



Finite, LLC
The HOA CPA

**COUNTRY CLUB RIDGE
CONDOMINIUM ASSOCIATION, INC.**

Independent auditor's report on
Financial Statements
And Supplementary Information

For the Year ended
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Homeowners
Country Club Ridge Condominium Association, Inc.

I have audited the accompanying financial statements of Country Club Ridge Condominium Association, Inc. which comprise the balance sheet as of December 31, 2020 and the related statements of revenues, expenses, and changes in fund balances 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 the 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 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 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 of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Country Club Ridge Condominium Association, Inc. as of December 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance 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 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. The Association has not conducted a reserve study and will not present supplementary information.

Sonny Senulis, CPA



Principal
Finite, LLC

Aurora, Colorado

August 20, 2021

Country Club Ridge Condominium Association, Inc.

December 31, 2020

Balance Sheet

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash:			
Checking and Money Market Accounts	\$ 3,339	\$ 212,564	\$ 215,904
Certificates of Deposit/Bond Shares	-	107,735	107,735
Total Cash:	3,339	320,300	323,639
Interfund due to/(from)	49,030	(49,030)	-
Accounts receivable - Homeowners	258	-	258
Prepaid expenses	204	-	204
Total Assets	52,832	271,270	324,102
LIABILITIES			
Prepaid assessments	8,127	-	8,127
Accounts payable	729	-	729
Total Liabilities	8,856	-	8,856
MEMBER'S EQUITY			
Fund balances	43,976	271,270	315,246
Total member's equity	43,976	271,270	315,246
Total Liabilities and Member's Equity	\$ 52,832	\$ 271,270	\$ 324,102

Country Club Ridge Condominium Association, Inc.

Statement of Revenues, Expenses and Changes in Fund Balances

For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
REVENUES			
Homeowner Assessments	\$ 194,304	\$ -	\$ 194,304
Allocation of assessments to replacement fund	(31,611)	31,611	-
Working Capital	430	-	430
Late fees and other income	131	-	131
Interest & Dividend Income	13	6,696	6,709
Total Revenues	163,266	38,308	201,574
 EXPENSES			
Repairs and Maintenance	102,952	-	102,952
Utilities	69,042	-	69,042
Insurance and Tax	39,249	-	39,249
Snow Removal	33,430	-	33,430
Management	10,200	-	10,200
Administrative	1,126	-	1,126
Legal and Professional Fees	353	-	353
Total Expenses	256,353	-	256,353
Excess (deficit) of revenues over expenses	(93,087)	38,308	(54,779)
 MEMBER'S EQUITY			
Beginning fund balances	137,063	232,962	370,025
Ending fund balances	\$ 43,976	\$ 271,270	\$ 315,246

Country Club Ridge Condominium Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ (93,087)	\$ 38,308	\$ (54,779)
Adjustments to reconcile excess (deficit) to cash			
Decrease (increase) in operating assets:			
Accounts Receivable	(258)	-	(258)
Prepaid Expenses	(204)	-	(204)
Increase (decrease) in operating liabilities:			
Accounts payable	542	-	542
Prepaid assessments	1,829	-	1,829
Equity Adjustment	(65)	(5,916)	(5,980)
Cash provided by (used from) operating activities	<u>(91,243)</u>	<u>32,392</u>	<u>(58,851)</u>
FINANCING ACTIVITIES			
Increase in Unrealized gain/(loss) on investments	-	17,569	17,569
Change in interfund receivable (payable)	63,430	(63,430)	-
Cash Provided by (used from) Financing Activities	<u>63,430</u>	<u>(45,861)</u>	<u>17,569</u>
Net increase (decrease) in cash and cash equivalents	(27,813)	(13,469)	(41,282)
CASH AND CASH EQUIVALENTS:			
Cash at beginning of year	31,153	333,768	364,921
Cash at End of Year (12/31/2020)	\$ 3,339	\$ 320,300	\$ 323,639

Country Club Ridge Condominium Association, Inc.

Notes to Financial Statements December 31, 2020

Note 1. Nature of Organization

Country Club Ridge Condominium Association, Inc. (the “Association”) was incorporated on March 29, 2004, in the state of Colorado. The Association is responsible for the operation, management, maintenance, and improvements of the common property within the development. The Association is located in Arapahoe County, Colorado and consists of the owners of 64 residences.

