

Sable Cove Condominium Association

Audited Financial Statements
July 31, 2016



Sable Cove Condominium Association

July 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sable Cove Condominium Association
Denver, Colorado

We have audited the accompanying financial statements of Sable Cove Condominium Association, which comprise the balance sheet as of July 31, 2016, and the related statements of revenues, expenses, and changes in member's equity and cash flows for the three months 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 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 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 risk 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 Sable Cove Condominium Association, at July 31, 2016, and the results of its operations and its cash flows for the three months then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

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 on 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.

Griffin Group, CPA

Denver, Colorado
December 5, 2016

Sable Cove Condominium Association

July 31, 2016

Balance Sheet

	Operating Fund	Replacement Fund	Total
ASSETS:			
Cash and cash equivalents	\$ 70,589	\$ 361,357	\$ 431,946
Accounts receivable, net	33,379	-	33,379
Prepaid expenses	18,692	-	18,692
Property and equipment, net	-	84,708	84,708
Interfund due from	-	-	-
ASSETS	\$ 122,660	\$ 446,065	\$ 568,725
LIABILITIES AND FUND BALANCES:			
Accounts payable	\$ -	\$ -	\$ -
Prepaid assessments	20,838	-	20,838
Rental deposits	5,304	-	5,304
Interfund due to	-	-	-
Total liabilities	26,142	-	26,142
MEMBER'S EQUITY:			
Working capital	51,000	-	51,000
Fund balance (deficit)	45,518	446,065	491,583
Total member's equity	96,518	446,065	542,583
LIABILITIES AND MEMBER'S EQUITY	\$ 122,660	\$ 446,065	\$ 568,725

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

Sable Cove Condominium Association

July 31, 2016

Statement of Revenues, Expenses, and Changes in Member's Equity

	Operating Fund	Replacement Fund	Total
REVENUES:			
Member assessments	\$ 766,000	\$ 50,000	\$ 816,000
Rental income	-	115,150	115,150
Late fees and other assessments	10,855	-	10,855
Interest	2	315	317
Total revenues	776,857	165,465	942,322
EXPENSES:			
Administrative	13,971	-	13,971
Bad debt expense	12,413	-	12,413
Building maintenance	42,293	170,790	213,083
Depreciation	10,981	-	10,981
Gas and electric	10,035	-	10,035
Grounds maintenance	119,371	-	119,371
Insurance	106,305	-	106,305
Management	56,160	-	56,160
Payroll and related	42,599	-	42,599
Pool maintenance	4,650	-	4,650
Professional fees	4,770	-	4,770
Rental expenses	53,884	-	53,884
Trash removal	13,982	-	13,982
Water and sewer	208,011	-	208,011
Total expenses	699,425	170,790	870,215
Excess (deficit) of revenues over expenses	77,432	(5,325)	72,107
MEMBER'S EQUITY:			
Beginning of year	27,367	443,109	470,476
Interfund transfers	(8,281)	8,281	-
END OF YEAR	\$ 96,518	\$ 446,065	\$ 542,583

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

Sable Cove Condominium Association
July 31, 2016

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
OPERATING ACTIVITIES:			
Excess (deficit) of revenues over expenses	\$ 77,432	\$ (5,325)	\$ 72,107
Depreciation	-	10,981	10,981
Decrease (increase) in operating assets:			
Accounts receivable, net	(8,964)	-	(8,964)
Prepaid expenses	(450)	-	(450)
Interfund due from	-	8,281	8,281
Increase (decrease) in operating liabilities:			
Accounts payable	(24,443)	-	(24,443)
Prepaid assessments	(5,353)	-	(5,353)
Interfund due to	(8,281)	-	(8,281)
Cash provided by (used from) operating	29,941	13,937	43,878
Change in cash and cash equivalents	29,941	13,937	43,878
CASH AND CASH EQUIVALENTS:			
Beginning of year	40,648	347,420	388,068
END OF YEAR	\$ 70,589	\$ 361,357	\$ 431,946
Supplemental Information:			
Cash paid for income tax	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -

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

(1) NATURE OF THE ORGANIZATION

Sable Cove Condominium Association (the "Association") is a common interest community, organized as a nonprofit corporation in accordance with the laws of the state of Colorado on August 26, 1982. The Association was formed to maintain all common property and to govern the community in accordance with governing documents. The community consists of 340 residential units in 17 condominium buildings on 10.5 acres of real estate located in Aurora, Colorado.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Accounting Standards Codification as produced by the Financial Accounting Standards Board is the sole source of authoritative GAAP for non-governmental entities.

Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities which includes using a system of fund accounting to classify financial resources to their intended purpose.

The Operating Fund is used to account and report for the use of operating resources.

The Replacement Fund is used to account and report for resources designated for future major repairs and replacement.

Funding Policy

Assessments to unit owners for their proportionate share of common expenses and for funds designated for future major repairs and replacements are based upon a budget established by the board of directors. Special assessments may also be imposed from time to time as deemed appropriate. Any excess assessments at year end are retained by the Association for use in future years.

Revenue Recognition

Regular member assessments are recognized as revenue during the period for which they are assessed. Assessments received in advance of the period are recognized as prepaid assessments on the balance sheet.

Property

The real property acquired from the developer and related improvements to such property are not recognized assets on the balance sheet. Interests in the common elements are owned by the members in common. The Association is responsible to maintain all common property.

Asset Recognition

Significant purchase of personal property by the Association will be capitalized, at cost, and depreciated over the estimated useful lives of the assets using the straight-line method.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES * (Continued)

Use of Estimates

The preparation of these financial statements require the board of directors to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The board of directors base their estimates on historical experience and on various other assumptions and factors that are believed to be reasonable. Actual results may vary from these estimates, and such variations may be material.

(3) CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation ("FDIC") insures deposit accounts at the respective financial institutions up to \$250,000. The Association maintains balances, which at time, may exceed FDIC insurance levels. The Association's held a \$137,267 balance, in excess of those limits, as of July 31, 2016. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

(4) FEDERAL INCOME TAXES

The Association last elected to file as a homeowner's association, in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on income expenses related to its exempt purpose, which consist primarily of member assessments. Nonexempt function income is taxable at 30%.

Federal tax filings are subject to examination for three years.

(5) FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide certain guidelines for governing its financial activities which includes that each proposed budget includes provisions for reserves for future major repairs and replacements. These accounts, if adopted, are restricted to their intended purpose unless modified by a vote of the board of directors.

The approved budget includes provisions for 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.

(6) CASH AND CASH EQUIVALENTS

For purposes of the financial statements, cash and cash equivalents consists of all highly liquid instruments available for current use with original maturities of three (3) months or less, when purchased. Cash and cash equivalents are carried at historical cost, which approximates market value.

(7) ACCOUNTS RECEIVABLE, NET

The Association governing documents provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances.

In deterring the collectability of specific unit owner balances, management considers the number of days' delinquent and the owner's payment history. Accordingly, based on managements' judgment, the Association provided for estimated uncollectible amounts of \$30,000.

(8) COMMITMENTS

The Association has various contracts to maintain common property. These contracts have different expiration dates and renewal terms.

(9) CONTINGENCIES

The Association is party to various legal actions normally associated with common interest communities, 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.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2015 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.