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November 23, 2015

Cheesman Tower West Condominium Association
% Weststar Management Corp.
6795 E. Tennessee Ave. Suite601
Denver, CO 80224

Attn: Jean Ronald

Re: Financial Statements, July 31, 2015 and 2014

Enclosed are no (0) bound copies of the financial statements for Cheesman Tower West Condominium Association at July 31, 2015 and 2014 and for the years then ended. We have enclosed one copy, scanned, for your file. The final trial balance and the 2014 journal entries have been given to Marcie earlier.

The current tax returns with filing instructions for signature and mailing were mailed under seperate cover on Thursday, November 19, 2015, by Garry Smith.

We do appreciate your help, as well as that from Marcie and Beth, and thank you for allowing L.R. Compton II, LLC to prepare the statements and tax returns for your managed Association, Cheesman Tower West Condominium Association

Sincerely,



L. R. Compton II, CPA
Managing Principal

Enclosures

***CHEESMAN TOWER WEST
CONDOMINIUM ASSOCIATION***

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

JULY 31, 2015 and 2014

L.R. COMPTON II, LLC
Certified Public Accountants
3595 South Teller Street, Suite 402
Lakewood, Colorado 80235

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

JULY 31, 2015 and 2014

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L.R. COMPTON II, LLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Cheesman Tower West Condominium Association
Denver, Colorado

We have audited the accompanying financial statements of Cheesman Tower West Condominium Association, which comprise the balance sheets as of July 31, 2015 and 2014, and the related statements of revenue, expenditures and changes in fund balances and cash flows for the years 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 audits. We conducted our audits 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.

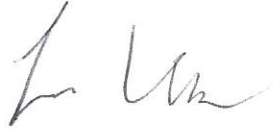
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 Cheesman Tower West Condominium Association as of July 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lakewood, Colorado
November 10, 2015

A handwritten signature in dark ink, appearing to be 'L. U.', is written over the date.

CHEESMAN TOWER WEST
CONDOMINIUM ASSOCIATION
BALANCE SHEETS

	YEARS ENDED JULY 31,			
	2015			2014
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash	\$ 140,727	\$ 112,381	\$ 253,108	\$ 219,312
Certificates of Deposit	-	117,897	117,897	20,000
Assessments Receivable, Net	529	-	529	12,916
Accounts Receivable, Other	600	-	600	760
Prepaid Items	31,171	-	31,171	40,109
Property and Equipment, Net	43,758	-	43,758	44,800
Interfund Balances	-	-	-	-
TOTAL ASSETS	\$ 216,785	\$ 230,278	\$ 447,063	\$ 337,897
LIABILITIES and FUND BALANCES				
LIABILITIES				
Accounts Payable and				
Accrued Liabilities	\$ 9,922	\$ -	\$ 9,922	\$ 18,079
Deferred Assessments	6,470	129,620	136,090	3,144
Note Payable	-	449,770	449,770	485,099
<i>Total Liabilities</i>	16,392	579,390	595,782	506,322
FUND BALANCES				
Operating Fund	200,393	-	200,393	212,135
Replacement Fund (Deficit)	-	(349,112)	(349,112)	(380,560)
<i>Total Fund Balances</i>	200,393	(349,112)	(148,719)	(168,425)
TOTAL LIABILITIES and FUND BALANCES	\$ 216,785	\$ 230,278	\$ 447,063	\$ 337,897

