

STANTON FARMS TOWNHOMES ASSOCIATION, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Stanton Farms Townhomes Association, Inc.

I have audited the accompanying financial statements of Stanton Farms Townhomes Association, 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 the 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 fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Stanton Farms Townhomes Association, Inc.
Independent Auditor's Report (continued)

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanton Farms Townhomes 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Michele M. Giometti

Michele M. Giometti, CPA
Lakewood, Colorado
July 28, 2014

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2013

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and cash equivalents (Note 3)	\$ 122,900	\$ 11,194	\$ 134,094
Investments		344,890	344,890
Assessments receivable, net of allowance for doubtful accounts of \$13,000 (Note 4)	13,017		13,017
Prepaid insurance	10,785		10,785
Prepaid income tax	106		106
Other prepaid expense	2,080		2,080
Interfund receivable	<u>84,086</u>		<u>84,086</u>
<u>TOTAL ASSETS</u>	<u>\$ 232,974</u>	<u>\$ 356,084</u>	<u>\$ 589,058</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 8,190	\$	\$ 8,190
Prepaid assessments	3,996		3,996
Income taxes payable (Note 6)	860		860
Interfund payable		<u>84,086</u>	<u>84,086</u>
Total liabilities	13,046	84,086	97,132
Fund balance	<u>219,928</u>	<u>271,998</u>	<u>491,926</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 232,974</u>	<u>\$ 356,084</u>	<u>\$ 589,058</u>

The accompanying notes are an integral part
of the financial statements.

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Member assessments (Note 4)	\$ 282,036	\$ 203,316	\$ 485,352
Late fees, fines and other member charges	5,106		5,106
Interest		4,800	4,800
Total Revenues	<u>287,142</u>	<u>208,116</u>	<u>495,258</u>
 <u>EXPENSES</u>			
Water and sewer	73,453		73,453
Insurance	40,860		40,860
Grounds maintenance	32,419		32,419
Management fees	18,400		18,400
Trash removal	16,435		16,435
Roof and gutter maintenance	13,030	37,720	50,750
Legal	7,706		7,706
Sprinkler and backflow repairs	6,073		6,073
Building maintenance	5,186		5,186
Office and administrative	4,935		4,935
Electricity	3,894		3,894
Snow removal	3,009		3,009
Bad debt	3,000		3,000
Audit and tax preparation	1,672		1,672
Income taxes (Note 6)	860		860
Board education	338		338
Concrete and asphalt		47,761	47,761
Painting		41,556	41,556
Landscape improvements		34,566	34,566
Drainage		12,861	12,861
Trees		9,093	9,093
Decrease in market value of securities		8,126	8,126
Sprinkler system upgrade		8,104	8,104
Backflow		3,210	3,210
Total Expenses	<u>231,270</u>	<u>202,997</u>	<u>434,268</u>
Excess of Revenues over Expenses or (Expenses over Revenues)	55,872	5,118	60,990
Beginning fund balance	<u>164,056</u>	<u>266,880</u>	<u>430,936</u>
Ending fund balance	<u>\$ 219,928</u>	<u>\$ 271,998</u>	<u>\$ 491,926</u>

The accompanying notes are an integral part
of the financial statements.

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2013

	Operating Fund	Replacement Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess / (Deficit) of revenues over expenses	\$ 55,872	\$ 5,118	\$ 60,990
(Increase) decrease in:			
Assessments receivable	(1,459)		(1,459)
Prepaid insurance	(180)		(180)
Prepaid income tax	(106)		(106)
Other prepaid expenses	(2,080)		(2,080)
Increase (decrease) in:			
Accounts payable	(1,828)		(1,828)
Prepaid assessments	(6,827)		(6,827)
Income taxes payable	286		286
Net Cash Provided (Used) by Operating Activities	43,678	5,118	48,796
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net purchase of long term investments	0	(84,593)	(84,593)
Net Cash Provided (Used) by Investing Activities	0	(84,593)	(84,593)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interfund receivable / payable	8,445	(8,445)	0
Net Cash Provided (Used) by Financing Activities	8,445	(8,445)	0
Net increase (decrease) in cash	52,123	(87,919)	(35,796)
Cash at beginning of year	70,777	99,113	169,890
Cash at end of year	\$ 122,900	\$ 11,194	\$ 134,094

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense	\$ 0	\$ 0	\$ 0
Income taxes	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part
of the financial statements.

