report.	1-2
Balance Sheet	3
Statement of Revenue, Expenditures and Changes in the Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Independent Auditor's Report on Supplementary Information	10
Future Major Repairs and Replacements Proposed	11
Schedule of Actual Revenue and Expenditures Versus Budget, Operating Fund	12

Michael A. Onofrey
Certified Public Accountant

ONOFREY & HIRSCHFELD, P.C.

Anne M. Hirschfeld
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Woody Creek Townhomes Association No. 1
Arvada, CO

We have audited the accompanying financial statements of Woody Creek Townhomes Association No. 1, which comprise the balance sheet as of December 31, 2016 and 2015 and the related statements of revenue, expenditures and changes in fund balances and cash flows for the years 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of the 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 Woody Creek Townhomes Association No. 1 as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Quigley + Hirschfeld, PC

October 3, 2017

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Balance Sheet**

DECEMBER 31,

	2016			2015
ASSETS	Operating Fund	Replacement Fund	Total	Total
Cash	\$ 110,953	\$ 72,024	\$ 182,977	\$ 178,084
Assessments Receivable	7,308	-	7,308	3,929
Prepaid Insurance	-	-	-	3,543
 Total Current Assets	<u>118,261</u>	<u>72,024</u>	<u>190,285</u>	<u>185,556</u>
 PROPERTY, EQUIPMENT AND DEPRECIATION				
Asphalt and Cement	103,263	-	103,263	-
Less Accumulated Depreciation	(2,762)	-	(2,762)	-
Total Property, Equipment and Depreciation	<u>100,501</u>	<u>-</u>	<u>100,501</u>	<u>-</u>
 TOTAL ASSETS	<u>\$ 218,762</u>	<u>\$ 72,024</u>	<u>\$ 290,786</u>	<u>\$ 185,556</u>
 LIABILITIES and FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 110,813	\$ -	\$ 110,813	\$ 9,785
Deferred Assessments	1,067	-	1,067	4,960
Total Liabilities	<u>111,880</u>	<u>-</u>	<u>111,880</u>	<u>14,745</u>
 FUND BALANCES				
Operating Fund	106,882	-	106,882	13,432
Replacement Fund	-	72,024	72,024	157,379
Total Fund Balances	<u>106,882</u>	<u>72,024</u>	<u>178,906</u>	<u>170,811</u>
 TOTAL LIABILITIES and FUND BALANCES	<u>\$ 218,762</u>	<u>\$ 72,024</u>	<u>\$ 290,786</u>	<u>\$ 185,556</u>

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

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1**

Statement of Revenue, Expenditures and Changes in the Fund Balances

DECEMBER 31,

	2016		2015	
	Operating Fund	Replacement Fund	Total	Total
Assessments	\$ 117,800	\$ 4,000	\$ 121,800	\$ 121,800
Other Member Income	952	-	952	4,299
Interest	-	145	145	189
Insurance				
Reimbursement	<u>173,596</u>	<u>-</u>	<u>173,596</u>	<u>269,661</u>
Total Revenue	<u>292,348</u>	<u>4,145</u>	<u>296,493</u>	<u>395,949</u>
EXPENDITURES				
Maintenance				
Buildings	2,235	-	2,235	5,988
Grounds	2,672	-	2,672	8,719
Lawn Care	4,162	-	4,162	3,520
Roofs	171,570	-	171,570	274,661
Snow Removal	<u>7,498</u>	<u>-</u>	<u>7,498</u>	<u>7,030</u>
Total Maintenance	<u>188,137</u>	<u>-</u>	<u>188,137</u>	<u>299,918</u>
Operating				
Utilities	<u>39,966</u>	<u>-</u>	<u>39,966</u>	<u>35,334</u>
Total Operating	<u>39,966</u>	<u>-</u>	<u>39,966</u>	<u>35,334</u>
Administrative				
Depreciation	2,762	-	2,762	-
Director Fees	8,700	-	8,700	8,700
Insurance	42,485	-	42,485	34,342
Office & Communications	1,110	-	1,110	1,176
Professional Fees	<u>5,238</u>	<u>-</u>	<u>5,238</u>	<u>7,233</u>
Total Administrative	<u>60,295</u>	<u>-</u>	<u>60,295</u>	<u>51,451</u>
Total Expenditures	<u>288,398</u>	<u>-</u>	<u>288,398</u>	<u>386,703</u>
Excess of Revenue				
Over Expenditures	3,950	4,145	8,095	9,246
Beginning Fund Balances	13,432	157,379	170,811	161,565
Inter-fund Transfers	<u>89,500</u>	<u>(89,500)</u>	<u>-</u>	<u>-</u>
Ending Fund Balances	<u>\$ 106,882</u>	<u>\$ 72,024</u>	<u>\$ 178,906</u>	<u>\$ 170,811</u>