See Notes to Financial Statements

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

STATEMENTS of REVENUE, EXPENDITURES and CHANGES in the FUND BALANCES

	YEARS ENDED JULY 31,			
	2015			2014
	Operating Fund	Replacement Fund	Total	Total
REVENUE				
Assessments	\$ 342,456	\$ 111,393	\$ 453,849	\$ 433,495
Rental Income	-	-	-	2,400
Other Member Income	24,407	-	24,407	20,682
Sale of Unit 204	-	-	-	245,000
Interest	280	499	779	225
Total Revenue	<u>367,143</u>	<u>111,892</u>	<u>479,035</u>	<u>701,802</u>
EXPENDITURES				
Maintenance	95,889	-	95,889	84,278
Operating				
Utilities	108,067	-	108,067	107,988
<i>Total Operating</i>	<u>108,067</u>	<u>-</u>	<u>108,067</u>	<u>107,988</u>
Replacement Projects	-	52,230	52,230	10,678
Administrative				
Depreciation	1,042	-	1,042	1,042
Income Taxes	-	-	-	68,415
Insurance	42,924	-	42,924	37,834
Interest	-	28,064	28,064	30,111
Management Fees	21,000	-	21,000	20,933
Office and Communications	10,884	150	11,034	7,234
Payroll & Related Expenses	92,453	-	92,453	94,158
Professional Fees	6,092	-	6,092	9,419
Property Taxes	534	-	534	2,539
Unit 204 Cost of Sale	-	-	-	15,375
<i>Total Administrative</i>	<u>174,929</u>	<u>28,214</u>	<u>203,143</u>	<u>287,060</u>
Total Expenditures	<u>378,885</u>	<u>80,444</u>	<u>459,329</u>	<u>490,004</u>
EXCESS (DEFICIT) of REVENUE				
OVER EXPENDITURES	(11,742)	31,448	19,706	211,798
Fund Balances, Beginning of Year	<u>212,135</u>	<u>(380,560)</u>	<u>(168,425)</u>	<u>(380,223)</u>
FUND BALANCES, End of Year	\$ <u>200,393</u>	\$ <u>(349,112)</u>	\$ <u>(148,719)</u>	\$ <u>(168,425)</u>

See Notes to Financial Statements

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

STATEMENTS of CASH FLOWS

	YEARS ENDED JULY 31,			
	2015			2014
	Operating Fund	Replacement Fund	Total	Total
<i>CASH PROVIDED (USED) by OPERATING ACTIVITIES:</i>				
Excess (Deficit) of Revenue Over Expenditures	\$ (11,742)	\$ 31,448	\$ 19,706	\$ 211,798
<i>Adjustments to Reconcile Excess (Deficit) of Revenue over Expenditures to Net Cash Provided (Used) by Operating Activities</i>				
Depreciation	1,042	-	1,042	1,042
Assessments Receivable, Net	12,387	-	12,387	489
Accounts Receivable, Other	160	-	160	(13,216)
Accrued Interest Receivable	-	-	-	-
Prepaid Items	8,938	-	8,938	(12,444)
Accounts Payable and Accrued Liabilities	(8,157)	-	(8,157)	11,399
Deferred Assessments	3,326	129,620	132,946	(3,011)
<i>Total Cash Provided (Used) by Operating Activities</i>	5,954	161,068	167,022	196,057
<i>CASH PROVIDED (USED) by INVESTING ACTIVITIES:</i>				
Certificates of Deposit	-	(97,897)	(97,897)	(20,000)
Investments	-	-	-	-
Note Payable	-	(35,329)	(35,329)	(33,281)
Interfund Transfers	-	-	-	-
<i>Total Cash Provided (Used) by Investing Activities</i>	-	(133,226)	(133,226)	(53,281)
<i>NET INCREASE (DECREASE) in CASH</i>	5,954	27,842	33,796	142,776
Cash, Beginning of Year	134,773	84,539	219,312	76,536
<i>CASH, End of Year</i>	\$ 140,727	\$ 112,381	\$ 253,108	\$ 219,312
Supplemental Disclosure				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ 79,289
Interest Paid	\$ -	\$ 28,064	\$ 28,064	\$ 30,111

See Notes to Financial Statements

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

NOTES to FINANCIAL STATEMENTS
JULY 31, 2015 and 2014

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Cheesman Tower West Condominium Association (The Association) was incorporated August 27, 1979 under the Colorado Nonprofit Corporation Act. The Association consists of 73 residential condominium units located in Denver, Colorado. Its members are the owners of 72 of the condominium units. The Association owns 1 of the 73 condominiums for use by guests of owners. The Association's purpose is to maintain, operate and manage the condominium residential building and improvements.

Significant Accounting Policies

Method of Accounting

The financial statements of Cheesman Tower West Condominium Association are prepared on the accrual basis of accounting utilizing fund accounting to report on its activities as prescribed in the governing documents.

