

***STAPLETON ROWHOME
ASSOCIATION***

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 and 2013

STAPLETON ROWHOME ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 and 2013

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

STAPLETON ROWHOME ASSOCIATION

DECEMBER 31, 2014 and 2013

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L.R. COMPTON II, LLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Stapleton Rowhome Association
Denver, Colorado

We have audited the accompanying financial statements of Stapleton Rowhome Association, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of revenue, expenditures and changes in fund balance 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 Stapleton Rowhome Association as of December 31, 2014 and 2013, 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
April 16, 2015

A handwritten signature in blue ink, appearing to be 'JHL', is located to the right of the date.

STAPLETON ROWHOME ASSOCIATION

BALANCE SHEETS

	DECEMBER 31,		
	2014		2013
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 854,649	\$ 277,774	\$ 1,132,423
Certificates of Deposit	-	300,000	300,000
Assessments Receivable, Net	6,513	-	6,513
Prepaid Items	15,861	-	15,861
Interfund Balances	-	-	-
TOTAL ASSETS	\$ <u>877,023</u>	\$ <u>577,774</u>	\$ <u>1,454,797</u>
LIABILITIES and FUND BALANCES			
LIABILITIES			
Accounts Payable and			
Accrued Liabilities	\$ 753,802	\$ 50,000	\$ 803,802
Deferred Assessments	<u>20,756</u>	<u>-</u>	<u>20,756</u>
<i>Total Liabilities</i>	<i>774,558</i>	<i>50,000</i>	<i>824,558</i>
FUND BALANCES			
Unrestricted Funds			
Working Capital Fund	43,352	-	43,352
Operating Fund	59,113	-	59,113
Replacement Fund	<u>-</u>	<u>527,774</u>	<u>527,774</u>
<i>Total Fund Balances</i>	<i><u>102,465</u></i>	<i><u>527,774</u></i>	<i><u>630,239</u></i>
TOTAL LIABILITIES and FUND BALANCES	\$ <u>877,023</u>	\$ <u>577,774</u>	\$ <u>1,454,797</u>

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

STATEMENTS of REVENUE, EXPENDITURES and CHANGES in the FUND BALANCES

	YEARS ENDED DECEMBER 31,			
	2014		2013	
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Assessments	\$ 206,200	\$ 132,476	\$ 338,676	\$ 328,536
Water Assessments	7,371	-	7,371	9,535
Other Member Income	1,222	-	1,222	1,962
Interest	-	847	847	1,040
Total Revenue	<u>214,793</u>	<u>133,323</u>	<u>348,116</u>	<u>341,073</u>
EXPENDITURES				
Maintenance				
Building	15,363	-	15,363	20,150
Grounds	44,006	-	44,006	56,555
Snow Removal	<u>8,778</u>	<u>-</u>	<u>8,778</u>	<u>14,198</u>
Total Maintenance	<u>68,147</u>	<u>-</u>	<u>68,147</u>	<u>90,903</u>
Operating				
Utilities	<u>23,935</u>	<u>-</u>	<u>23,935</u>	<u>25,423</u>
Total Operating	<u>23,935</u>	<u>-</u>	<u>23,935</u>	<u>25,423</u>
Replacement Projects	-	130,070	130,070	50,413
Administrative				
Bad Debts	(5,649)	-	(5,649)	1,864
Income Taxes	-	-	-	-
Insurance	61,526	-	61,526	63,373
Management Fees	24,000	-	24,000	24,000
Office and Communications	3,026	150	3,176	4,534
Professional Fees	<u>9,030</u>	<u>-</u>	<u>9,030</u>	<u>3,551</u>
Total Administrative	<u>91,933</u>	<u>150</u>	<u>92,083</u>	<u>97,322</u>
Total Expenditures	<u>184,015</u>	<u>130,220</u>	<u>314,235</u>	<u>264,061</u>
EXCESS of REVENUE				
OVER EXPENDITURES	30,778	3,103	33,881	77,012
Fund Balances, Beginning of Year	<u>28,335</u>	<u>524,671</u>	<u>553,006</u>	<u>475,994</u>
FUND BALANCES, End of Year	\$ <u>59,113</u>	\$ <u>527,774</u>	\$ <u>586,887</u>	\$ <u>553,006</u>

