

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

FINANCIAL STATEMENTS

with

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

December 31, 2018

Contents

| | <u>Page</u> |
|---|-------------|
| Report of Independent Certified Public Accountant | 1 |
| Financial Statements: | |
| Balance Sheet | 3 |
| Statements of Revenues and Expenses and Changes in Fund Balances | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

| | | |
|---|---|---|
| 7 | 8 | 9 |
| 4 | 5 | 6 |
| 1 | 2 | 3 |
| 0 | . | |

KENT BEICHLE, CPA

P.O.BOX 33949, NORTHGLENN, COLORADO 80233-0949

303-792-0410

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors and Members of the:
Master Homeowners Association for Green Valley Ranch

I have audited the accompanying financial statements of the Master Homeowners Association for Green Valley Ranch, which comprise the balance sheet as of December 31, 2018, 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

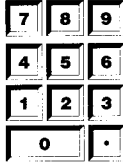
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 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, 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.



KENT BEICHLER, CPA

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Master Homeowners Association for Green Valley Ranch as of December 31, 2018, 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.

Kent Beichler, CPA

November 1, 2019

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

BALANCE SHEET

December 31, 2018

ASSETS

| | |
|---|--------------------|
| Cash | \$ 639,657 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,009,694 | 386,708 |
| Prepaid expenses | <u>5,233</u> |
| TOTAL ASSETS | <u>\$1,031,598</u> |

LIABILITIES AND FUND BALANCE

| | |
|---------------------------------------|--------------------|
| Liabilities: | |
| Accounts payable | \$ 31,266 |
| Prepaid assessments | <u>7,894</u> |
| TOTAL LIABILITIES | 39,160 |
| Contingencies (Notes 5 and 6) | - |
| Fund balance | <u>992,438</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$1,031,598</u> |

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2018

| | |
|---|-------------------|
| Revenues: | |
| Covenant violations, fines and fees | \$ 461,000 |
| Property transfer and closing fees | 81,550 |
| Miscellaneous | 7,251 |
| Interest income | 1,678 |
| Lien fees | <u>12,000</u> |
| Total Revenues | <u>563,479</u> |
| Expenses: | |
| Insurance | 8,199 |
| Professional fees | 22,325 |
| Community events | 5,174 |
| Bad debts | 267,071 |
| Mailboxes | 18,248 |
| Miscellaneous administrative | 7,090 |
| Green Valley Ranch Metropolitan District (Note 5) | <u>6,000</u> |
| | <u>334,107</u> |
| Excess of Revenues Over Expenses | 229,372 |
| Fund Balance - January 1, 2018 | <u>763,066</u> |
| Fund Balance - December 31, 2018 | <u>\$ 992,438</u> |

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

| | |
|---|-------------------|
| Cash flows from operating activities | \$ <u>229,372</u> |
| Excess of revenues over expenses | |
| Adjustment to reconcile excess of revenues over expenses to net cash provided (used) by operating activities: | |
| Increase in assessments receivable | (8,465) |
| Increase in accounts payable | 26,081 |
| Decrease in prepaid expenses | 211 |
| Decrease in prepaid assessments | <u>(41)</u> |
| | <u>17,786</u> |
| Net cash provided operating activities | 247,158 |
| Cash Balance - January 1, 2018 | <u>392,499</u> |
| Cash Balance - December 31, 2018 | \$ <u>639,657</u> |

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

(1) Nature of Organization

Master Homeowners Association for Green Valley Ranch (the Association), a not-for-profit corporation organized under the laws of Colorado in 1984, was formed to manage and maintain the common property on behalf of the members of the Association, to enforce the provisions of the master and supplemental declarations, and to adopt rules and regulations covering ownership of property. The Association transferred ownership and the responsibility for maintenance for all of its common areas, including parkways, entrance monuments, grounds improvements, fences, and utility easements, to the GVR Metropolitan District in the latter part of 2001. The Association is located in the City and County of Denver, Colorado, and consists of owners of 4,593 homes and lots. During June of 2007, an additional 1.6 million square feet of common property was transferred to the Association from the declarant under the provisions of the Master declaration. Maintenance of this common area was transferred to the GVR Metropolitan District during 2010.

(2) Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 1, 2019, the date that the financial statements were available to be issued.

(3) Summary of Significant Accounting Policies

Fund Accounting

The Association's governing documents provide certain guidelines for governing 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 purposes.

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

Member Assessments

Association members can be subject to annual assessments to provide funds for the Association's operating expenses. 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. For the year ended December 31, 2018, there were no annual assessments.

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2018

(3) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. According to the Association's governing documents, three-fourths of all unit owners must approve dispositions of any common real property. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution.

(4) Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2018. Under that Section, the Association is not taxed on 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 at 4.63% by the State of Colorado. The Association had no taxable income for the year ended December 31, 2018.

The Association has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for the year ended December 31, 2018. The Association evaluates its uncertain tax positions using the provisions of FASB Statement No. 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized.

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2018

(5) Green Valley Ranch Metropolitan District

During December of 2010, the Association entered into an agreement with the Green Valley Ranch Metropolitan District (District). The District will provide covenant enforcement and design review services for the Association under the agreement. The District's services will be funded by property tax revenues levied by the District and revenues collected by the Association and transferred to the District as part of this agreement. The amount transferred to the District during 2018 was \$6,000 with the amount budgeted for 2019 of \$66,000.

