

**SABLE COVE  
CONDOMINIUM ASSOCIATION**

**FINANCIAL STATEMENTS**

Year Ended July 31, 2015

## Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS:	
Balance Sheet .....	3
Statement of Revenues, Expenses and Changes in Fund Balance.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6

## INDEPENDENT AUDITOR'S REPORT

Sable Cove Condominium Association

### ***Report on the Financial Statements***

I have audited the accompanying balance sheet of Sable Cove Condominium Association as of July 31, 2015, and the related statements of revenues, expenses, and comprehensive income(loss), homeowners' equity and cash flows for the period then ended. These financial statements are the responsibility of the Association's Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

### ***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 of 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 expressing of 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.

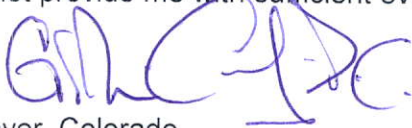
GRIFFIN CONSULTING, P.C.  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1081  
AURORA, CO 80046  
PHONE: 303.934.7474  
FAX: 303.934.7474

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sable Cove Condominium Association as of July 31, 2015, and the results of its operations and its cash flows for the period 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 supplementary information about fixture major repairs and replacements 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 our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

A handwritten signature in blue ink, appearing to read "G. H. C. J. D. C.", is positioned above the typed name and date.

Denver, Colorado  
October 1, 2015

# SABLE COVE CONDOMINIUM ASSOCIATION

## BALANCE SHEET

JULY 31, 2015

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 40,648	\$ 347,420	\$ 388,068
Accounts receivable - homeowners net of allowance of \$27,229	22,374		22,374
Other receivable	56		56
Property and equipment, net of accumulated depreciation of \$268,971	-	95,719	95,719
Prepaid insurance	18,242		18,242
Common area property	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 81,320</b>	<b>\$ 443,139</b>	<b>\$ 524,459</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	24,443		24,443
Prepaid assessments	24,236		24,236
Rental deposits	5,304		5,304
<b>TOTAL LIABILITIES</b>	<b>53,983</b>	<b>-</b>	<b>53,983</b>
<b><u>CONTINGENCIES</u></b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>HOMEOWNERS' EQUITY</u></b>			
Working capital	51,000		51,000
Fund balance(deficit)	(23,663)	443,139	419,476
<b>TOTAL HOMEOWNERS' EQUITY</b>	<b>27,337</b>	<b>443,139</b>	<b>470,476</b>
<b>TOTAL LIABILITIES AND HOMEOWNERS' EQUITY</b>	<b>\$ 81,320</b>	<b>\$ 443,139</b>	<b>\$ 524,459</b>

The accompanying notes are an integral part of the financial statements



**SABLE COVE CONDOMINIUM ASSOCIATION**

**STATEMENT OF REVENUES AND EXPENSES  
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JULY 31, 2015

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b><u>REVENUES</u></b>			
Homeowner assessments	\$ 725,200	\$ 50,000	\$ 775,200
Late charges and other homeowner assessments	9,902		9,902
Interest on investments	-	249	249
Rental income	-	86,600	86,600
<b>TOTAL REVENUES</b>	<b>735,102</b>	<b>136,849</b>	<b>871,951</b>
<b><u>EXPENSES</u></b>			
Water and sewer	202,693		202,693
Building maintenance	140,337		140,337
Insurance	104,034		104,034
Grounds maintenance	102,922	76,177	179,099
Management	52,000		52,000
Rental expenses	44,587		44,587
Salary and related	36,440		36,440
Administrative	16,085		16,085
Trash removal	13,800		13,800
Depreciation	12,160		12,160
Gas and electric	11,027		11,027
Professional fees	5,582		5,582
Pool maintenance	3,748		3,748
<b>TOTAL EXPENSES</b>	<b>745,415</b>	<b>76,177</b>	<b>821,592</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(10,313)</b>	<b>60,672</b>	<b>50,359</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>(34,183)</b>	<b>403,300</b>	<b>369,117</b>
<b>RE-ALLOCATION OF FUND BALANCE</b>	<b>20,833</b>	<b>(20,833)</b>	<b>-</b>
<b>FUND BALANCE(DEFICIT) - END OF YEAR</b>	<b>\$ (23,663)</b>	<b>\$ 443,139</b>	<b>\$ 419,476</b>

The accompanying notes are an integral part of the financial statements

**SABLE COVE CONDOMINIUM ASSOCIATION**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JULY 31, 2015

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess(deficiency) of revenues over expenses	\$ (10,313)	\$ 60,672	\$ 50,359
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation		12,159	12,159
(Increase)decrease in accounts receivable - homeowner	6,733		6,733
(Increase)decrease in prepaid insurance	(4,418)		(4,418)
Increase(decrease) in accounts payable	1,543		1,543
Increase(decrease) in rental deposits	2,031		2,031
Increase(decrease) in prepaid assessments	5,329		5,329
Interfund transfers	21,862	(21,862)	-
<b>Net cash provided by operating activities</b>	<b>22,767</b>	<b>50,969</b>	<b>73,736</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>22,767</b>	<b>50,969</b>	<b>73,736</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>17,881</b>	<b>296,451</b>	<b>314,332</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 40,648</b>	<b>\$ 347,420</b>	<b>\$ 388,068</b>
<b>SUPPLEMENTAL INFORMATION:</b>			
Income taxes paid	\$ -	\$ -	\$ -
Interest expense paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