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

STATEMENTS of CASH FLOWS

	YEARS ENDED DECEMBER 31,			
	2014			2013
	Operating Fund	Replacement Fund	Total	Total
<i>CASH PROVIDED (USED) by OPERATING ACTIVITIES:</i>				
Excess of Revenue				
Over Expenditures	\$ 30,778	\$ 3,103	\$ 33,881	\$ 77,012
<i>Adjustments to Reconcile Excess of Revenue over Expenditures to Net Cash Provided (Used) by Operating Activities</i>				
Assessments Receivable, Net	(3,234)	-	(3,234)	(1,039)
Accrued Interest Receivable	-	-	-	224
Prepaid Items	994	-	994	597
Accounts Payable and				
Accrued Liabilities	751,993	50,000	801,993	(6,524)
Deferred Assessments	4,171	-	4,171	(332)
<i>Total Cash Provided (Used) by Operating Activities</i>	784,702	53,103	837,805	69,938
<i>CASH PROVIDED (USED) by INVESTING ACTIVITIES:</i>				
Certificates of Deposit	-	(300,000)	(300,000)	100,000
Interfund Transfers	-	-	-	-
<i>Total Cash Provided (Used) by Investing Activities</i>	-	(300,000)	(300,000)	100,000
<i>NET INCREASE in CASH</i>	784,702	(246,897)	537,805	169,938
Cash, Beginning of Year	69,947	524,671	594,618	424,680
<i>CASH, End of Year</i>	\$ 854,649	\$ 277,774	\$ 1,132,423	\$ 594,618
Supplemental Disclosures				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -	\$ -

See Notes to Financial Statements

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Stapleton Rowhome Association (the Association) was incorporated as a Colorado Nonprofit Corporation under the laws of the State of Colorado on April 16, 2004 to manage, maintain and preserve the building exteriors and common area for the benefit of the owners of the one hundred sixty-nine (169) rowhomes in the development. Each rowhome is a member of the Stapleton Rowhome Association and the five person volunteer Board of Directors of the Association is made up of owners of member rowhomes.

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 Rowhome 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 Rowhome Association may charge and collect a common assessment to/from each rowhome (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 equal to two months assessment at the time of sale to provide a Working Capital Fund.

Significant Accounting Policies

Method of Accounting

The financial statements of Stapleton Rowhome 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.

Assessments Receivable, Net

The net 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 economy, as well as the time and cost of collections, some owner receivables may not be collected in full. At December 31, 2014 and 2013, \$6,549 and \$12,300 respectively, have been established as an allowance for uncollectible accounts.

Certificates of Deposit

As of December 31, 2014, the portfolio of the replacement fund consisted of five certificates of deposit. Maturity dates range from January 2015 through May 2016 with interest rates ranging from 0.300% to 0.650%.

The Association owned no certificates of deposit as of December 31, 2013.

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

(Continued)

Significant Accounting Policies (Continued)

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.

Deferred Assessments

Stapleton Rowhome Association may collect assessments levied for future periods in advance. Such advance payments are recorded as prepaid assessments and recognized in the accounting period when earned.

Interfund Balances

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash held for transfer from one fund to the other, if any, is shown as interfund balances due from one fund to the other.

Working Capital Fund

Original owners of units were required to contribute working capital of \$200 per unit. New owners may be charged \$200 at closing to repay the original owner's working capital, but the Association is not obligated to refund any working capital deposits.

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 amounts designated by the Board are based on a reserve expenditure plan completed in 2012 and revised in 2013. 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, 2014 and 2013. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Stapleton Rowhome Association maintains its cash balances in both national banks and with investment firms.

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

(Continued)

Significant Accounting Policies (Continued)

Concentration of Credit Risk (Continued)

The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance at December 31, 2014 and 2013 for balances in national banks. Investment firms provide insurance for the balances in their accounts. The Association has purchased an insurance rider to cover the otherwise uninsured deposits.

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.

NOTE 2: Assessments

Monthly base assessments to homeowners were \$167 and \$162 in 2014 and 2013. Assessments include budgeted amounts designated as replacement fund contributions. Owners of the 39 Paseo units are assessed an additional "Water Assessment" billed from a master meter through a third party vendor. Homeowners are billed directly and pay the third party vendor. Funds are then forwarded to the Association.

NOTE 3: Replacement Projects

The Board of the Association plans the Replacement Fund expenditures each year depending on the "Reserve Study", and on owners' reports of physical conditions. During the years covered herein, the following projects were undertaken and completed by the Replacement Fund:

<u>Project Description</u>	<u>Years Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Building Exterior Renovation	\$ 80,070	\$ -
Fence Refurbishment	-	16,200
Roof Repairs	50,000	-
Vent Replacement	-	34,213
Total Replacement Projects	<u>\$ 130,070</u>	<u>\$ 50,413</u>

NOTE 4: Income Taxes

Although Stapleton Rowhome 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 derived from membership in the Association. In 2014, the Association filed corporate federal income tax form 1120 and State income tax form 112 that showed a membership income of \$4,627 resulting in a loss carryforward of \$78,645 at December 31, 2014.

