

STAPLETON FILING #2
TOWNHOME ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010 and 2009

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TOWNHOME ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

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L.R. COMPTON II, LLC
CERTIFIED PUBLIC ACCOUNTANTS
3595 SOUTH TELLER STREET, SUITE 402
LAKEWOOD, COLORADO 80235

STAPLETON FILING #2 TOWNHOME ASSOCIATION

DECEMBER 31, 2010 and 2009

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DECEMBER 31, 2010

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L.R. COMPTON II, LLC
Certified Public Accountants
3595 S. Teller Street, Suite 402
Lakewood, Colorado 80235
(303) 980-6232

Independent Auditor's Report

Board of Directors
Stapleton Filing #2 Townhome Association
Denver, Colorado

We have audited the accompanying balance sheets of Stapleton Filing #2 Townhome Association as of December 31, 2010 and 2009, and the related statements of revenue, expenditures and changes in fund balance (deficit) of the operating fund and the revenue, expenditures and changes in fund balance of the replacement fund, and cash flows of the operating fund for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stapleton Filing #2 Townhome Association as of December 31, 2010 and 2009 and the results of its operations of the operating fund and of the replacement fund and its cash flows of the operating fund for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

May 9, 2011

L.R. COMPTON II, LLC
Certified Public Accountants
3595 S. Teller Street, Suite 402
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Independent Auditor's Report

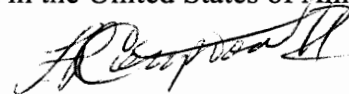
Board of Directors
Stapleton Filing #2 Townhome Association
Denver, Colorado

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May 9, 2011



STAPLETON FILING #2
TOWNHOME ASSOCIATION
BALANCE SHEETS

	<u>DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 7,233	\$ 8,387
Cash, Replacement Fund	67,201	28,657
Certificates of Deposit, Replacement Fund	109,952	155,000
Assessments Receivable	204	1,221
Accrued Interest Receivable, Replacement Fund	144	34
Prepaid Items	5,524	5,423
Replacement Fund due from Operating Fund	<u>19,835</u>	<u>10,000</u>
TOTAL ASSETS	\$ <u>210,093</u>	\$ <u>208,722</u>
LIABILITIES and FUND BALANCES		
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 1,216	\$ 10,028
Prepaid Assessments	5,550	7,082
Operating Fund due to Replacement Fund	<u>19,835</u>	<u>10,000</u>
<i>Total Liabilities</i>	<u>26,601</u>	<u>27,110</u>
Fund Balances		
Operating Fund (Deficit)	(13,641)	(12,079)
Replacement Fund	<u>197,133</u>	<u>193,691</u>
<i>Total Fund Balances</i>	<u>183,492</u>	<u>181,612</u>
TOTAL LIABILITIES and FUND BALANCES	\$ <u>210,093</u>	\$ <u>208,722</u>

See Notes to Financial Statements

STAPLETON FILING #2
TOWNHOME ASSOCIATION
 STATEMENTS of REVENUE, EXPENDITURES
 and CHANGES in OPERATING FUND (DEFICIT)

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
REVENUE		
Assessments	\$ 190,512	\$ 190,512
Other Owner Fees	<u>375</u>	<u>350</u>
<i>Total Revenue</i>	190,887	190,862
EXPENDITURES		
Maintenance and Supplies		
Building	15,077	8,572
Grounds	36,946	53,831
Snow Removal	<u>12,887</u>	<u>22,782</u>
<i>Total Maintenance and Supplies</i>	64,910	85,185
Operating Expenses		
Transfer to Replacement Fund	82,000	81,197
Utilities	<u>4,557</u>	<u>2,387</u>
<i>Total Operating Expenses</i>	86,557	83,584
Administrative Expenses		
Bad Debt	(2,933)	-
Income Taxes	-	-
Insurance	20,310	20,107
Management Fees	15,600	15,600
Office and Communications	5,505	2,987
Professional Fees	<u>2,500</u>	<u>5,634</u>
<i>Total Administrative Expenses</i>	<u>40,982</u>	<u>44,328</u>
<i>Total Expenditures</i>	<u>192,449</u>	<u>213,097</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	(1,562)	(22,235)
Operating Fund (Deficit), Beginning of Year	(12,079)	(2,584)
Transfer of Working Capital Fund Balance	<u>-</u>	<u>12,740</u>
OPERATING FUND (DEFICIT), End of Year	\$ <u>(13,641)</u>	\$ <u>(12,079)</u>

See Notes to Financial Statements

STAPLETON FILING #2
TOWNHOME ASSOCIATION
 STATEMENTS of REVENUE, EXPENDITURES
 and CHANGES in REPLACEMENT FUND

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
REVENUE		
Assessments Transferred from		
Operating Fund	\$ 82,000	\$ 81,197
Interest Income	<u>1,743</u>	<u>1,389</u>
<i>Total Revenue</i>	83,743	82,586
EXPENDITURES		
Concrete	11,336	-
Exterior Refurbishing	68,965	-
Income Taxes	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>80,301</u>	<u>-</u>
EXCESS of REVENUE		
OVER EXPENDITURES	3,442	82,586
Replacement Fund, Beginning of Year	<u>193,691</u>	<u>111,105</u>
REPLACEMENT FUND, End of Year	<u>\$ 197,133</u>	<u>\$ 193,691</u>

