

**GREENFIELD MASTER OWNERS
ASSOCIATION, INC**

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Balance sheet	2
Statement of revenues and expenses	3
Statement of changes in fund balances	4
Statement of cash flows	5
Notes to financial statements	6 –9
Supplementary information:	
Future major repairs and replacements	10

Independent Auditor's Report

To the Board of Directors
Greenfield Master Owners Association, Inc.
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Greenfield Master Owners Association, Inc., which comprise the balance sheet as of December 31, 2012, 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.

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 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 Greenfield Master Owners Association, Inc. as of December 31, 2012, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of "Future Major Repairs and Replacements" on page 10 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Olson, Reyes & Sauerwein, LLC

Denver, Colorado
March 12, 2013

Greenfield Master Owners Association, Inc.
Balance Sheet
December 31, 2012
"See Auditors' Report"

	Assets		Totals	
	2012		(Memorandum Only)	
	December 31,		December 31,	
	Operating Fund	Replacement Reserve Fund	2012	2011
Cash and cash equivalents	\$ 181,590	\$ 493,066	\$ 674,656	\$ 758,285
Investments - certificates of deposit	-	-	-	115,000
Accrued interest receivable	-	-	-	308
Assessments receivable - members, net of an allowance for doubtful accounts of \$3,000	4,347	-	4,347	21,641
Assessments receivable - pool project, current portion	-	18,090	18,090	62,098
Due from operating fund	-	4,483	4,483	9,897
Prepaid expenses and other assets	12,159	-	12,159	12,215
Total current assets	198,096	515,639	713,735	979,444
Equipment	79,166	-	79,166	79,166
Less accumulated depreciation	56,752	-	56,752	45,987
	22,414	-	22,414	33,179
Assessments receivable - pool project, net of current portion	-	-	-	21,136
	-	-	-	21,136
Total assets	\$ 220,510	\$ 515,639	\$ 736,149	\$ 1,033,759
Liabilities and Fund Balances				
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ 144,514
Accounts payable and accrued expenses	14,650	-	14,650	11,535
Due to reserve fund	4,483	-	4,483	9,897
Deferred revenue: Homeowners dues	28,488	-	28,488	38,688
Total current liabilities	47,621	-	47,621	204,634
Long-term debt, net of current portion	-	-	-	248,205
Fund balances	172,889	515,639	688,528	580,920
Total liabilities and fund balances	\$ 220,510	\$ 515,639	\$ 736,149	\$ 1,033,759

Greenfield Master Owners Association, Inc.
Statement of Revenues and Expenses
Year Ended December 31, 2012
"See Auditors' Report"

	2012		Totals (Memorandum Only) December 31,	
	Operating Fund	Replacement Reserve Fund	2012	2011
Revenues:				
Assessments - members	\$ 474,780	\$ -	\$ 474,780	\$ 473,880
Pool fund assessments	-	42,179	42,179	43,080
Special assessments - pool project	-	10,167	10,167	107,000
Board approved transfers to reserve fund	(20,440)	20,440	-	-
Fines, late fees and other member charges	14,694	1,740	16,434	30,589
Other income	3,183	-	3,183	21,104
Interest and dividends	-	2,608	2,608	6,361
Total revenues	472,217	77,134	549,351	682,014
Expenses:				
Management fees	38,400	-	38,400	38,400
Landscaping	74,930	-	74,930	7,865
Snow and trash removal	98,797	-	98,797	97,870
Clubhouse and pool maintenance	69,682	-	69,682	70,599
Depreciation	10,765	-	10,765	11,028
Legal and professional	8,766	-	8,766	18,592
Insurance	16,234	-	16,234	14,329
Office and administrative expense	19,273	-	19,273	21,720
Utilities	62,260	-	62,260	71,211
Bad debts	16,540	-	16,540	4,138
Repairs and maintenance	21,474	-	21,474	24,462
Storage	1,115	-	1,115	-
Interest expense	-	2,156	2,156	24,989
Special assessment - pool project	-	1,200	1,200	688,123
Reserve expenses	-	150	150	8,425
Total expenses	438,236	3,506	441,742	1,101,751
Excess (deficit) of revenues over expenses	\$ 33,980	\$ 73,628	\$ 107,608	\$ (419,737)

Greenfield Master Owners Association, Inc.
Statement of Changes in Fund Balances
Year Ended December 31, 2012
"See Auditors' Report"

	2012		Totals (Memorandum Only) December 31,	
	Operating Fund	Replacement Reserve Fund	2012	2011
Fund balance, beginning of year	\$ 138,909	\$ 442,011	\$ 580,920	\$ 1,000,657
Excess (deficit) of revenues over expenses	33,980	73,628	107,608	(419,737)
Fund balance, end of year	<u>\$ 172,889</u>	<u>\$ 515,639</u>	<u>\$ 688,528</u>	<u>\$ 580,920</u>

Greenfield Master Owners Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2012
"See Auditors' Report"