Fund Accounting

The books and records of the Association recognize two primary funds:

Operating Fund: This fund records the daily activities of operating the Association, including the annual budgeting, assessing of the owners, collecting of assessments, disbursing funds under the annual budget and paying income taxes, if any are due, on income unrelated to membership in the Association. Property and equipment purchased with Association funds are recorded in the operating fund as is the related accumulated depreciation.

Replacement Fund: This fund represents the investments of condominiums' assessments that are being accumulated for future major repairs and replacements as projected in the Association's March 2014 *Reserve Study*. This study, prepared by an independent building consultant, forecasts the cash necessary to fund the projects considered advisable to maintain the Association's property in first class condition. The fund holds investment grade securities, bonds and other financial instruments which may provide income and growth.

Prepaid Items

Cheesman Tower West Condominium Association may pay certain expenses such as insurance and wastewater invoices on an annual basis. The portions to be expensed in a future accounting period are recorded as prepaid items.

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

NOTES to FINANCIAL STATEMENTS

JULY 31, 2015 and 2014

(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Property and Equipment, Net

Real property and common areas received from the developer and the related improvements to such property are not recorded in the Association's financial statements. These properties are owned by the individual unit owners in common, not by the Association which may capitalize personal property at cost and depreciate it using the straight-line method. The Association acquired improvements, not yet fully depreciated, are recorded in the operating fund and are being depreciated over a 30 year life.

Interfund Balances

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash to be transferred from one fund to the other, if any, is recorded as interfund balances from one fund to the other.

Deferred Assessments

Monthly assessments to the members are billed in advance, and may be paid prior to the period billed. Any assessments received in advance are recorded as prepaid assessments and not recognized as income until the appropriate accounting period.

Revenue

Assessments, as set by the annual budget to be collected from homeowners, represent the major source of revenue for the Association. Additionally, assessments paid in arrears incur a late charge and should legal collection steps become necessary the legal fees are recorded with the late charges as other income. Also, fines imposed for infractions under the rules and regulations of the Association are recorded as other income.

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Cheesman Tower West Condominium Association maintains its cash balances in both national banks and with investment firms. The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance at July 31, 2015 and 2014, for balances in national banks. Investment firms provide insurance for the balances in their accounts. Based on the FDIC limits at year-end July 31, 2015 and 2014, the Association has \$-0- in uninsured deposits.

Fair Value of Financial Instruments

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair value at July 31, 2015 and 2014. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

NOTES to FINANCIAL STATEMENTS

JULY 31, 2015 and 2014

(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain balances from the 2014 financial statements have been reclassified to conform to the presentation at July 31, 2015.

NOTE 2. Assessments Receivable, Net

The accounts receivable arising from ordinary Association activities are, in management's opinion, collectible in full since they constitute a legal debt of the property subject only to a prior first mortgage on the condominium. The total owed to the Association includes any late fees incurred in collection. These debts, however, may require the Board of Directors exercise the Association's remedies to collect. No allowance for uncollectable accounts has been established at July 31, 2015 and 2014. Assessments receivable are shown on the Association's financial statements at the total billed amount net of any allowance for uncollectable accounts.

NOTE 3. Accounts Receivable, Other

Accounts Receivable, Other represents laundry room revenues which were not deposited as of July 31, 2015 and 2014.

NOTE 4. Property and Equipment, Net

The Association owns, as common property, a condominium unit along with improvements, land, equipment and furniture and fixtures. A summary of these assets and the accumulated depreciation at July 31,

	<u>2015</u>	<u>2014</u>
Land	\$ 30,000	\$ 30,000
Condominium Unit and Improvements	175,294	175,294
Furniture, Fixtures and Equipment	<u>1,023</u>	<u>1,023</u>
Total Property and Equipment	206,317	206,317
Accumulated Depreciation	<u>(162,559)</u>	<u>(161,517)</u>
<i>Property and Equipment, Net</i>	<u><u>\$ 43,758</u></u>	<u><u>\$ 44,800</u></u>

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

NOTES to FINANCIAL STATEMENTS

JULY 31, 2015 and 2014

(Continued)

