

# Homeowners Association of Homestead Farm II

Audited Financial Statements  
December 31, 2021



**Homeowners Association of Homestead Farm II**  
December 31, 2021

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## **Independent Auditor's 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, 2021, 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.

### **Auditor's 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 Auditor's 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, 2021, 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  
January 21, 2022

**Homeowners Association of Homestead Farm II**  
December 31, 2021

Balance Sheet

	Operating Fund	Replacement Fund	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 22,606	\$ 379,609	\$ 402,215
Accounts receivable, net	230	-	230
Prepaid insurance	3,506	-	3,506
<b>Total assets</b>	<b>\$ 26,342</b>	<b>\$ 379,609</b>	<b>\$ 405,951</b>
<b>Liabilities:</b>			
Accounts payable	\$ 10,242	\$ -	\$ 10,242
Prepaid assessments	2,968	-	2,968
Contract liabilities (assessments received in advance)	-	379,609	379,609
<b>Total liabilities</b>	<b>13,210</b>	<b>379,609</b>	<b>392,819</b>
<b>Members' equity:</b>			
Fund balance (deficit)	13,132	-	13,132
<b>Total members' equity</b>	<b>13,132</b>	<b>-</b>	<b>13,132</b>
<b>Total liabilities and members' equity</b>	<b>\$ 26,342</b>	<b>\$ 379,609</b>	<b>\$ 405,951</b>

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

**Homeowners Association of Homestead Farm II**  
December 31, 2021

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

	Operating Fund	Replacement Fund	Total
<b>Revenues:</b>			
Member assessments	\$ 326,737	\$ 94,313	\$ 421,050
Change in contract liabilities	-	(80,055)	(80,055)
Interest income	21	55	76
Late fees and other income	2,540	-	2,540
Newsletter	1,512	-	1,512
Swim team payroll reimbursement	16,552	-	16,552
<b>Total revenues</b>	<b>347,362</b>	<b>14,313</b>	<b>361,675</b>
<b>Expenses:</b>			
Administrative	10,083	-	10,083
Grounds maintenance	55,999	-	55,999
Insurance	8,192	-	8,192
Major repairs and replacements	-	44,344	44,344
Payroll	20,690	-	20,690
Payroll taxes	1,854	-	1,854
Pool maintenance	95,351	-	95,351
Professional	8,304	-	8,304
Social	6,515	-	6,515
Tennis courts maintenance	55	-	55
Trash removal	79,735	-	79,735
Water	36,540	-	36,540
<b>Total expenses</b>	<b>323,318</b>	<b>44,344</b>	<b>367,662</b>
Excess (deficit) of revenues over expenses	24,044	(30,031)	(5,987)
<b>Members' equity:</b>			
Beginning of year	19,119	299,554	318,673
Prior period adjustment	-	(299,554)	(299,554)
Interfund transfer	(30,031)	30,031	-
<b>End of Year</b>	<b>\$ 13,132</b>	<b>\$ -</b>	<b>\$ 13,132</b>

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

**Homeowners Association of Homestead Farm II**  
December 31, 2021

**Statement of Cash Flows**

	Operating Fund	Replacement Fund	Total
<b>Operating activities:</b>			
Excess (deficit) of revenues over expenses	\$ 24,044	\$ (30,031)	\$ (5,987)
Interfund transfer	(30,031)	30,031	-
Decrease (increase) in operating assets:			
Accounts receivable, net	(68)	-	(68)
Increase (decrease) in operating liabilities:			
Accounts payable	3,135	-	3,135
Prepaid assessments	2,968	-	2,968
Contract liabilities	-	379,609	379,609
Cash provided by (used from) operating	21	80,055	80,076
Net change in cash and cash equivalents	21	80,055	80,076
<b>Cash and cash equivalents:</b>			
Beginning of year	22,585	299,554	322,139
<b>End of year</b>	<b>\$ 22,606</b>	<b>\$ 379,609</b>	<b>\$ 402,215</b>
<b>Supplemental Information:</b>			
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**

Fund 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.

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.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members.

Interest Earned

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

Contract Liabilities (Assessments received in advance)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the assessments.

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.



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

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 bases 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 Association maintains cash balances at financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") which provides coverage up to \$250,000 per depository institution. If these balances exceed the FDIC limits, the uninsured balances will constitute a credit risk.

**(4) Federal Income Taxes**

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2021. 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 4.55% by the State of Colorado.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's federal tax filings are subject to examination for three years.

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

The Association's governing documents require that each proposed annual budget includes provisions for future major repairs and replacements. Accumulated funds are presented on the accompanying balance sheet as a contract liability (assessments received in advance) on December 31, 2021, are held in separate accounts and are generally not available for operating purpose.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on management estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. 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, subject to member approval, to increase regular assessments, pass special assessments, obtain loans, or delay major repairs and replacements until funds are available.

**(6) Accounts Receivable, net**

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.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of experience and susceptibility to factors outside the Association's control. Accordingly, based on managements' judgment, the Association provided for an estimated uncollectible amount of \$3,100.

**(7) Swim Team Payroll Reimbursement**

The Association pays swim coaches on behalf of the Homestead Farm II Barracudas Swim Team (the "Swim Team"), a separate entity. All funds paid are reimbursed by the Swim Team accordingly.

**(8) Commitments**

The Association has contracted with various vendors for the administration and maintenance of the common property. These contracts have different expiration dates and renewal terms.

**(9) Contingencies**

Insurance Deductible

The Association's insurance policy contains a deductible. The Association is responsible for losses up to this amount if common property damage claims occur. Accordingly, if such funds are needed, the Association may increase assessments, pass special assessments, obtain loans, or delay repairs and replacements until funds are available.

Legal

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 on January 21, 2022, 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, 2021

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
2022	\$ 13,700	\$ 2,200	\$ 186,750	\$ 202,650
2023	17,472	3,016	248,040	268,528
2024	3,786	1,893	90,800	96,479
2025	15,973	1,969	62,430	80,372
2026	29,246	702	59,838	89,786
2027	15,816	1,947	61,441	79,204
2028	6,959	26,066	78,019	111,044
2029	141,528	29,806	48,295	219,629
2030	6,843	11,838	64,254	82,935
2031	36,010	9,821	50,528	96,359
2032	13,174	4,071	59,062	76,307
2033	31,085	5,157	50,032	86,274
2034	96,062	1,921	73,567	171,550
2035	18,815	999	62,773	82,587
2036	19,048	520	51,864	71,432

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