

# Homeowners Association of Homestead Farm II

Audited Financial Statements  
December 31, 2019



**Homeowners Association of Homestead Farm II**  
December 31, 2019

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## **Independent Auditors' Report**

To the Board of Directors  
Homeowners Association of Homestead Farm II

We have audited the accompanying financial statements of Homeowners Association of Homestead Farm II, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in members' equity and cash flows for the period 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Homeowners Association of Homestead Farm II, at December 31, 2019, 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.

### **Emphasis of Matter**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Schedule of Future 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. We 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Griffin Group, CPA*

Denver, Colorado  
March 10, 2020

**Homeowners Association of Homestead Farm II**  
December 31, 2019

Balance Sheet

	Operating Fund	Replacement Fund	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 26,615	\$ 254,397	\$ 281,012
Accounts receivable	13	-	13
Prepaid insurance	2,629	-	2,629
<b>Total assets</b>	<b>\$ 29,257</b>	<b>\$ 254,397</b>	<b>\$ 283,654</b>
<b>Liabilities:</b>			
Accounts payable	\$ 9,436	\$ -	\$ 9,436
Total liabilities	9,436	-	9,436
<b>Members' equity:</b>			
Fund balance (deficit)	19,821	254,397	274,218
Total members' equity	19,821	254,397	274,218
<b>Total liabilities and members' equity</b>	<b>\$ 29,257</b>	<b>\$ 254,397</b>	<b>\$ 283,654</b>

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

**Homeowners Association of Homestead Farm II**  
December 31, 2019

Statement of Revenues, Expenses, and Changes in Members' Equity

	Operating Fund	Replacement Fund	Total
<b>Revenues:</b>			
Member assessments	\$ 360,900	\$ -	\$ 360,900
Interest income	184	813	997
Late fees and other income	12,118	-	12,118
Newsletter	3,610	-	3,610
Swim team	16,671	-	16,671
<b>Total revenues</b>	<b>393,483</b>	<b>813</b>	<b>394,296</b>
<b>Expenses:</b>			
Administrative	8,755	-	8,755
Grounds maintenance	53,447	-	53,447
Insurance	6,114	-	6,114
Major repairs and replacements	-	253,323	253,323
Payroll	20,198	-	20,198
Payroll taxes	1,792	-	1,792
Pool maintenance	79,485	-	79,485
Professional	5,925	-	5,925
Social	4,447	-	4,447
Tennis courts maintenance	213	-	213
Trash removal	75,884	-	75,884
Water and sewer	42,853	-	42,853
<b>Total expenses</b>	<b>299,113</b>	<b>253,323</b>	<b>552,436</b>
Excess (deficit) of revenues over expenses	94,370	(252,510)	(158,140)
<b>Members' equity:</b>			
Beginning of year	8,036	424,322	432,358
Interfund transfer	(82,585)	82,585	-
<b>End of Year</b>	<b>\$ 19,821</b>	<b>\$ 254,397</b>	<b>\$ 274,218</b>

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

**Homeowners Association of Homestead Farm II**  
December 31, 2019

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
<b>Operating activities:</b>			
Excess (deficit) of revenues over expenses	\$ 94,370	\$ (252,510)	\$ (158,140)
Interfund transfer	(82,585)	82,585	-
Decrease (increase) in operating assets:			
Accounts receivable	180	-	180
Increase (decrease) in operating liabilities:			
Accounts payable	(304)	-	(304)
<b>Cash provided by (used from) operating</b>	<b>11,661</b>	<b>(169,925)</b>	<b>(158,264)</b>
Net change in cash and cash equivalents	11,661	(169,925)	(158,264)
<b>Cash and cash equivalents:</b>			
Beginning of year	14,954	424,322	439,276
<b>End of year</b>	<b>\$ 26,615</b>	<b>\$ 254,397</b>	<b>\$ 281,012</b>

**Supplemental Information:**

Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -

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

**(1) Nature of the Organization**

Homeowners Association of Homestead Farm II (the "Association") is a nonprofit corporation organized pursuant to the laws of Colorado on May 30, 1980. The Association was formed to maintain all common property and to govern the community in accordance with the governing documents. The community consists of 401 single family homes located in Arapahoe County, Colorado.

