

**SABLE COVE
CONDOMINIUM ASSOCIATION**

FINANCIAL STATEMENTS

Year Ended July 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Sable Cove Condominium Association

Report on the Financial Statements

I have audited the accompanying balance sheet of Sable Cove Condominium Association as of July 31, 2014, and the related statements of revenues, expenses, and comprehensive income(loss), homeowners' equity and cash flows for the period then ended. These financial statements are the responsibility of the Association's Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 expressing of an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

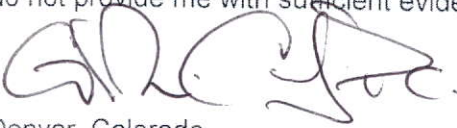
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sable Cove Condominium Association as of July 31, 2014, and the results of its operations and its cash flows for the period then ended in conformity 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 supplementary information about fixture 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Denver, Colorado
November 10, 2014

SABLE COVE CONDOMINIUM ASSOCIATION

BALANCE SHEET

JULY 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL
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<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,881	\$ 296,451	\$ 314,332
Accounts receivable - homeowners net of allowance of \$35,000	29,163		29,163
Other receivable	-		-
Property and equipment, net of accumulated depreciation of \$256,811	-	106,849	106,849
Prepaid insurance	13,824		13,824
Common area property	-	-	-
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TOTAL ASSETS	\$ 60,868	\$ 403,300	\$ 464,168
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<u>LIABILITIES</u>			
Accounts payable	21,871		21,871
Prepaid assessments	18,907		18,907
Rental deposits	3,273		3,273
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TOTAL LIABILITIES	44,051	-	44,051
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<u>CONTINGENCIES</u>	-	-	-
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<u>HOMEOWNERS' EQUITY</u>			
Working capital	51,000		51,000
Fund balance(deficit)	(34,183)	403,300	369,117
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TOTAL HOMEOWNERS' EQUITY	16,817	403,300	420,117
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TOTAL LIABILITIES AND HOMEOWNERS' EQUITY	\$ 60,868	\$ 403,300	\$ 464,168
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The accompanying notes are an integral part of the financial statements

SABLE COVE CONDOMINIUM ASSOCIATION

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JULY 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Homeowner assessments	\$ 725,200	\$ 50,000	\$ 775,200
Late charges and other homeowner assessments	5,542		5,542
Interest on investments	4	195	199
Rental income	-	77,036	77,036
TOTAL REVENUES	730,746	127,231	857,977
EXPENSES			
Water and sewer	178,377		178,377
Grounds maintenance	99,816	164,428	264,244
Insurance	74,622		74,622
Management	52,000		52,000
Rental expenses	50,994		50,994
Building maintenance	42,406		42,406
Salary and related	36,666		36,666
Bad debt expense	34,170		34,170
Professional fees	15,645		15,645
Trash removal	13,800		13,800
Administrative	12,926		12,926
Depreciation	12,160		12,160
Gas and electric	11,576		11,576
Pool maintenance	5,803		5,803
TOTAL EXPENSES	640,961	164,428	805,389
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	89,785	(37,197)	52,588
FUND BALANCE - BEGINNING OF YEAR	(11,380)	327,909	316,529
RE-ALLOCATION OF FUND BALANCE	(112,588)	112,588	-
FUND BALANCE(DEFICIT) - END OF YEAR	\$ (34,183)	\$ 403,300	\$ 369,117
	=====	=====	=====

The accompanying notes are an integral part of the financial statements

SABLE COVE CONDOMINIUM ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess(deficiency) of revenues over expenses	\$ 89,785	\$ (37,197)	\$ 52,588
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation		12,159	12,159
(Increase)decrease in accounts receivable - homeowner	23,288		23,288
(Increase)decrease in prepaid insurance	(3,110)		(3,110)
Increase(decrease) in accounts payable	3,454		3,454
Increase(decrease) in rental deposits	(800)		(800)
Increase(decrease) in prepaid assessments	(8,855)		(8,855)
Interfund transfers	(112,588)	112,588	-
Net cash provided by operating activities	(8,826)	87,550	78,724
CASH FLOWS FROM INVESTING ACTIVITIES:	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,826)	87,550	78,724
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	26,707	208,901	235,608
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,881	\$ 296,451	\$ 314,332
SUPPLEMENTAL INFORMATION:			
Income taxes paid	\$ -	\$ -	\$ -
Interest expense paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