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

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Statement of Cash Flows**

DECEMBER 31,

	2016			2015
	Operating Fund	Replacement Fund	Total	Total
Cash Provided (Used) by Operating Activities:				
Excess of Revenue				
Over Expenditures	\$ 3,950	\$ 4,145	\$ 8,095	\$ 9,246
Adjustments to Reconcile Excess of Revenue over Expenditures to Net Cash Provided by Operating Activities:				
Inter-fund transfers	89,500	(89,500)	-	
Depreciation	2,762	-	2,762	
Assessments Receivable, Net	(3,379)	-	(3,379)	2,946
Prepaid Insurance	3,543	-	3,543	(853)
Accounts Payable and Accrued Liabilities	101,028	-	101,028	4,920
Deferred Assessments	(3,893)	-	(3,893)	3,680
 Total Cash Provided (Used) By Operating Activities	<u>193,511</u>	<u>(85,355)</u>	<u>108,156</u>	<u>19,939</u>
 Cash Used by Investing Activities:				
Capitalized Expenditures	(103,263)	-	(103,263)	-
 Net Increase in Cash	90,248	(85,355)	4,893	19,939
 Cash, Beginning of Year	<u>20,705</u>	<u>157,379</u>	<u>178,084</u>	<u>158,145</u>
 Cash, End of Year	<u>\$ 110,953</u>	<u>\$ 72,024</u>	<u>\$ 182,977</u>	<u>\$ 178,084</u>

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

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Notes to Financial Statements**

DECEMBER 31, 2016 AND 2015

1. History

Woody Creek Townhomes Association No. 1 (Association) was incorporated under the provisions of the Colorado Revised Nonprofit Corporation Act on July 23, 1982. The Association is a membership corporation without certificates or shares of stock, and consists of 70 townhomes within 7 buildings, as well as common areas of the property. The owners of the townhomes are the members of the Association, and, although more than one person or entity may own a unit, only one vote per unit may be exercised at Association meetings.

The Association is charged with the responsibility to promote the recreation, health, safety, and welfare of the residents of the property and for the improvement and maintenance, preservation, and architectural control of the common areas as well as the exteriors (excluding glass surfaces) of the buildings of the property.

The powers and privileges of the Association are enumerated in the By-Laws and the Declaration of Covenants, Conditions and Restrictions which provide for an elected five member Board of Directors to administer the responsibilities above as well as perform the fiscal duties required by the membership corporation. The Board may adopt a set of rules and regulations to assist in the operation of the project.

2. Significant Accounting Policies

Method of Accounting

The financial statements of Woody Creek Townhomes Association No. 1 are prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America utilizing fund accounting to report on its activities.

Common Areas

All common real property was deeded to the Association for the use and enjoyment of its members. The original cost of these common areas is indeterminable, and accordingly, no value is reflected in these financial statements. Common areas purchased by the Association, if any, are recorded at cost in its records and depreciated over an estimated useful life.

Prepaid Items

Woody Creek Townhomes Association No. 1 may pay certain expenses, such as insurance, on an annual basis or pay certain other expenses in advance. The portions to be expensed in future accounting periods are recorded as prepaid items.

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Notes to Financial Statements**

DECEMBER 31, 2016 AND 2015
(Continued)

Interfund Balances

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash to be transferred from one fund to the other, if any, is recorded as interfund balances.

Deferred Assessments

When members pay their assessments in advance of the period for which they are billed, the Association records it as a liability, and recognizes the income in the appropriate accounting period.

Fund Accounting

Woody Creek Townhomes Association No. 1 records its fiscal activities in two funds defined as:

Operating Fund

Normal and usual operating income and expenses, as directed by the Board in the annual budget, are recorded in this Fund.

Replacement Fund

An adequate reserve shall be accumulated from the annual assessments to provide for the major maintenance and replacement of common areas. The adequacy of the reserve is based on a March 21, 2017 updated study by the Board of future major replacement needs. These funds are maintained in segregated, insured accounts and are not generally available for the operating purposes.

Revenue

Assessments collected from townhome owners, as set by the annual budget, represent the major source of revenue for the Association. Additionally, assessments paid in arrears incur a late charge and interest, and should legal steps become necessary in the collection process, such fees are recorded with the account receivable.

Annual assessments may not be increased more than 5% over the previous year without approval of 2/3rds of the members, nor may a special assessment be levied without such approval of the members.

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Notes to Financial Statements**

DECEMBER 31, 2016 AND 2015
(Continued)

Directors Fees

The By-Laws of Woody Creek Townhomes Association No. 1 provide that any member serving on the Board of Directors shall receive compensation for the performance of their duties by waiving monthly dues, excluding any special assessments, during their term as Director.

In addition, any Director may be reimbursed for actual expenses incurred in the performance of the Director's duties. Such reimbursements are recorded in appropriate expense accounts in these statements.

Income Taxes

Woody Creek Townhomes Association No. 1 is incorporated as a Colorado nonprofit entity and membership income may be considered tax exempt under Section 528 of the Internal Revenue Code. Earnings from invested funds or from other non-member activities is subject to either Section 528 Homeowner (30%) (Form 1120-H) tax, or standard corporate (15%) (1120) tax for federal and state (Form 112, 4.63%) filing purposes. In the years 2016 and 2015, the Association filed forms 1120 (federal) and 112 (state) and incurred no income tax expense.

