

**SPINNAKER AT LAKE DILLON**  
**CONDOMINIUM ASSOCIATION**

Financial Statements As Of March 31, 2016 And 2015

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
of Spinnaker at Lake Dillon Condominium Association.:

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

We have audited the accompanying balance sheets of Spinnaker at Lake Dillon Condominium Association (the "Association") as of March 31, 2016 and 2015, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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, 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.

#### *Members:*

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants*

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Independent Auditors' Report (Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spinnaker at Lake Dillon Condominium Association as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Supplemental Information on Future Major Repairs and Replacements on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by accounting principles generally accepted in the United States of America who considers it to be an essential part of the 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.

*JDS Professional Group*

March 28, 2018

**SPINNAKER AT LAKE DILLON  
CONDOMINIUM ASSOCIATION**

Balance Sheet  
As Of March 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>ASSETS</b>			
Cash	\$ 174,150	\$	\$ 174,150
Assessments receivable, net of allowance of \$54,984	35,469		35,469
Prepaid expense	18,588		18,588
Assets held for sale	2,740		2,740
Due to/from fund	(91,421)	91,421	
<b>TOTAL ASSETS</b>	<b><u>\$ 139,526</u></b>	<b><u>\$ 91,421</u></b>	<b><u>\$ 230,947</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 38,427	\$	\$ 38,427
Prepaid assessments	10,403		10,403
Total Liabilities	<u>48,830</u>		<u>48,830</u>
Fund Balances:			
Operating	90,696		90,696
Designated for future major repairs and replacements		91,421	91,421
Total Fund Balances	<u>90,696</u>	<u>91,421</u>	<u>182,117</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 139,526</u></b>	<b><u>\$ 91,421</u></b>	<b><u>\$ 230,947</u></b>

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

**SPINNAKER AT LAKE DILLON  
CONDOMINIUM ASSOCIATION**

Balance Sheet

As Of March 31, 2015

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>ASSETS</b>			
Cash	\$ 151,762	\$	\$ 151,762
Assessments receivable, net of allowance of \$24,984	35,766		35,766
Assets held for sale	2,740		2,740
Due to/from fund	(80,420)	80,420	
<b>TOTAL ASSETS</b>	<u><u>\$ 109,848</u></u>	<u><u>\$ 80,420</u></u>	<u><u>\$ 190,268</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 21,368	\$	\$ 21,368
Prepaid assessments	4,131		4,131
Total Liabilities	<u>25,499</u>		<u>25,499</u>
Fund Balances:			
Operating	84,349		84,349
Designated for future major repairs and replacements		80,420	80,420
Total Fund Balances	<u>84,349</u>	<u>80,420</u>	<u>164,769</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 109,848</u></u>	<u><u>\$ 80,420</u></u>	<u><u>\$ 190,268</u></u>

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

**SPINNAKER AT LAKE DILLON  
CONDOMINIUM ASSOCIATION**

Statement Of Revenues and Expenses  
For The Year Ended March 31, 2016

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	Operating Fund	Replacement Fund	Total Funds
<b>Revenue:</b>			
Assessments	\$ 451,016	\$ 224,998	\$ 676,014
Interest	665		665
Late fees and other income	11,877		11,877
Total Revenue	463,558	224,998	688,556
<b>Expenses:</b>			
Administrative-			
Management fees	114,150		114,150
Insurance	10,052		10,052
Legal and accounting fees	3,121		3,121
Administrative services	46,934		46,934
Grounds-			
Maintenance and improvements	20,725		20,725
Trash removal	4,082		4,082
Snow removal	3,081		3,081
Bad debt	32,557		32,557
Utilities-			
Water and sewer	24,953		24,953
Gas and electricity	55,027		55,027
Cable	20,428		20,428
Internet	2,567		2,567
Repairs and maintenance	119,533	213,997	333,530
Total Expenses	457,210	213,997	671,207
<b>EXCESS OF REVENUE OVER EXPENSES</b>	6,348	11,001	17,349
Fund Balances, Beginning Of Year	84,348	80,420	164,768
<b>FUND BALANCES, END OF YEAR</b>	\$ 90,696	\$ 91,421	\$ 182,117