Note 2. Summary of Significant Accounting Policies

BASIS OF ACCOUNTING

The accompanying financial statements 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 using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – used to account for financial resources available for the general operations of the association

Replacement Fund – used to accumulate financial resources designated for future major repairs and replacements

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 December 31, 2020 consisted of a checking account book balance of \$3,339 in the operating fund, and savings accounts, and a money market funds book balance of \$320,300 in the replacement fund.

MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for their Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and owner assessments are determined by the Board of Directors.

The total assessment for the Association for the year ended December 31, 2020 was \$194,304 of which \$31,611 was designated to the replacement fund. Any excess assessments at year-end are retained by the Association for use in the following year.

ASSESSMENTS RECEIVABLE

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

INCOME TAXES

The Association must file annual federal and Colorado income tax returns. Homeowners associations may be taxed either as homeowner associations (1120-H) or as regular corporations (1120). Under section 528, the Association is not taxed on assessment revenues or on other income derived from members and used to serve Association's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Association property. However, under section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association files federal income tax returns as a homeowners' association (Form 1120-H).

RECOGNITION OF ASSETS AND DEPRECIATION POLICY

Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

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.

INTEREST INCOME

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

Note 3. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

Note 4. 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 5. Adoption of New Accounting Pronouncement

The Financial Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* introduced a comprehensive, principles-based framework for recognizing revenue. Principles-based framework differs from the previous rules-based framework. With that said, some interpretations of Topic 606 radically change how Common Interest Realty Associations (CIRA) recognize revenue. It is mainly based on a belief that homeowners are considered customers and if so, any unused assessments for future repairs and replacements of common property should be reflected as contract liabilities until the funds are used, at which time a revenue event would be reported by the CIRA.

Historically, replacements reserve assessments are recognized as revenue when the assessment is made, and accumulated replacement funds are reflected as members' equity in the CIRA's balance sheet. Our position is that transactions between homeowners and the Association indicate that the nature of the relationship is with the owner in their capacity as an owner and not as a customer or supplier. The best representation of revenue from assessments for operations or replacement reserves is to report revenue when the assessment is made and the assets of the entity are enhanced, and the traits of accumulated funds in the CIRA most closely resemble the traits of equity to owners as stated in CON6 and lack the essential characteristics of liability. Accordingly, it seems that the application of Topic 606 to assessments transactions is not proper and the scope of Topic 606 would not include assessments between a CIRA and the owner-members. Therefore, in our opinion, Topic 606 does not change how CIRAs recognize revenues from their homeowner members.

Note 6. 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. Accumulated funds, which aggregated \$271,270 at December 31, 2020 are restricted to their intended purpose unless modified by a vote of the board of directors. The Association has not conducted a reserve study of its various common elements.

Country Club Ridge Condominium Association, Inc.

December 31, 2020

Summary AJE

Account Description	DR	CR
Due to Operating from Reserves	49,029.54	
Transfer to Reserves	17,345.40	
Reserve Fund Equity	5,915.61	
Net Gain/Loss-Asset Mark	4,763.72	
Income Taxes	542.00	
Colorado Bond Shares	317.31	
Prepaid Insurance	204.37	
Residential Assessments	156.00	
Late Fee Income	18.96	
Due from Reserves to Operating		49,029.54
Unrealized Gain/Loss on Investments		17,569.34
Transfer from Operating		17,345.40
Dividend Income		3,819.94
Interest Income - Reserves		605.86
Accounts Payable - Income Tax		542.00
Insurance		204.37
Interest Income - Operating		12.57
Total	78,292.91	89,129.02
Delta - due to cash to accrual conversion AJE #1	-10,836.11	

Country Club Ridge Condominium Association, Inc.

December 31, 2020

Audit Adjusting Journal Entries (AJEs)

AJE 1	DR	Residential Assessments		156.00	
	DR	Late Fee Income		18.96	
		CR	Net Gain/Loss-Asset Mark		11,011.07
Convert P&L from Cash to Accrual basis					

AJE 2	DR	Transfer to Reserves		17,345.40	
		CR	Transfer from Operating		17,345.40
Record additional reserve contribution made in February 2020					

AJE 3	DR	Net Gain/Loss-Asset Mark		15,774.79	
	DR	Reserve Fund Equity		5,915.61	
	DR	Colorado Bond Shares		317.31	
		CR	Unrealized Gain/Loss on Investments		17,569.34
		CR	Interest Income - Reserves		605.86
		CR	Interest Income - Operating		12.57
		CR	Dividend Income - non taxable		3,819.94
Reclassify and true up Interest Income, Realized and Unrealized Gain/Loss at year end					

AJE 4	DR	Due to Operating from Reserves		49,029.54	
		CR	Due from Reserves to Operating		49,029.54
Correct interfund balances at year end					

AJE 5	DR	Prepaid Insurance		204.37	
		CR	Insurance		204.37
Adjust Prepaid Insurance and Insurance Expense balances					

AJE 6	DR	Income Taxes		542.00	
		CR	Accounts Payable - Income Tax		542.00
2020 Income Tax expense/payable					

Country Club Ridge Condominium Association, Inc.

