

Sable Cove Condominium Association

Audited Financial Statements
July 31, 2019



Sable Cove Condominium Association
July 31, 2019

Table of Contents

Independent Auditors' Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Members' Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-8

Independent Auditors' 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, 2019, 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.

Auditors' 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, 2019, 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 4, 2019

Sable Cove Condominium Association
July 31, 2019

Balance Sheet

	Operating Fund	Replacement Fund	Total
Assets:			
Cash and cash equivalents	\$ 34,455	\$ 483,690	\$ 518,145
Accounts receivable, net	16,166	-	16,166
Prepaid insurance	19,759	-	19,759
Property and equipment, net	-	114,293	114,293
Total assets	\$ 70,380	\$ 597,983	\$ 668,363
Liabilities:			
Accounts payable	\$ 20,985	\$ -	\$ 20,985
	24,583	-	24,583
Rental deposit	4,266	-	4,266
Total liabilities	49,834	-	49,834
Members' equity:			
Fund balance (deficit)	20,546	597,983	618,529
Total members' equity	20,546	597,983	618,529
Total liabilities and members' equity	\$ 70,380	\$ 597,983	\$ 668,363

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

Sable Cove Condominium Association
July 31, 2019

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

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 791,000	\$ 25,000	\$ 816,000
Interest income	5	1,096	1,101
Late fees and other income	29,645	-	29,645
Rental income	-	83,900	83,900
Total revenues	820,650	109,996	930,646
Expenses:			
Administrative	23,919	-	23,919
Building maintenance	40,584	-	40,584
Depreciation	-	15,122	15,122
Electricity and gas	8,692	-	8,692
Grounds maintenance	120,110	-	120,110
Insurance	115,666	-	115,666
Major repairs and replacements	-	199,539	199,539
Management	60,000	-	60,000
Payroll and related	45,311	-	45,311
Pool maintenance	1,058	-	1,058
Professional	4,523	-	4,523
Rental expense	75,353	-	75,353
Snow removal	37,534	-	37,534
Trash removal	15,516	-	15,516
Water and sewer	215,138	-	215,138
Total expenses	763,404	214,661	978,065
Excess (deficit) of revenues over expenses	57,246	(104,665)	(47,419)
Members' equity:			
Beginning of year	100,320	565,628	665,948
Interfund transfer	(137,020)	137,020	-
End of Year	\$ 20,546	\$ 597,983	\$ 618,529

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

Sable Cove Condominium Association
July 31, 2019

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
Operating activities:			
Excess (deficit) of revenues over expenses	\$ 57,246	\$ (104,665)	\$ (47,419)
Interfund transfer	(137,020)	137,020	-
Decrease (increase) in operating assets:			
Accounts receivable, net	5,542	-	5,542
Accrued interest	(658)	-	(658)
Prepaid insurance	-	15,122	15,122
Increase (decrease) in operating liabilities:			
Accounts payable	(2,816)	-	(2,816)
Prepaid assessments	(10,619)	-	(10,619)
Rental deposit	(750)	-	(750)
Cash provided by (used from) operating	(89,075)	47,477	(41,598)
Net change in cash and cash equivalents	(89,075)	47,477	(41,598)
Cash and cash equivalents:			
Beginning of year	123,530	436,213	559,743
End of year	\$ 34,455	\$ 483,690	\$ 518,145
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

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 years' 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 reported 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.

Use of 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, 2019, 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 elects to file as a homeowners' association using form 1120-H, under Internal Revenue Code Section 528. Under that section, the Association is not taxed on income related to its exempt purpose, which consists primarily of member assessments. Nonexempt function income is taxed at 30%, however, for the period ended July 31, 2019 the Association had no federal tax liability.

The Association's 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

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.

Cash and cash equivalents consist of all highly liquid instruments available for current use and are carried at historical cost, which approximates market value.

(7) Property and Equipment, net

As of July 31, 2019, the balances of the property and equipment, at cost and fair value, are as follows.

<u>Description</u>	<u>Life</u>	<u>Amount</u>
Tools and Equipment	20	\$ 69,385
Short-Term Rentals	15	332,239
<u>Rental Improvements</u>	20	<u>38,721</u>
Total property and equipment		440,344
<u>Less: Accumulated depreciation</u>		<u>(326,050.94)</u>
<u>Total property and equipment, net</u>		<u>\$ 114,293</u>

(8) 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.

In determining 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 \$49,000.

(9) Commitments

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

(10) Contingencies

The Association is party to various other 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.

(11) Subsequent Events

Management has evaluated subsequent events through November 4, 2019 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.