

**AMERICANA
TOWNHOME ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

**FOR THE YEAR
ENDED DECEMBER 31, 2013**

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Independent Auditors' Report

To the Board of Directors
Americana Townhome Association, Inc.
Aurora, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Americana Townhome Association, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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 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 Americana Townhome Association, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Repairs and Replacements

Management has omitted information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Olson, Reyes & Sauerwein, LLC

Denver, Colorado

August 13, 2014

**Americana
Townhome Association, Inc.
Balance Sheet
December 31, 2013**

Assets

	Operating Fund	Replacement Reserve Fund	Total
Current assets			
Cash and cash equivalents	\$ 4,362	\$ 31,815	\$ 36,177
Assessments receivable, net of allowance of \$70,500	40,183	-	40,183
Prepaid expenses	9,806	-	9,806
Total current assets	<u>54,351</u>	<u>31,815</u>	<u>86,166</u>
 Total assets	 <u><u>\$ 54,351</u></u>	 <u><u>\$ 31,815</u></u>	 <u><u>\$ 86,166</u></u>

Liabilities and Fund Balances

Current liabilities			
Accounts payable and accrued expenses	\$ 11,574	\$ -	\$ 11,574
Deferred assessments	8,638	-	8,638
Deferred revenue - Comcast	3,713	-	3,713
Total current liabilities	23,925	-	23,925
 Fund balances	 <u>30,426</u>	 <u>31,815</u>	 <u>62,241</u>
 Total liabilities and fund balances	 <u><u>\$ 54,351</u></u>	 <u><u>\$ 31,815</u></u>	 <u><u>\$ 86,166</u></u>

**Americana
Townhome Association, Inc.
Statement of Revenues and Expenses
For the Year Ended December 31, 2013**

	Operating Fund	Replacement Reserve Fund	Total
Revenues:			
Member assessments	\$ 217,296	\$ -	\$ 217,296
Interest	-	27	27
Board approved transfers to reserve fund	(15,000)	15,000	-
Late fees and other income	16,149	-	16,149
Other income - Comcast	810	-	810
Total revenues	219,255	15,027	234,282
Expenses			
Bad debts	8,355	-	8,355
Insurance	45,256	-	45,256
Management fees	16,800	-	16,800
Office and administrative	3,203	-	3,203
Professional fees	12,923	-	12,923
Repairs and maintenance	35,528	-	35,528
Security	4,531	-	4,531
Snow removal	8,240	-	8,240
Storage	846	-	846
Trash removal	13,430	-	13,430
Water and sewer	74,692	-	74,692
Utilities	2,068	-	2,068
Total expenses	225,872	-	225,872
Excess (deficit) of revenues over expenses	<u>\$ (6,617)</u>	<u>\$ 15,027</u>	<u>\$ 8,410</u>

Americana
Townhome Association, Inc.
Statement of Changes in Fund Balances
For the Year Ended December 31, 2013

	Operating Fund	Replacement Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Fund balance, January 1, 2013	\$ 37,043	\$ 16,788	\$ 53,831
Excess (deficit) of revenues over expenses	<u>(6,617)</u>	<u>15,027</u>	<u>8,410</u>
Fund balance, December 31, 2013	<u><u>\$ 30,426</u></u>	<u><u>\$ 31,815</u></u>	<u><u>\$ 62,241</u></u>

Americana
Townhome Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2013

	Operating Fund	Replacement Reserve Fund	Total
Cash flows from operating activities:			
Excess (deficit) of revenues over expenses	\$ (6,617)	\$ 15,027	\$ 8,410
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:			
Bad debt expense	8,355	-	8,355
Changes in asset and liability items			
(Increase) decrease in :			
Assessments receivable	18,669	-	18,669
Prepays	(694)	-	(694)
Increase (decrease) in:			
Accounts payable and accrued expenses	(29,463)	-	(29,463)
Deferred assessments	(82)	-	(82)
Deferred revenue - Comcast	(810)	-	(810)
Net cash provided by (used in) operations	(10,642)	15,027	4,385
Net increase (decrease) in cash	(10,642)	15,027	4,385
Cash and cash equivalents at beginning of period	15,004	16,788	31,792
Cash and cash equivalents at end of period	\$ 4,362	\$ 31,815	\$ 36,177
<u>Supplemental disclosures of cash flow information</u>			
Cash paid during the year for:			
Income taxes	\$ -	\$ -	\$ -
Interest	\$ -	\$ -	\$ -

AMERICANA
TOWNHOME ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Americana Townhome Association, Inc. (the “Association”) was incorporated on July 26, 1979 in the State of Colorado, to administer the operation and management of Americana Townhome building and common areas. The Association consists of 108 condominium units, located in Aurora, Colorado.