	2012		Totals (Memorandum Only) December 31,	
	Operating Fund	Replacement Reserve Fund	2012	2011
Cash flows from operating activities:				
Excess (deficit) of revenues over expenses	\$ 33,980	\$ 73,628	\$ 107,608	\$ (419,737)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	10,765	-	10,765	11,028
Bad debt	16,540	-	16,540	4,138
Changes in asset and liability items				
(Increase) decrease in :				
Assessments receivable - members	754	-	65,898	1,350
Assessments receivable - pool project	-	65,144	65,144	50,668
Accrued interest receivable	-	308	308	1,104
Due from operating fund	-	5,414	5,414	51,179
Prepaid expenses and other assets	56	-	56	(759)
Increase (decrease) in:				
Accounts payable and accrued expenses	3,115	-	3,115	(1,902)
Income taxes payable	-	-	-	-
Deferred revenue	(5,653)	(4,547)	(10,200)	4,849
Due to reserve fund	(5,414)	-	(5,414)	(51,179)
Net cash provided by (used in) operations	54,143	139,947	259,234	(349,261)
Cash flows from investing activities:				
Purchases of equipment	-	-	-	(4,366)
Proceeds from maturity of certificates of deposit	-	115,000	115,000	155,000
Net cash provided by investing activities	-	115,000	115,000	150,634
Cash flows from financing activities:				
Proceeds from issuance of long-term debt	-	-	-	450,000
Repayments of long-term debt	-	(392,719)	(392,719)	(57,281)
Net cash provided by (used by) financing activities	-	(392,719)	(392,719)	392,719
Net increase (decrease) in cash	54,143	(137,772)	(18,485)	194,092
Cash and cash equivalents at beginning of period	127,447	630,838	758,285	564,193
Cash and cash equivalents at end of period	<u>\$ 181,590</u>	<u>\$ 493,066</u>	<u>\$ 674,656</u>	<u>\$ 758,285</u>
<u>Supplemental disclosures of cash flow information</u>				
Cash paid during the year for:				
Interest	-	2,156	2,156	24,989
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98</u>

GREENFIELD MASTER OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Greenfield Master Owners Association, Inc. (the “Association”) was incorporated on September 19, 1995, in the State of Colorado, to administer the operation and management of common property on behalf of its members. The development consists of 718 residential units, located in Arapahoe County, 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. Personal property acquired by the Association is stated at cost and depreciated over the expected useful lives of seven years.

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 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.

GREENFIELD MASTER OWNERS 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. 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 \$3,000 at December 31, 2012. 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 \$28,488 at December 31, 2012.

Concentration of credit risk

As of December 31, 2012, the Associations cash and temporary cash investments consisted of demand deposits and 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. At December 31, 2012, the Association's uninsured cash balances totaled \$174,656. The receivables at the balance sheet date represent fees due from homeowners. The Association's accounts receivable and 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.

Total columns

Total columns in the basic financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate comparison and financial analysis. Data in the columns does not present financial position or results of operations in conformity with generally accepted accounting principles since they are insufficiently detailed. Information for the prior year is derived from the audited financial statements for the year ended December 31, 2011.

GREENFIELD MASTER OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

Note 2 Income Taxes

Homeowners' association may be taxed as either homeowner's associations or as regular corporations. For the year ended December 31, 2012, the Association was tax as a homeowner's association and filed form 1120-H. As a homeowner's association, 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.

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, 2012, 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, 2009 through December 31, 2012. 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, 2012 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. Accumulated funds are held in separate accounts and generally are not available for operating purposes.

The Association contracted Aspens Reserve Specialties, an independent engineer, to conduct a reserve study in August 2002, to estimate the remaining useful lives of the components of common property. The study was last updated in October of 2006. The table included in the unaudited supplementary information of Future Major Repairs and Replacements is based on the study. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the 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.

GREENFIELD MASTER OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

Note 3 Replacement Reserve Funds (continued)

If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

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.

Note 5 Special Assessment Pool Project

During the year ended December 31, 2010, the Association levied a special assessment of \$603,120 in order to fund necessary pool repairs. A second contingency assessment of \$107,000 was levied in 2011 to fund change orders and other unanticipated contingencies encountered during construction.

Homeowners were presented with two options to pay the initial project assessment. Option 1 was a one-time payment of \$840 per homeowner. Option 2 consisted of thirty-six monthly installments; four initial installment of \$49 and thirty-two installment of \$32. The Option 2 program includes the contingency assessment.

The project was completed in May 2012.

Note 6 Subsequent Events

In accordance with the provisions set forth in ASC Topic 885, Subsequent Events, management has evaluated subsequent events existing in the Association's financial statements through March 12, 2013. Management has determined that there were no material subsequent events that would require recognition or additional disclosure in the Association's financial statements through this date.

GREENFIELD MASTER OWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

GREENFIELD MASTER OWNERS ASSOCIATION, INC.
FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2012
(UNAUDITED)

The Association contracted Aspens Reserve Specialties to conduct a study in August 2002, to estimate the remaining useful lives and the replacement cost of the components of common property. The study was last updated in October of 2006. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives assuming an inflation rate of 3%.

The following information is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (years)</u>	<u>Estimated Current Replacement Costs</u>
Roofing	4	\$ 5,150
Siding materials	9	14,186
Drive materials	1	54,451
Property access	7	8,240
Mechanical equipment	1	4,893
Monuments	1	16,223
Fencing	2-12	226,317
Pool and spa	1-7	71,058
Courts	1	26,347
Gazebos	1	51,500
Recreation equipment	3	18,025
Interiors	2-7	31,647
Lighting fixtures	1-7	24,566
Irrigation systems	1	20,600
Landscaping	2	7,931
		<u>\$ 581,132</u>