STAPLETON ROWHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2014 and 2013

(Continued)

NOTE 4: Income Taxes (Continued)

Taxable activity at December 31, 2014 resulted in loss of \$13,898. At December 31, 2014, Stapleton Rowhome Association had a tax loss carryforward of \$35,841.

NOTE 5: Insurance Claim

In May 2014, Stapleton Rowhome Association experienced severe damage from a hail storm. The insurance company settlement totaled \$968,790 and the Association added its deductible of \$50,000, recorded in the Reserve Fund under Roof Repairs. As of December 31, 2014, invoices totaling \$218,581 had been paid.

NOTE 6: Restatements

Certain accounts from the December 31, 2013 financial statements have been reclassified to conform to the presentation at December 31, 2014.

NOTE 7: 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 8: Subsequent Events

In preparing these financial statements, Stapleton Rowhome Association's Board has evaluated events and transactions for potential recognition or disclosure through April 16, 2015, the date the financial statements were issued.

STAPLETON ROWHOME ASSOCIATION

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014

L.R. COMPTON II, LLC
Certified Public Accountants

***Independent Auditor's Report on
Supplementary Information***

Board of Directors
Stapleton Rowhome Association
Denver, Colorado

We have audited the financial statements of Stapleton Rowhome Association as of and for the year ended December 31, 2014, and our report thereon dated April 16, 2015, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The *Schedule of Revenue and Expenditures versus Budget, Operating Fund* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that column marked "Not Audited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Future Major Repairs and Replacements*, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

April 16, 2015



STAPLETON ROWHOME ASSOCIATION

SCHEDULE of REVENUE and EXPENDITURES VERSUS BUDGET, OPERATING FUND YEAR ENDED DECEMBER 31, 2014

Certain accounts from the 2014 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 2014 budget or expenditures in excess of the 2014 budgeted amounts forecast by the Board when adopted.

	<u>Actual</u>	<u>Budget (Not Audited)</u>	<u>(Over)/Under Budget</u>
REVENUE			
Base Assessments	\$ 338,676	\$ 338,676	\$ -
Water Assessment	7,371	6,000	(1,371)
Other Member Income	<u>1,222</u>	<u>1,600</u>	<u>378</u>
Total Revenue	347,269	346,276	(993)
EXPENDITURES			
Maintenance			
Building	15,363	19,000	3,637
Grounds	44,006	51,200	7,194
Snow Removal	8,778	12,000	3,222
Operating			
Transfer to			
Replacement Fund	132,476	132,476	-
Utilities	23,935	26,400	2,465
Administrative			
Bad Debts	(5,649)	1,500	7,149
Income Taxes	-	-	-
Insurance	61,526	70,000	8,474
Management Fees	24,000	25,200	1,200
Office and			
Communications	3,026	4,100	1,074
Professional Fees	<u>9,030</u>	<u>4,400</u>	<u>(4,630)</u>
Total Expenditures	<u>316,491</u>	<u>346,276</u>	<u>29,785</u>
EXCESS of REVENUE OVER EXPENDITURES	\$ <u>30,778</u>	\$ <u>-</u>	\$ <u>30,778</u>

STAPLETON ROWHOME ASSOCIATION

SCHEDULE OF FUTURE MAJOR REPAIRS and REPLACEMENTS

DECEMBER 31, 2014

(Not Audited)

A professionally prepared replacement study was prepared in 2012 and revised in 2013. This study updated an initial report dated July 12, 2006. This study estimates the remaining useful lives and the replacement and/or major repair costs of the components of common property. These estimates are based on current (2013) replacement costs, with adjustments for estimated future inflation (2.75%) and interest rates (0.01%). This analysis shows that the current (2012) funding level of \$459,659 ranks as "fair" when compared to the ideal funding level (2012) of \$680,984.

The following table is based on the study and presents summarized information about the components of the common property

Component	Est. Useful Lives (Years)	2012 Remaining Useful Life	2012 Best Current Cost
Property Grading	8	7	\$ 9,000
Concrete Drive; Sidewalks-Decks	5	5	113,400
Fencing - Wood	20	11	10,600
Fencing - Metal - Paint	5	2	56,400
Fencing - Metal - Replace	25	17	42,300
Brick Retaining Walls	10	2	9,100
Concrete Coping Stones	6	1	50,600
Irrigation Clock	15	7	16,000
Backflow Prevention	20	12	24,000
Brick Facade	10	3	68,200
Wood Siding and Trim	6	2 - 5	1,768,300
Handrails	30	23	16,800
Roofing - Shingles	10	18	908,900
Roofing - Parapet Caps	30	18	83,800
Roofing - Gutters & Downspouts	30	18	32,600
Total			<u>\$ 3,210,000</u>