Fund accounting on accrual basis

The Association operates according to its governing documents. The Association records its operations on the accrual basis. These financial statements separate funds into operating and replacement reserve funds:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association and recurring maintenance costs of the property.

Replacement Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Property and equipment

Common area property, which was conveyed by the developer to the Association, is carried at no value in the financial statements. In accordance with accounting rules established by the American Institute of Certified Public Accountants in its “Audits of Common Interest Realty Associations”, the Association’s policy is not to capitalize common area assets unless they are (1) separately disposable or (2) used to generate significant revenues on the basis of usage. Improvements to these assets are expensed as incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit with original maturities of three months or less.

Prepaid expenses

The Association may acquire items such as insurance on an annual basis. Amounts not applicable to the current operating period are recorded as prepaid and expensed in the appropriate accounting period.

Interfund transfers

At various times, the Operating Fund and the Replacement Reserve Fund may not have completed the cash transfers required under accrual accounting. Cash held for transfer to or from one fund to the other fund, if any, is shown as due from one fund to the other.

AMERICANA
TOWNHOME ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

Note 1 Summary of Significant Accounting Policies (continued)

Member assessments

Assessments by the Association are set by the Board of Directors on an annual basis and are payable monthly. Assessments are a legal obligation of the owners, and generally are regarded as secondary only to any first mortgage on the unit. The Association's policy is to assess late fees when Assessments are 10 days past due, place liens on the properties of homeowners whose assessments are 60 days past due and retain legal counsel after Assessments are 90 days past due. Legal fees incurred in collection of assessments and late fees charged are included in the assessment receivable. The board has elected to establish a reserve for uncollectible assessments receivable from the owners in the amount of \$70,500 at December 31, 2013. Assessments receivable are shown net of the allowance for uncollectible assessments on the face of the balance sheet.

Deferred Assessments

The Association recognizes revenues as dues are assessed. Amounts received prior to the date of assessment are classified as deferred assessments. Deferred assessments amounted to \$8,638, as of December 31, 2013.

Concentration of credit risk

As of December 31, 2013, the Association's cash and temporary cash investments consisted of interest bearing accounts. It is the Association's policy to maintain its bank accounts at local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2013 the Association had no uninsured cash balances. The receivables at the balance sheet date represent fees due from homeowners. The Association's accounts receivable are subject to minimal risk.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Association to make accounting estimates that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 2 Income Taxes

The Association qualifies as a tax-exempt homeowners' association in accordance with Internal Revenue Service Code Section 528. Under that section, the Association excludes from taxation 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 4.63% by the State of Colorado

AMERICANA
TOWNHOME ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

Note 2 Income Taxes (continued)

Management evaluates its tax positions to determine if the tax positions taken meet the minimum recognition threshold in connection with accounting for uncertainties in income tax positions taken or expected to be taken for the purposes of measuring and recognizing liabilities in the financial statements. Recognition of tax benefits of an uncertain tax position is required only when the position is “more likely than not” to be sustained assuming examination by taxing authorities. At December 31, 2013, the Association has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken in future tax returns.

The Association files income tax returns in the U.S. federal jurisdiction and the State of Colorado. No tax returns are currently under examination. The statute of limitations on the Association’s tax returns remains open for the years ended December 31, 2010 through December 31, 2013. The Association is not aware of any tax positions for which it is reasonable possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

For the year ended December 31, 2013 the Associations combined federal and state income tax liabilities were none.

Note 3 Replacement Reserve Funds

The Association’s governing documents require that funds be accumulated for future repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association may increase regular assessments, levy special assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

Note 4 Legal Actions

From time to time the Association may become involved in various litigation matters involving ordinary and routine claims incidental to homeowner associations. A significant portion of these matters involve the collection of delinquent assessments and covenant compliance wherein the Association is the plaintiff. Management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Association’s financial condition.

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TOWNHOME ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

Note 5 Commitments

The Association entered into an agreement with Comcast Cable Communications, LLC to provide cable TV service, internet service, and telephone service to the townhomes for a term of ten years beginning in July of 2008. The Association received a fee of \$8,100 which is being amortized to income over the term of the contract

Note 6 Subsequent Events

There were no subsequent events that require recognition or disclosure. In preparing these financial statements, management of the Association has evaluated events and transactions for potential recognition or disclosure through August 13, 2014, the date of the financial statements.