SABLE COVE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

Note 1 - Organization

Sable Cove Condominium Association (the Association), a not-for-profit corporation organized under the laws of Colorado in 1982, was formed for the purpose of providing for the administration, maintenance, preservation and architectural control of the residence lots and common area located within the development and to promote the health, safety and welfare of the residents. The Association consists of owners of 340 residential units located in Aurora, Colorado. The objectives of the Association include maintaining the development as a prime residential ownership area of the highest quality and value and enhancing and protecting its value, desirability and attractiveness.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements and related income tax returns for the Association 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 in accordance with principles of fund accounting. Fund accounting requires that resources for various purposes be classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Association are reported in two self-balancing fund groups as follows:

Operating fund includes unrestricted and restricted resources and represents the portion of expendable funds that is available for support of annual maintenance and operational activities.

Replacement fund represents resources collected and expended for, or designated by the Board for, the major repair or replacement of common area property.

Recognition of Assets and Depreciation Policy

The Association owns common area property acquired from the developer. Common area

SABLE COVE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

Note 2 – Summary of Significant Accounting Policies (continued)

property consists of greenbelt areas, pool, and a clubhouse. As such, the original cost of the common property is not reflected in these financial statements. In addition, costs incurred subsequent to the original developer's transfer, including replacements, improvements and maintenance are reflected as an expense of the Association. The Association's policy for recognition of common property as assets is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members/nonmembers usage.

Property and equipment, when acquired, will be recorded at cost. Depreciation will be computed using the straight-line method over the estimated useful lives (5 –7 years) of the respective assets.

Securities, which the Association has the positive intent and ability to hold to maturity, are reported as held-to-maturity securities. Securities in this category are stated at cost, adjusted for amortization of premiums and accretion of discounts over their remaining lives. Securities not classified as held-to-maturity securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses reported as a separate component of homeowners' equity. Realized gains and losses on the disposition of securities and declines in value judged to be other than temporary are computed on a specific identification method and included in income.

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 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.

Financial Instruments

Unless otherwise disclosed, the carrying amount of financial instruments approximates their fair value because of their short-term nature.

SABLE COVE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

Note 3 - 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, 2014 consisted of checking account balances of \$17,881 in the operating fund, and savings accounts, and a money market funds of \$296,451 in the replacement fund.

Note 4 - Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable - homeowners at July 31, 2014 represent assessments, late fees and other charges due from homeowners. The Association's Declaration of Covenants, Conditions and Restrictions provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the homeowner, and obtaining judgment on other assets of the homeowner.

The annual budget and assessments of members are determined by the Board of Directors. The annual assessment for the Association was \$775,200 of which \$50,000 was designated to the replacement fund. Any excess assessments at year-end are retained by the Association for use in the following year.

The Association's Declaration of Covenants, Conditions and Restrictions provides authorization to retain legal counsel and place liens on the properties of Association members whose assessments are thirty days or more delinquent. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances. Additionally, the Association provides an allowance for doubtful accounts for those assessments that ultimately may not be collected.

Note 5 – Income Taxes

For 2013, the Association elected to file its income tax return as a corporation in accordance with Internal Revenue Code Section 528 in an effort to minimize its tax liability. Non-exempt income, which normally consists of interest income and related expenses, is taxable at regular federal corporate rates of approximately 30 percent and state rates of 4.63 percent under this method.

SABLE COVE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2014

Note 5 – Income Taxes (continued)

For income tax purposes, assessments levied for the restricted reserve fund and placed in separate, restricted bank accounts are considered to be held in trust for the owners, and are therefore not taxable. Related reserve expenditures also do not enter into the calculation of taxable income. Painting assessments and expenditures are considered to be operating items for income tax purposes.

Note 6 - Future Major Repairs and Replacements

The Association's governing documents require that a Replacement Fund and restricted cash accounts are established for major repairs and replacements of common property and the Association has implemented these procedures. Accumulated funds are held in separate savings or investment accounts and generally are not available for expenditures for normal operations.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the board's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the 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, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 7 – 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 8 – Subsequent Events

Management has evaluated subsequent events through November 10, 2014, the date the financials were available to be issued. No significant subsequent events have been identified that would require of or disclosure in the accompanying financial statements.