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

**SPINNAKER AT LAKE DILLON  
CONDOMINIUM ASSOCIATION**

Statement Of Revenues and Expenses  
For The Year Ended March 31, 2015

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	Operating Fund	Replacement Fund	Total Funds
<b>Revenue:</b>			
Assessments	\$ 457,166	\$ 200,000	\$ 657,166
Interest	679		679
Late fees and other income	10,544		10,544
Total Revenue	468,389	200,000	668,389
<b>Expenses:</b>			
<b>Administrative-</b>			
Management fees	119,350		119,350
Insurance	9,549		9,549
Legal and accounting fees	7,565		7,565
Administrative services	48,487		48,487
<b>Grounds-</b>			
Maintenance and improvements	18,384		18,384
Trash removal	5,227		5,227
Snow removal	2,929		2,929
Bad debt	4,767		4,767
<b>Utilities-</b>			
Water and sewer	25,158		25,158
Gas and electricity	59,282		59,282
Cable	19,767		19,767
Internet	6,387		6,387
Repairs and maintenance	120,817	187,332	308,149
Total Expenses	447,669	187,332	635,001
<b>EXCESS OF REVENUE OVER EXPENSES</b>	20,720	12,668	33,388
Fund Balances, Beginning Of Year	63,628	67,752	131,380
<b>FUND BALANCES, END OF YEAR</b>	\$ 84,348	\$ 80,420	\$ 164,768

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

**SPINNAKER AT LAKE DILLON  
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Statement Of Cash Flows

For The Year Ended March 31, 2016

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Cash flows from operating activities:			
Excess of revenue over expenses	\$ 6,348	\$ 11,001	\$ 17,349
Adjustments to reconcile excess of revenue over expenses provided by operating activities:			
Bad debt expense and loss on assets held for sale	32,557		32,557
(Increase) in assessments receivable	(32,261)		(32,261)
(Increase) in prepaid expense	(18,588)		(18,588)
Increase in accounts payable	17,059		17,059
Increase in prepaid assessments	6,272		6,272
Net cash provided by operating activities	<u>11,387</u>	<u>11,001</u>	<u>22,388</u>
Cash flows from financing activities:			
Interfund transfers	11,001	(11,001)	
Net cash provided by (used in) financing activities	<u>11,001</u>	<u>(11,001)</u>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>22,388</b>		<b>22,388</b>
Cash And Cash Equivalents, Beginning Of Year	<u>151,762</u>		<u>151,762</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 174,150</u></b>	<b><u>\$</u></b>	<b><u>\$ 174,150</u></b>

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



**SPINNAKER AT LAKE DILLON  
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Statement Of Cash Flows  
For The Year Ended March 31, 2015

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Cash flows from operating activities:			
Excess of revenue over expenses	\$ 20,720	\$ 12,668	\$ 33,388
Adjustments to reconcile excess of revenue over expenses provided by (used in) operating activities:			
Bad debt expense and loss on assets held for sale	4,767		4,767
(Increase) in assessments receivable	(12,470)		(12,470)
(Decrease) in accounts payable	(196)		(196)
Increase in prepaid assessments	(4,363)		(4,363)
Net cash provided by (used in) operating activities	<u>8,458</u>	<u>12,668</u>	<u>21,126</u>
Cash flows from financing activities:			
Interfund transfers	<u>12,668</u>	<u>(12,668)</u>	
Net cash provided by (used in) financing activities	<u>12,668</u>	<u>(12,668)</u>	
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	21,126		21,126
Cash And Cash Equivalents, Beginning Of Year	<u>130,636</u>		<u>130,636</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 151,762</u></u>	<u><u>\$</u></u>	<u><u>\$ 151,762</u></u>

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

**SPINNAKER AT LAKE DILLON  
CONDOMINIUM ASSOCIATION**

Notes To Financial Statements  
For The Year Ended March 31, 2016 And 2015

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(1) **Nature Of Organization**

Spinnaker at Lake Dillon Condominium Association, (the "Association") is a statutory homeowners' association organized and incorporated on April 7, 1982, for the purpose of maintaining and preserving common areas of the development owned jointly by members of the Association. The development consists of 28 residential units, 21 are interval owned and 7 are whole owned in Summit County, Colorado.

The Association conducts only one line of business, which is the providing of management services to its members. This consists primarily of maintenance of the common areas and related administrative functions.

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

**Method Of Accounting**

The financial statements of the Association have been prepared on the accrual basis. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received, whether paid or not.

**Cash And Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits, and money market accounts. The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Fund Accounting**

The Association has segregated its activities into two funds; the operating fund, and the replacement fund. The operating fund accounts for all current operating transactions of the Association. The replacement fund accounts for member capital contributions, to provide for the future repair and replacement of the Association's common areas.

**Use Of 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 reported period. Actual results could differ from those estimates.

**SPINNAKER AT LAKE DILLON  
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Notes To Financial Statements (Continued)

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Assessments And Assessments Receivable

Assessments receivable represents amounts due from members whose units are located within the area of Spinnaker at Lake Dillon Condominium Association. The Association has the right to levy liens on a member's property to insure payment of an assessment due to the Association. The Association's policy is to place liens on the properties of homeowners whose assessments are delinquent thirty days or more after written notice by the Association. Any excess assessments at year end are retained by the Association for use in future years. Management believes some receivable balances are not collectible and, therefore, an allowance for doubtful accounts is recorded.