# SABLE COVE CONDOMINIUM ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2015

### Note 1 - Organization

Sable Cove Condominium Association (the Association), a not-for-profit corporation organized under the laws of Colorado in 1982, was formed for the purpose of providing for the administration, maintenance, preservation and architectural control of the residence lots and common area located within the development and to promote the health, safety and welfare of the residents. The Association consists of owners of 340 residential units located in Aurora, Colorado. The objectives of the Association include maintaining the development as a prime residential ownership area of the highest quality and value and enhancing and protecting its value, desirability and attractiveness.

### Note 2 - Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements and related income tax returns for the Association have been prepared in accordance with the accrual method of accounting.

#### 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 in accordance with principles of fund accounting. Fund accounting requires that resources for various purposes be classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Association are reported in two self-balancing fund groups as follows:

**Operating fund** includes unrestricted and restricted resources and represents the portion of expendable funds that is available for support of annual maintenance and operational activities.

**Replacement fund** represents resources collected and expended for, or designated by the Board for, the major repair or replacement of common area property.

#### Recognition of Assets and Depreciation Policy

The Association owns common area property acquired from the developer. Common area



## SABLE COVE CONDOMINIUM ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

JULY 31, 2015

#### **Note 2 – Summary of Significant Accounting Policies (continued)**

property consists of greenbelt areas, pool, and a clubhouse. As such, the original cost of the common property is not reflected in these financial statements. In addition, costs incurred subsequent to the original developer's transfer, including replacements, improvements and maintenance are reflected as an expense of the Association. The Association's policy for recognition of common property as assets is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members/nonmembers usage.

Property and equipment, when acquired, will be recorded at cost. Depreciation will be computed using the straight-line method over the estimated useful lives (5 –7 years) of the respective assets.

Securities, which the Association has the positive intent and ability to hold to maturity, are reported as held-to-maturity securities. Securities in this category are stated at cost, adjusted for amortization of premiums and accretion of discounts over their remaining lives. Securities not classified as held-to-maturity securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses reported as a separate component of homeowners' equity. Realized gains and losses on the disposition of securities and declines in value judged to be other than temporary are computed on a specific identification method and included in income.

#### 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 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.

#### Financial Instruments

Unless otherwise disclosed, the carrying amount of financial instruments approximates their fair value because of their short-term nature.

# **SABLE COVE CONDOMINIUM ASSOCIATION**

## **NOTES TO FINANCIAL STATEMENTS**

JULY 31, 2015

### **Note 3 - Cash and Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The Association's cash and cash equivalents at July 31, 2015 consisted of checking account balances of \$40,648 in the operating fund, and savings accounts, and a money market funds of \$347,420 in the replacement fund.

### **Note 4 - Member 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. Accounts receivable - homeowners at July 31, 2015 represent assessments, late fees and other charges due from homeowners. The Association's Declaration of Covenants, Conditions and Restrictions provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the homeowner, and obtaining judgment on other assets of the homeowner.

The annual budget and assessments of members are determined by the Board of Directors. The annual assessment for the Association was \$775,200 of which \$50,000 was designated to the replacement fund. Any excess assessments at year-end are retained by the Association for use in the following year.

The Association's Declaration of Covenants, Conditions and Restrictions provides authorization to retain legal counsel and place liens on the properties of Association members whose assessments are thirty days or more delinquent. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances. Additionally, the Association provides an allowance for doubtful accounts for those assessments that ultimately may not be collected.

### **Note 5 – Income Taxes**

For 2014, the Association elected to file its income tax return as a corporation in accordance with Internal Revenue Code Section 528 in an effort to minimize its tax liability. Non-exempt income, which normally consists of interest income and related expenses, is taxable at regular federal corporate rates of approximately 30 percent and state rates of 4.63 percent under this method.



## **SABLE COVE CONDOMINIUM ASSOCIATION**

### **NOTES TO FINANCIAL STATEMENTS**

JULY 31, 2015

#### **Note 5 – Income Taxes (continued)**

For income tax purposes, assessments levied for the restricted reserve fund and placed in separate, restricted bank accounts are considered to be held in trust for the owners, and are therefore not taxable. Related reserve expenditures also do not enter into the calculation of taxable income. Painting assessments and expenditures are considered to be operating items for income tax purposes.

#### **Note 6 - Future Major Repairs and Replacements**

The Association's governing documents require that a Replacement Fund and restricted cash accounts are established for major repairs and replacements of common property and the Association has implemented these procedures. Accumulated funds are held in separate savings or investment accounts and generally are not available for expenditures for normal operations.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the board's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

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. 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 7 – Contingencies**

The Association is a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, 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**

Management has evaluated subsequent events through October 1, 2015, the date the financials were available to be issued. No significant subsequent events have been identified that would require of or disclosure in the accompanying financial statements.