NOTE 5. Note Payable

The Association has an outstanding note payable recorded in its Replacement Fund of \$449,770 at July 31, 2015. The 15 year, 5.90% interest note requires monthly interest and principal payments of \$5,283 until maturity at September 2024. Principal payments due at July 31,

<u>YEAR</u>		
2016	\$ 37,532	
2017	40,046	
2018	42,728	
2019	45,589	
2020	<u>49,974</u>	
Total Above		\$ 215,869
2021 - 2025		<u>233,901</u>
Total		<u>\$ 449,770</u>

NOTE 6. Replacement Fund

In 2013, the Board commissioned an independent building consultant to prepare an updated Reserve Study of the future major repairs and replacement needs of the common areas of the Association. The study assumes an annual inflation rate of 3.00% and an after-tax interest rate of 0.25%. Assessments levied on members of the Association for the replacement fund are transferred monthly to a separate account.

Actual earnings and expenditures may vary from the amounts estimated in the 2014 study, and the variations may be material. Therefore, amounts accumulated in the replacement funds may not be adequate to meet all future needs for major repairs and replacements.

If additional monies are found to be necessary, the Board has the right, subject to membership approval if in excess of \$25,000, to increase regular assessments designated for the replacement fund, pass special assessments, or delay the major repairs and replacement projects until monies are available.

NOTE 7: Replacement Fund Expenditures

The Board of the Association approves Replacement Fund expenditures each year based on the Reserve Study and owners' reports of physical conditions. During the years covered herein, the following expenditures were approved and made:

	<u>YEARS ENDED JULY 31,</u>	
<u>General</u>	<u>2015</u>	<u>2014</u>
Note Interest	\$ 28,064	\$ 30,111
Office & Communications (Management)	150	140
Professional Fees (Reserve Study)	-	3,429
Property Taxes	<u>-</u>	<u>616</u>
Total General	28,214	34,296

CHEESMAN TOWER WEST CONDOMINIUM ASSOCIATION

NOTES to FINANCIAL STATEMENTS

JULY 31, 2015 and 2014

(Continued)

NOTE 7: Replacement Fund Expenditures (Continued)

<u>Projects</u>	<u>YEARS ENDED JULY 31,</u>	
	<u>2015</u>	<u>2014</u>
Building		
Boiler and HVAC	3,597	2,144
Elevator	2,106	-
Exterior Refurbishment	3,008	-
Guest Room Restoration	-	601
Plumbing	25,338	-
Window and Door Replacement	4,871	-
Grounds		
Deck	10,867	-
Landscape	1,954	7,445
Pool	489	488
Total Projects	52,230	10,678
Total Expenditures	\$ 80,444	\$ 44,974

NOTE 8: Sale of Unit 204

In February 2014 the Association sold one of the two units it owned. The unit, which had no cost, was sold for \$245,000 with the net proceeds deposited into the Operating Fund. As of the close of the sale, Unit 204 began paying monthly assessments.

NOTE 9: Contingencies

The Association is a party to various legal actions normally associated with homeowner's associations, such as the collection of delinquent accounts and owner compliance with the covenants, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

NOTE 10. Income Taxes

The Association is responsible for any income taxes due on its income from sources unrelated to members' ownership of condominiums. Such income could include interest, dividends or portfolio gains/losses, advertising income, and other income of this nature. Federal income tax filings may be under a special election as a Homeowners Association (Form 1120-H), or as a regular corporation (Form 1120). Total income is reported as either: a) Association membership income/(loss), or b) taxable income/(loss). At July 31, 2015 and 2014, the Association chose to file regular corporate returns and paid income taxes of \$0 and \$68,415, respectively. Colorado income tax filings are as a corporation (Form 112).

NOTE 11: Subsequent Events

In preparing these financial statements, the Cheesman Tower West Condominium Association's Board has evaluated events and transactions for potential recognition or disclosure through November 10, 2015, the date the financial statements were issued.