The Association set annual assessment fees which are billed quarterly to the seven whole owned units and semi-annually to the 21 interval owned units. As of March 31, 2016 and 2015, the annual fees for the seven whole owned units ranged from \$6,509 to \$10,019 and from \$6,423 to \$9,886, respectively. The annual fees for the interval units ranged from \$321 to \$775 and from \$306 to \$756 during the years ended March 31, 2016 and 2015, respectively. The fees for interval units is based on the type of unit. These assessments are used to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

Fair Value Measurements

The carrying amount reported in the statement of financial position for cash and cash equivalents, receivables, and payables, approximate fair value because of the immediate or short-term maturities of these financial instruments.

Property And Equipment

Real property common areas acquired by the original owners from the developer are not capitalized on the Association's financial statements as they are owned by the individual owners and not the Association.

Evaluation Of Subsequent Events

The Association has performed an evaluation of subsequent events through March 28, 2018, which is the date the financial statements were available to be issued and considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Income Taxes

The Association uses the asset and liability method as identified in the *Accounting for Income Taxes* accounting standard, whereby current and deferred tax assets and liabilities are determined to based

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Notes To Financial Statements (Continued)

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on tax rates and laws enacted as of the balance sheet date. Deferred tax expenses represents the change in deferred tax asset and liability balances. As of March 31, 2016 and 2015, the deferred tax asset was insignificant to the financial statements and was completely allowed for by a valuation allowance.

Generally, the Association is taxed as a regular corporation. The Association elected to file as a homeowner association under Form 1120-H under the Internal Revenue Code Section 528. 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 interest.

The Association follows *Accounting for Uncertainty in Income Taxes* which clarifies the accounting and reporting for uncertainties in income tax law. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. The standard also provides guidance related to de-recognition, classification, and interest and penalties. During the years ended March 31, 2016 and 2015, the Association performed an evaluation of uncertain tax positions and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Association is no longer subject to U.S. federal and state income tax audits on its Form 1120-H and related state return by taxing authorities for fiscal years through 2013 and 2012, respectively. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is uncertain, the Association believes no issues would arise.

(4) **Concentration Of Credit Risk**

The Association's cash demand deposits are held at a financial institution at which deposits in interest bearing accounts are insured up to \$250,000 by the FDIC. As of March 31, 2016 and 2015, the Association's deposits did not exceed the FDIC limit.

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

The Association's governing documents require funds to be accumulated for the replacement of its common areas and interval assets. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed. It is the Association's policy to fund its reserves on a monthly basis. The Association reviews the reserve

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CONDOMINIUM ASSOCIATION**

Notes To Financial Statements (Continued)

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funding program quarterly at its regular meetings. The last review was performed as part of the budget process for the current year.

The Association is funding such repairs and replacements over the estimated useful lives of the components based on the study's 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, the 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 or levy special assessments, or it may delay major repairs and replacements until funds are available.

**SPINNAKER AT LAKE DILLON  
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Supplementary Information On Future Repairs And Replacement (Unaudited)  
As Of March 31, 2016

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The Board of Directors reviewed in depth the Replacement Reserve Analysis in conjunction with the budgeting process, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on a pooled calculation without provisions for inflation or for taxes.

The following table presents significant information about the components of common and interval property.

Component	Estimated Remaining Useful life (Years)	Replacement Cost	3/31/16 Balance*	2016 Annual Funding*
<b>Common Areas</b>				
Exterior wood siding	3 years	\$ 99,165		
Driveway	3 years	40,000		
Pool and hot tub	0-8 years	189,675		
Walk, patio, sidewalk and parking Lot resurface	0-25 years	74,779		
Roof	9 years	63,000		
Elevator	8 years	80,000		
Boilers	15 years	60,000		
Air handlers	8 years	12,000		
Windows	24 years	217,712		
Other	0-26 years	106,670		
		<u>943,001</u>		
<b>Interval</b>				
Carpet	0-6 years	87,900		
Blinds	0 years	41,850		
Furniture	0-20 years	297,404		
Appliances	0-10 years	218,288		
Kitchen/bath remodel	27 years	444,800		
Smoke detectors	21-22 years	139,000		
Pool	6 years	73,500		
Office	0-2 years	6,450		
Miscellaneous items	0-29 years	64,075		
		<u>1,373,267</u>		
Total		<u>\$ 2,316,268</u>	<u>\$ 91,421</u>	<u>\$ 224,998</u>

\* Detail information is not provided in study.