December 31, 2020

Trial Balance Worksheet

Fund	Acct #	Account Description	Dec 31, 2020		AJE #	Dec 31, 2020
			Unadjusted	Adjustments		Adjusted
O	1005	Omaha Operating	3,339.47			3,339.47
R	1006	Omaha Money Market	20,387.34			20,387.34
R	1007	US Bank CD 12/30/22	31,687.76			31,687.76
R	1016	Colorado Bond Shares	75,730.33	317.31	3	76,047.64
R	1017	Asset Mark	192,176.92			192,176.92
O	1200	Accounts Receivable	258.23			258.23
O		Due to Operating from Reserves	0.00	49,029.54	4	49,029.54
O		Prepaid Expenses				0.00
O		Prepaid Insurance		204.37	5	204.37
O	2000	Accounts Payable	-187.00			-187.00
O		Accounts Payable - Income Tax	0.00	-542.00	6	-542.00
O		Prepaid Assessments	-8,127.10			-8,127.10
R	2900	Unrealized Gain/Loss on Investments	2,255.65	-17,569.34	3	-15,313.69
R		Due from Reserves to Operating	0.00	-49,029.54	4	-49,029.54
O	3001	Operating Fund Equity	23,145.78			23,145.78
R	3002	Reserve Fund Equity	-223,564.23	5,915.61	3	-217,648.62
O	3300	Working Capital Equity	-20,330.00			-20,330.00
O	3900	Retained Earnings	-139,878.36			-139,878.36
O	4010	Residential Assessments	-194,460.00	156.00	1	-194,304.00
O	4020	Late Fee Income	-34.48	18.96	1	-15.52
O	4050	Violation Income	-100.00			-100.00
O	4090	Working Capital Income	-430.00			-430.00
O	4055	Reimb. Legal Fee	-15.00			-15.00
O		Interest Income - Operating	0.00	-12.57	3	-12.57
O	6110	Management Fees	10,200.00			10,200.00
O	6115	Postage	104.12			104.12
O	6125	Review/Tax Prep	275.00			275.00
O	6135	Legal Fees	60.00			60.00
O	6140	Collection Fees	18.00			18.00
O	6145	Insurance	38,148.50	-204.37	5	37,944.13
O	6150	Income Taxes	763.00	542.00	6	1,305.00
O	6160	Bank Fees	40.00			40.00
O	6185	Website	420.00			420.00
O	6197	Printing/Coupons	260.58			260.58
O	6198	Closing Fees	150.00			150.00
O	6199	Administrative	151.76			151.76
O	6215	Electric	7,273.67			7,273.67
O	6220	Water/Sewer	51,310.43			51,310.43
O	6030	Snow Removal	33,430.00			33,430.00
O	6310	Trash Removal	10,458.37			10,458.37
O	6320.01	Landscape Contract	16,908.00			16,908.00
O	6320.035	Sprinkler 2019	1,364.00			1,364.00
O	6320.03	Sprinkler Repairs - Other	9,223.28			9,223.28
O	6320.04	Improvements	50,260.56			50,260.56
O	6320.05	Backflow Prevention	760.00			760.00
O	6320.06	Pruning	17,856.00			17,856.00
O	6415	Lighting	406.43			406.43
O	6420	Building Maintenance	2,158.43			2,158.43
O	6425	Pest Control	165.00			165.00
O	6430	Asphalt/Concrete	950.00			950.00
O	6460	Roof/Siding Maintenance	2,900.00			2,900.00
O	6180	Transfer to Reserves	14,266.00	17,345.40	2	31,611.40
R	6181	Transfer from Operating	-14,266.00	-17,345.40	2	-31,611.40
R	7000	Interest Income - Reserves	-2,270.61	-605.86	3	-2,876.47
R		Dividend Income	0.00	-3,819.94	3	-3,819.94
R	8020	Net Gain/Loss-Asset Mark	-4,763.72	4,763.72	1,3	0.00
	Balance		10,836.11	-10,836.11		0.00
	Profit (Loss)		-53,941.32	-837.94		-54,779.26

O Operating
R Replacement