**(2) Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Accounting Standards Codification as produced by the Financial Accounting Standards Board is the sole source of authoritative GAAP for non-governmental entities.

Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities which includes using a system of fund accounting to classify financial resources to their intended purpose.

The Operating Fund is used to account and report for the use of operating resources.

The Replacement Fund is used to account and report for resources designated for future major repairs and replacement.

Funding Policy

Assessments to unit owners for their proportionate share of common expenses and for funds designated for future major repairs and replacements are based upon a budget established by the board of directors. Special assessments may also be imposed from time to time as deemed appropriate. Any excess assessments at years' end are retained by the Association for use in future years.

Revenue Recognition

Regular member assessments are recognized as revenue during the period for which they are assessed. Assessments received in advance of the period are reported as prepaid assessments on the balance sheet.

Property

The real property acquired from the developer and related improvements to such property are not recognized assets on the balance sheet. Interests in the common elements are owned by the members in common. The Association is responsible to maintain all common property.

Use of Estimates

The preparation of these financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management base their estimates on historical experience and on various other assumptions and factors that are believed to be reasonable. Actual results may vary from these estimates, and such variations may be material.

**(3) Concentration of Credit Risk**

The Federal Deposit Insurance Corporation ("FDIC") insures deposit accounts at the respective financial institutions up to \$250,000. The Association maintains balances, which at time, may exceed FDIC insurance levels. As of December 31, 2019, the Association held a \$4,397 balance in excess of those limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.



**(4) Federal Income Taxes**

The Association elects to file as a homeowners' association using form 1120-H, under Internal Revenue Code Section 528. Under that section, the Association is not taxed on income related to its exempt purpose, which consists primarily of member assessments. Nonexempt function income is taxed at 30%, however, for the period ended December 31, 2019 the Association had no federal tax liability.

The Association's federal tax filings are subject to examination for three years.

**(5) Future Major Repairs and Replacements**

The Association's governing documents provide certain guidelines for governing its financial activities which includes that each proposed budget includes provisions for reserves for future major repairs and replacements. These accounts, if adopted, are restricted to their intended purpose unless modified by a vote of the board of directors.

The approved budget includes provisions for future major repairs and replacements. These funds are being accumulated based on estimated future costs. Actual results may vary from these estimates, and such 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 to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**(6) Cash and Cash Equivalents**

Cash and cash equivalents consist of all highly liquid instruments available for current use and are carried at historical cost, which approximates market value.

**(7) Accounts Receivable**

The Association governing documents provide for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances.

In determining the collectability of specific unit owner balances, management considers the number of days' delinquent and the owner's payment history.

**(8) Commitments**

The Association has various contracts to maintain all common property. These contracts have different expiration dates and renewal terms.

**(9) Contingencies**

The Association is party to various legal actions normally associated with common interest communities, 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.

**(10) Subsequent Events**

Management has evaluated subsequent events through March 10, 2020 the date these financial statements were available to be issued. There was no material subsequent event that required recognition or additional disclosure in these financial statements.

## **Supplemental Information**

**Homeowners Association of Homestead Farm II**  
December 31, 2019

Schedule of Future Major Repairs and Replacements

The Association has not conducted an independent study to estimate the useful life and the replacement costs of the significant components of common property, rather, has based estimates from historical experience. Actual results may vary from these estimates, and such variations may be material.

The following table presents significant information about the components of common property:

(Amounts Adjusted for Estimated Inflation)

Year	Pool	Tennis	Landscape	Total
2020	\$ 5,904	\$ 20,600	\$ 23,950	\$ 50,454
2021	6,490	22,930	52,998	82,418
2022	30,259	2,418	40,439	73,116
2023	17,899	3,744	397,401	419,043
2024	2,555	6,448	42,522	51,525
2025	14,931	1,139	33,531	49,601
2026	28,293	395	28,490	57,177
2027	17,107	2,942	26,687	46,737
2028	11,956	22,631	316,616	351,202
2029	116,421	23,980	32,121	172,522
2030	33,098	10,160	26,863	70,122
2031	124,240	10,567	21,614	156,421
2032	10,656	3,580	49,369	63,606
2033	10,390	4,329	19,914	34,634
2034	33,317	540	20,621	54,479

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