Fair Value of Financial Instruments

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair value at December 31, 2016 and 2015. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Woody Creek Townhomes Association No. 1 maintains its cash balances in a national bank. The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance of December 31, 2016 and 2015. Based on the FDIC limits at year-end December 31, 2016 and 2015, the Association has \$-0 in uninsured deposits.

Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Notes to Financial Statements**

DECEMBER 31, 2016 AND 2015
(Continued)

3. Assessments Receivable, Net

The receivables arising from ordinary homeowner activities are, in management's opinion, collectible in full since they constitute a legal debt of the property subject only to a prior first mortgage on the condominium. The total owed to the Association includes any late fees and may include legal fees incurred. Collection of these debts, however, may require the Board of Directors exercise the Association's legal remedies and even if the Association were to act on its possible remedies, the debt and costs to do so may not be totally recoverable.

4. Replacement Fund

At December 31, 2016 and 2015, \$72,024 and \$157,379 has been restricted to the replacement fund of the Association. These monies are being held in insured interest bearing accounts and investments. The general restriction on the use of these funds is for major maintenance and/or replacement of common areas.

The Board has anticipated the costs of future major maintenance necessary due to usage, as well as the replacement needs due to wear or obsolescence based on a study updated by the Board on March 21, 2017. Should major maintenance needs arise and the funds not be available, the Board may present the owners with the choice of a special assessment or deferral of the project until the funds are available.

5. Contingencies

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

6. Subsequent Events

In preparing these financial statements, the Woody Creek Townhomes Association No. 1's Board has evaluated events and transactions for potential recognition or disclosure through October 19, 2017, the date the financial statements were issued.

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1**

Supplementary Information

DECEMBER 31, 2016 AND 2015

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

Board of Directors
Woody Creek Townhomes Association No. 1
Arvada, CO

We have audited the financial statements of Woody Creek Townhomes Association No. 1 as of and for the year ended December 31, 2016, and our report thereon dated October 3, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The *Schedule of Actual Revenue and Expenditures versus Budget, Operating Fund* 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 that column marked "Unaudited" on which we 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on financial statements as a whole. The *Future Major Repairs and Replacements Proposed*, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



October 3, 2017

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1**

**Future Major Repairs and
Replacements Proposed**

DECEMBER 31, 2016

(Unaudited)

On March 21, 2017, the Association's Board of Directors updated the estimates of the remaining useful lives and the replacement costs of the components of the Association's common property future needs. The original estimates were based on a 2004 analysis prepared by an independent building consultant. The original costs were based on the estimates to repair or replace the common property components at the date of the study and have been updated to March 21, 2017.

The following table is based on the updated study and presents summarized information about the components, estimated lives and replacement costs of common property in 2017 dollars.

<u>Components</u>	<u>2017 Estimated Remaining Useful Life in Years</u>	<u>2017 Estimated Current Replacement Cost</u>
Paving	0 to 13	\$ 159,738
Irrigation System	4	8,000
Roofing	19	306,400
Exterior Refurbishing	2	46,375
Concrete	0	28,700
Ground Cover	3	6,750
Siding	5 to 7	403,326
Gutters	8	43,488
Mailboxes	5	7,575
Retention Wall	13	28,500
Fences	6	8,388
Utility Shed	7	<u>1,350</u>
Total		<u>\$ 1,048,590</u>

**WOODY CREEK TOWNHOMES
ASSOCIATION NO. 1
Schedule of Actual Revenue and
Expenditures Versus Budget,
Operating Fund**

Year Ended December 31, 2016

	<u>Actual</u>	<u>Budget</u>	Difference (Over)/Under <u>Budget</u>
<u>Revenue</u>			
Assessments	\$ 121,800	\$ 121,800	\$ -
Insurance			
Reimbursement	173,596	-	(173,596)
Other Member Income	<u>952</u>	<u>370</u>	<u>(582)</u>
Total Revenue	<u>296,348</u>	<u>122,170</u>	<u>(174,178)</u>
<u>Expenditures</u>			
Buildings	173,805	3,643	(170,162)
Grounds	2,672	5,515	2,843
Lawn Care	4,162	4,280	118
Snow Removal	7,498	4,000	(3,498)
Utilities	39,966	34,771	(5,195)
Directors Fees	8,700	8,700	-
Insurance	42,485	43,200	715
Office and Communications	1,110	1,841	731
Professional Fees	5,238	4,220	(1,018)
Transfer to Replacement	<u>24,500</u>	<u>12,000</u>	<u>(12,500)</u>
Total Expenditures	<u>310,136</u>	<u>122,170</u>	<u>(187,966)</u>
Excess of Revenue			
Over Expenditures	<u>\$ (13,788)</u>	<u>\$ -</u>	<u>\$ (13,788)</u>