

Sable Cove Condominium Association

Audited Financial Statements
July 31, 2021



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Independent Auditor's Report

To the Board of Directors
Sable Cove Condominium Association

We have audited the accompanying financial statements of Sable Cove Condominium Association, which comprise the balance sheet as of July 31, 2021, and the related statements of revenues, expenses, and changes in members' equity and cash flows for the period 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 auditors' 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 auditors consider 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, 2021, 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.

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
November 29, 2021

Sable Cove Condominium Association
July 31, 2021

Balance Sheet

	Operating Fund	Replacement Fund	Total
Assets:			
Cash and cash equivalents	\$ 40,823	\$ 394,887	\$ 435,710
Accounts receivable, net	65,640	-	65,640
Prepaid insurance	25,957	-	25,957
Property and equipment, net	-	84,049	84,049
Total assets	\$ 132,420	\$ 478,936	\$ 611,356
Liabilities:			
Accounts payable	\$ 18,858	\$ -	\$ 18,858
Contract liabilities (assessments received in advance)	-	478,936	478,936
Prepaid assessments	44,142	-	44,142
Rental deposit	4,749	-	4,749
Total liabilities	67,749	478,936	546,685
Members' equity:			
Fund balance (deficit)	64,671	-	64,671
Total members' equity	64,671	-	64,671
Total liabilities and members' equity	\$ 132,420	\$ 478,936	\$ 611,356

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

Sable Cove Condominium Association
July 31, 2021

Statement of Revenues, Expenses, and Changes in Members' Equity

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 816,000	\$ -	\$ 816,000
Change in contract liabilities	-	43,309	43,309
Interest income	1	1,514	1,515
Late fees and other income	12,675	-	12,675
Rental income	-	86,750	86,750
Interfund due to (from)	(31,726)	31,726	-
Total revenues	796,950	163,299	960,249
Expenses:			
Administrative	27,935	-	27,935
Building maintenance	59,174	-	59,174
Depreciation	-	15,122	15,122
Electricity and gas	9,783	-	9,783
Grounds maintenance	92,925	-	92,925
Insurance	152,391	-	152,391
Major repairs and replacements	-	148,177	148,177
Management	62,400	-	62,400
Payroll and related	44,502	-	44,502
Pool maintenance	3,452	-	3,452
Professional	98	-	98
Rental expense	69,703	-	69,703
Snow removal	25,902	-	25,902
Trash removal	17,203	-	17,203
Water and sewer	192,816	-	192,816
Total expenses	758,284	163,299	921,583
Excess (deficit) of revenues over expenses	38,666	-	38,666
Members' equity:			
Beginning of year	26,005	522,245	548,250
Prior period adjustment	-	(522,245)	(522,245)
End of Year	\$ 64,671	\$ -	\$ 64,671

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

Sable Cove Condominium Association
July 31, 2021

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
Operating activities:			
Excess (deficit) of revenues over expenses	\$ 38,666	\$ -	\$ 38,666
Prior period adjustment	-	(522,245)	(522,245)
Decrease (increase) in operating assets:			
Accounts receivable, net	(28,830)	-	(28,830)
Prepaid insurance	(419)	-	(419)
Property and equipment, net	-	15,122	15,122
Increase (decrease) in operating liabilities:			
Accounts payable	1,129	-	1,129
Contract liabilities	-	478,936	478,936
Prepaid assessments	(2,540)	-	(2,540)
Rental deposit	(417)	-	(417)
Cash provided by (used from) operating	7,589	(28,187)	(20,598)
Net change in cash and cash equivalents	7,589	(28,187)	(20,598)
Cash and cash equivalents:			
Beginning of year	33,234	423,074	456,308
End of year	\$ 40,823	\$ 394,887	\$ 435,710
Supplemental Information:			
Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -

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

(1) Nature of the Organization

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

(2) Summary of Significant Accounting Policies

Fund 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid instruments available for current use. For purposes of the financial statements, certificates of deposit are considered a cash and cash equivalents because, if necessary, funds may be withdrawn before their maturity dates, usually without a penalty exceeding the interest. Cash and cash equivalents are carried at historical cost, which approximates market value.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members.

Interest Earned

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

Contract Liabilities (Assessments received in advance)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the assessments.

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.

(2) Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of these financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management 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. As of July 31, 2021, the Association's held no balance in excess of those limits. 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 qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the period ended July 31, 2021. 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 4.55% by the State of Colorado.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of July 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's federal tax filings are subject to examination for three years.

(5) Future Major Repairs and Replacements

The Association's governing documents require that each proposed annual budget includes provisions for future major repairs and replacements. Accumulated funds are presented on the accompanying balance sheet as a contract liability (assessments received in advance) on July 31, 2021, are held in separate accounts and are generally not available for operating purpose.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on management 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, pass special assessments, obtain loans, or delay major repairs and replacements until funds are available.

(6) Property and Equipment, net

As of July 31, 2021, the balances of the property and equipment, at cost and fair value, are as follows.

Description	Life	Amount
Tools and Equipement	20	\$ 69,385
Short-Term Rentals	15	332,239
Rental Improvements	20	38,721
Total property and equipment		440,345
Less: Accumulated depreciation		(356,296)
Total property and equipment, net		\$ 84,049

(7) Accounts Receivable, Net

The Association governing documents provide 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.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of experience and susceptibility to factors outside the Association's control. Accordingly, based on managements' judgment, the Association provided for an estimated uncollectible amount of \$75,000.

(8) Commitments

The Association has contracted with various vendors for the administration and maintenance of the common property. These contracts have different expiration dates and renewal terms.

(9) Contingencies

Insurance Deductible

The Association's insurance policy contains a deductible. The Association is responsible for losses up to this amount if common property damage claims occur. Accordingly, if such funds are needed, the Association may increase assessments, pass special assessments, obtain loans, or delay repairs and replacements until funds are available.

Legal

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 November 29, 2021, the date these financial statements were available to be issued. There was no material subsequent event that required recognition or additional disclosure in these financial statements.