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. NATURE OF ORGANIZATION

Stanton Farms Townhomes Association, Inc. (the Association), a nonprofit corporation organized under the laws of Colorado on May 24, 1983, was formed to manage, maintain and preserve the common area property on behalf of the members of the Association. The development consists of 189 residential units and is located in Jefferson County, Colorado. The Association is responsible for the maintenance and preservation of the common area, which includes grounds and improvements. It is also responsible for providing snow and trash removal, and insurance for the common areas.

NOTE 3. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 28, 2014, the date that the financial statements were available to be issued.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING. The Association uses the accrual method of accounting for both financial statement and income tax return purposes.

FUND ACCOUNTING. The Association's governing documents provide certain guidelines for its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

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

CASH AND CASH EQUIVALENTS. The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

INTEREST INCOME. Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

RECOGNITION OF ASSETS AND DEPRECIATION POLICY. Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's Board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

NOTE 4. MEMBERS' ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member's assessments are determined by an annual budget approved by the board to meet operating costs and contribute to the replacement fund. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years.

For the year ended December 31, 2013, monthly assessments to members were \$214.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregated \$356,084 at December 31, 2013, are held in separate savings accounts and certificates of deposit, and generally are not available for expenditures for normal operations.

The Association's Board of Directors retained an independent consultant to conduct a study in 2009 to estimate the remaining useful lives and the replacement costs of the common property components. The study was updated in November, 2012. The estimates were based on the then current replacement costs, including adjustments for future inflation and interest earned on investments. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or, subject to member approval, levy special assessments, or it may delay major repairs and replacements until funds are available.

The Association is funding the reserves, and in 2013, \$203,316 was transferred to the reserve fund.

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6. FEDERAL AND STATE CORPORATE INCOME TAXES

Homeowners associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2013, the Association was taxed as a homeowners' association. As a homeowners' association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates. The Association had taxable income for the year ended December 31, 2013 resulting in Federal taxes of \$740 and state taxes of \$120.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed, and the Association's federal and state income tax returns for 2010, 2011, and 2012 remain open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

STANTON FARMS TOWNHOMES ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
 REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2013
 Unaudited

The Association's Board of Directors retained an independent consultant to conduct a study in 2009 to estimate the remaining useful lives and the replacement costs of the common property components. The study was updated in November, 2012. The estimates were based on current replacement costs, with no adjustments for future inflation or interest earned, net of tax.

The following information is based on the study and presents significant information about the components of common property. The following information has not been updated for work in process or completed. However, the remaining useful life has been adjusted. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study.

<u>Component</u>	<u>Useful Life</u> <u>(Years)</u>	<u>Remaining</u> <u>Useful Life</u> <u>(Years)</u>	<u>Current</u> <u>Average Cost</u>
Sprinkler systems	35	13	\$ 189,718
Landscape restoration	5	2	50,000
Tree trimming and removal	5	1	20,000
Community signage	20	8	8,000
Timber retaining walls	45	6	20,075
Block retaining walls	10	5	8,000
Asphalt overlay	20	8-9	480,480
Asphalt seal coat and crack fill	5	2-3	32,032
Concrete repairs	5	2	75,000
Maplewood fence	20	4	4,704
Utility line maintenance	20	14	30,000
Drainage repairs	5	1	50,000
Roofs	25	15	833,625
Gutters	25	9	43,784
Paint and trim repairs	7	0-6	226,800
Total			<u>\$ 2,072,218</u>