See Notes to Financial Statements

STAPLETON FILING #2
TOWNHOME ASSOCIATION
 STATEMENTS of CASH FLOWS,
 OPERATING FUND

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2010</u>	<u>2009</u>
<i>CASH PROVIDED (USED) by</i>		
<i>OPERATING ACTIVITIES</i>		
Excess (Deficit) of Revenue		
Over Expenditures	\$ (1,562)	\$ (22,235)
<i>Adjustments to Reconcile Excess (Deficit) of</i>		
<i>Revenue over Expenditures to Net Cash</i>		
<i>Provided (Used) by Operating Activities</i>		
Assessments Receivable	1,018	98
Prepaid Items	(101)	(1,294)
Accounts Payable and Accrued Liabilities	(8,812)	9,906
Prepaid Assessments	(1,532)	(920)
Operating Fund due from Replacement Fund	-	885
Operating Fund due to Replacement Fund	<u>9,835</u>	<u>10,000</u>
<i>Total Cash Provided (Used)</i>		
<i>by Operating Activities</i>	<u>(1,154)</u>	<u>(3,560)</u>
<i>NET INCREASE (DECREASE) in CASH</i>	(1,154)	(3,560)
Cash, Beginning of Year	<u>8,387</u>	<u>11,947</u>
<i>CASH, End of Year</i>	\$ <u>7,233</u>	\$ <u>8,387</u>

See Notes to Financial Statements

**STAPLETON FILING #2
TOWNHOME ASSOCIATION**
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Stapleton Filing #2 Townhome Association (the Association) was incorporated as a Colorado Nonprofit Corporation under the laws of the State of Colorado on June 4, 2002 to manage, maintain and preserve the common area for the benefit of the owners of the ninety-eight (98) townhomes in the development. Each townhome is a member of the Stapleton Filing #2 Townhome Association and the three person volunteer Board of Directors of the Association is made up of owners of member townhomes.

The Association is the owner, by grant from the developer, of the common area. The Association is charged with the administration (including management, security and professional services), maintenance, operation, repair and replacements within the common area as well as for the costs of insurance, real estate taxes and assessments, water, electricity and other necessary utility expenses for the common area. Stapleton Filing #2 Townhome Association may acquire, use and maintain personal property in connection with its operation and/or administration of the common area.

To accomplish the foregoing, Stapleton Filing #2 Townhome Association may charge and collect a common assessment to/from each townhome (which may have one or more owners). Additionally, the Association may designate part of the annual charge as an assessment for a Replacement Fund to provide for future major maintenance and replacement projects within the common area.

The Association also charged each original owner an assessment amount of \$130 at the time of purchase to provide a Working Capital Fund. This Working Capital assessment shall not be refunded to a selling owner, but the Association will provide the selling owner proof of payment in order that the purchasing owner may include that amount in the purchase price.

Significant Accounting Policies

Method of Accounting

The financial statements of Stapleton Filing #2 Townhome Association are prepared on the accrual basis of accounting including the use of fund accounting for the Unrestricted Funds (Operating and Working Capital) and the Replacement Fund.

Certificates of Deposit

As of December 31, 2010, the portfolio of the replacement fund consists of two certificates of deposit. Maturity dates are either March 30, 2011 or June 30, 2011 with interest rates ranging from 0.65% to 0.75%. At December 31, 2009, there were four certificates of deposit. Maturity dates were spread throughout 2010 with interest rates ranging from 0.50% to 1.25%.

STAPLETON FILING #2
TOWNHOME ASSOCIATION
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)

Significant Accounting Policies (Continued)

Assessments Receivable

The accounts receivable from owner assessments, late payment fees and other member charges are, in management's opinion, collectible in full. The Association has various legal remedies to help ensure total collection of assessments and late fees as well as other charges; However, due to the time and cost of collections, some owner receivables may not be collectable in full. At December 31, 2010 and 2009, \$0 has been established as an allowance for uncollectible accounts. The Board of Directors authorized the direct write-off of \$207 in 2010 and \$0 in 2009.

Prepaid Items

The Association may pay its annual insurance premium when billed and may also fund other expenses in advance of actual use. Expenses associated with future periods are classified and recorded as prepaid items and expensed in the appropriate accounting periods.

Prepaid Assessments

Stapleton Filing #2 Townhome Association may collect assessments levied for future periods in advance of the period due. Such advance payments are recognized in the accounting period when earned.