***CHEESMAN TOWER WEST
CONDOMINIUM ASSOCIATION***

SUPPLEMENTARY INFORMATION

JULY 31, 2015

L.R. COMPTON II, LLC

Certified Public Accountants

3595 S. Teller Street, Suite 402
Lakewood, Colorado 80235
(303) 980-6232

Independent Auditor's Report on Supplementary Information

Members of the Board of Directors
Cheesman Tower West Condominium Association
Denver, Colorado

Our report on our audits of the basic financial statements of Cheesman Tower West Condominium Association for July 31, 2015 and 2014 appears on page 1. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information for the year ended July 31, 2015, *Actual Revenue and Expenditures Versus Budget for the Operating Fund*, on page 12, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the column marked "Not Audited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The *Future Major Repairs and Replacements Proposed* presented on page 13, is not a required part of the basic financial statements of Cheesman Tower West Condominium Association at July 31, 2015 but is supplementary information required by American Institute of Certified Public Accountants. We have applied certain limited procedures which consisted principally of inquiries of management regarding the method of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

November 10, 2015



CHEESMAN TOWER WEST

ACTUAL REVENUE and EXPENDITURES VERSUS BUDGET for the OPERATING FUND YEAR ENDED JULY 31, 2015

	<u>ACTUAL</u>	<u>(Not Audited) BUDGET</u>	<u>Variation* (Over)/Under Budget</u>
REVENUE			
Assessments	\$ 453,849	\$ 453,849	\$ -
Interest and Other Income	<u>24,687</u>	<u>25,576</u>	<u>889</u>
Total Revenue	478,536	479,425	889
 EXPENDITURES			
Maintenance	95,889	87,257	(8,632)
Operating Expenses			
Assessments Transferred to Replacement Fund **	111,393	111,390	(3)
Utilities	108,067	112,435	4,368
Administrative Expenses			
Depreciation	1,042	-	(1,042)
Income Taxes	-	-	-
Insurance	42,924	40,000	(2,924)
Management Fees	21,000	21,000	-
Office and Communications	10,884	8,559	(2,325)
Payroll and Related Expenses	92,453	92,849	396
Professional Fees	6,092	5,300	(792)
Property Taxes	<u>534</u>	<u>635</u>	<u>101</u>
Total Expenditures	<u>490,278</u>	<u>479,425</u>	<u>(10,853)</u>
 EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	 \$ <u>(11,742)</u>	 \$ <u>-</u>	 \$ <u>(11,742)</u>

** Includes budgeted Loan Principal, Interest and Escrow amounts.

* A (variation) in revenue represents amounts in excess of the budget.

* A (variation) in expenditures represents amounts in excess of the budget.

CHEESMAN TOWER WEST

FUTURE MAJOR REPAIRS and REPLACEMENTS PROPOSED JULY 31, 2014

(NOT AUDITED)

The Association's Board of Directors contracted for a Reserve Study to update the 2008 estimates of the remaining useful lives and the replacement costs of the components of the Association's common property. The study was prepared by an independent consultant after inspection of the common areas. Replacement costs used in the study are based on estimates to repair or replace the components at the date of the study, March 31, 2014

The following table is based on the study and presents significant information about the components, estimated lives and estimated costs of replacement common property:

<u>COMPONENT</u>	<u>MAJOR PROJECTS</u>		<u>MINOR</u>	<u>TOTAL</u>
	<u>REMAINING</u> <u>LIFE (Years)</u>	<u>COST</u>	<u>PROJECTS</u> <u>COST</u>	
Concrete	16	\$ 155,797	\$ 29,250	\$ 185,047
Landscape -A	2	128,750	-	128,750
- B	22	232,537	118,073	350,610
Retaining Wall & Fence	15	101,646	74,772	176,418
Exterior Building Surfaces	25	136,604	156,793	293,397
Roofing	26	188,440	4,436	192,876
Composite Paneling	11-18	1,756,232	-	1,756,232
Clubhouse		-	347,423	347,423
Boilers, etc.	26	366,411	170,776	537,187
Elevators	26	406,193	36,614	442,807
Miscellaneous		-	68,235	68,235
TOTALS		<u>\$ 3,472,610</u>	<u>\$ 1,006,372</u>	<u>\$ 4,478,982</u>

***CHEESMAN TOWER WEST
CONDOMINIUM ASSOCIATION***

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

JULY 31, 2015 and 2014