Working Capital Fund Balance

During 2009, the Board of the Association elected to merge the previously reported working capital fund balance (\$12,740) into the unrestricted fund balance

Replacement Fund

The Association, through its Board, has restricted the use of a portion of the annual assessment to a Replacement Fund. This fund is designated to provide the estimated cash in the future to maintain and/or replace common area property/equipment. The Board received a new reserve expenditure plan on November 12, 2010. Should the funds required for major maintenance or replacement projects in the future be inadequate, the Board of Directors has the right, subject to certain membership approval requirements, to levy a special assessment, increase the annual assessment or delay the project until the funds are available.

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 December 31, 2010 and 2009. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

STAPLETON FILING #2
TOWNHOME ASSOCIATION
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2010 and 2009
(Continued)

Significant Accounting Policies (Continued)

Income Taxes

Although Stapleton Filing #2 Townhome Association is a nonprofit corporation under Colorado statutes, it is responsible for federal and state income taxes on any earnings from interest, dividends or other income not deriving from membership in the Association. The Unrestricted and Restricted Funds are responsible for their pro-rata share (based on income) of any income tax expense. In 2010 and 2009, the Association elected to file standard corporate tax returns (Forms 1120 and 112).

Any excess or shortfall of revenue over expenses in member operations of the Association may be carried forward to offset future excesses or shortfalls for income tax purposes with no time limit. At December 31, 2010 and 2009, the Association has a loss carryforward of \$57,150 and \$60,339, respectively, to offset future excess member revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Subsequent Events

In preparing these financial statements, the Stapleton Filing #2 Townhome Association has evaluated events and transactions for potential recognition or disclosure through May 9, 2011, the date the financial statements were issued.

STAPLETON FILING #2
TOWNHOME ASSOCIATION

SUPPLEMENTARY INFORMATION

December 31, 2010

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
Stapleton Filing #2 Townhome Association
Aurora, Colorado

Our report on our audit of the basic financial statements of Stapleton Filing #2 Townhome Association for 2010 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The *Schedule of Revenue and Expenditures Versus Budget, Operating Fund*, on page 10, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "Unaudited" 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 *Study of Future Major Repairs and Replacements* presented on page 11, is not a required part of the basic financial statements of Stapleton Filing #2 Townhome Association at December 31, 2010, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

May 9, 2011



STAPLETON FILING #2
TOWNHOME ASSOCIATION
SCHEDULE of REVENUE and EXPENDITURES
VERSUS BUDGET, OPERATING FUND
YEAR ENDED DECEMBER 31, 2010

Certain accounts from the 2010 internally prepared budget have been combined and appear in the following schedule in summary form to conform to the financial statement presentation herein. Amounts in () represent collections in excess of the 2010 budget or expenditures in excess of the 2010 budgeted amounts forecast by the Board when adopted in 2009.

	<u>Actual</u>	<u>Budget (Not Audited)</u>	<u>(Over)/Under Budget</u>
REVENUE			
Assessments	\$ 190,512	\$ 190,512	\$ -
Other Income	<u>375</u>	<u>220</u>	<u>(155)</u>
Total Revenue	190,887	190,732	(155)
EXPENDITURES			
Maintenance and Supplies			
Building	15,077	10,400	(4,677)
Grounds	36,946	26,964	(9,982)
Exterior Refurbishing	-	2,500	2,500
Snow Removal	12,887	12,428	(459)
Operating Expenses			
Transfer to			
Replacement Fund	82,000	82,000	-
Utilities	4,557	4,440	(117)
Administrative Expenses			
Bad Debts	(2,933)	3,000	5,933
Income Taxes	-	400	400
Insurance	20,310	24,000	3,690
Management Fees	15,600	15,600	-
Office and			
Communications	5,505	3,300	(2,205)
Professional Fees	<u>2,500</u>	<u>5,700</u>	<u>3,200</u>
Total Expenditures	<u>192,449</u>	<u>190,732</u>	<u>(1,717)</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	<u>\$ (1,562)</u>	<u>\$ -</u>	<u>\$ (1,562)</u>

STAPLETON FILING #2
TOWNHOME ASSOCIATION

SCHEDULE OF FUTURE MAJOR
REPAIRS and REPLACEMENTS

DECEMBER 31, 2010

The Association's Board of Directors commissioned a new study in 2010 to estimate the remaining useful lives and the replacement costs of the components of the Association's common property. The study was prepared by an independent building consultant who inspected the common areas of the property. Costs were based on estimates, including 4.5% inflation, offset by "after tax" 3.00% earnings, to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date.

The following table is based on the 2010 study and presents significant information about the components, estimated lives and costs of common property:

<u>Components</u>	<u>2010 Estimated Remaining Useful Life in Years</u>	<u>2010 Estimated Current Replacement Cost</u>
Building		
Roofs	10 to 21	\$ 627,600
Concrete	3	11,000
Fencing	9 to 16	121,200
Grounds	2 to 4	11,000
Siding and Trim		
Paint	0 to 4	165,350
Replace	0 to 16	<u>126,500</u>
TOTAL		<u>\$ 1,062,650</u>