

Crystal Lakes Road and Recreation Association

Audited Financial Statements
May 31, 2019



Crystal Lakes Road and Recreation Association
May 31, 2019

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Independent Auditors' Report

To the Board of Directors
Crystal Lakes Road and Recreation Association

We have audited the accompanying financial statements of Crystal Lakes Road and Recreation Association, which comprise the balance sheet as of May 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 Crystal Lakes Road and Recreation Association, at May 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
November 8, 2019

Crystal Lakes Road and Recreation Association
 May 31, 2019

Balance Sheet

	Operating Fund	Replacement Fund	Fishing Fund	Total
Assets:				
Cash and cash equivalents	\$ 209,358	\$ 294,090	\$ 65,497	\$ 568,945
Investments	-	327,189	-	327,189
Accounts receivable, net	18,403	-	-	18,403
Accrued interest	-	2,388	-	2,388
Property & equipment, net	512,585	-	-	512,585
Total assets	\$ 740,346	\$ 623,667	\$ 65,497	\$ 1,429,510
Liabilities:				
Accounts payable	\$ 11,839	\$ -	\$ -	11,839
Prepaid assessments	26,067	-	-	26,067
Total liabilities	37,906	-	-	37,906
Members' equity:				
Fund balance (deficit)	702,440	623,667	65,497	1,391,604
Total members' equity	702,440	623,667	65,497	1,391,604
Total liabilities and members' equity	\$ 740,346	\$ 623,667	\$ 65,497	\$ 1,429,510

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

Crystal Lakes Road and Recreation Association
 May 31, 2019

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

	Operating Fund	Replacement Fund	Fishing Fund	Total
Revenues:				
Member assessments	\$ 459,038	\$ 246,462	\$ 15,900	\$ 721,400
Change in fair value	-	7,572	-	7,572
Disposal of assets - gain (loss)	1,455	-	-	1,455
Fishing	63,929	-	-	63,929
Interest income	1,201	13,559	217	14,977
Late fees and other income	89,868	-	-	89,868
Laundry income	2,068	-	-	2,068
Rental income	16,372	-	-	16,372
Total revenues	633,931	267,593	16,117	917,641
Expenses:				
Administrative	31,858	-	-	31,858
Electricity and gas	24,925	-	-	24,925
Equipment maintenance	52,095	-	-	52,095
Building maintenance	19,578	-	-	19,578
Depreciation	70,362	-	-	70,362
Grounds maintenance	97,854	-	-	97,854
Insurance	46,109	-	-	46,109
Fishing	65,048	-	-	65,048
Major repairs and replacements	-	585,101	-	585,101
Management	100,370	-	-	100,370
Payroll & related	229,164	-	-	229,164
Professional	33,190	1,170	8,974	43,334
Snow removal	4,261	-	-	4,261
Social	6,153	-	-	6,153
Trash removal	24,830	-	-	24,830
Water and sewer	2,660	-	-	2,660
Total expenses	808,457	586,271	8,974	1,403,702
Excess (deficit) of revenues over expenses	(174,526)	(318,678)	7,143	(486,061)
Members' equity:				
Beginning of year	910,121	942,345	53,906	1,906,372
Prior period adjustment	(28,707)	-	-	(28,707)
Interfund transfer	(4,448)	-	4,448	-
End of Year	\$ 702,440	\$ 623,667	\$ 65,497	\$ 1,391,604

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

Crystal Lakes Road and Recreation Association
 May 31, 2019

Statement of Cash Flows

	Operating Fund	Replacement Fund	Fishing Fund	Total
Operating activities:				
Excess (deficit) of revenues over expenses	(174,526)	(318,678)	7,143	(486,061)
Depreciation	70,362	-	-	70,362
Disposal of assets - gain (loss)	(1,455)	-	-	(1,455)
Prior period adjustment	(28,707)	-	-	(28,707)
Interfund transfer	(4,448)	-	4,448	-
Decrease (increase) in operating assets:				
Accounts receivable, net	(7,702)	-	-	(7,702)
Accrued interest	-	(2,388)	-	(2,388)
Inventory	6,849	-	-	6,849
Prepaid insurance	28,707	-	-	28,707
Increase (decrease) in operating liabilities:				
Accounts payable	(8,536)	-	-	(8,536)
Prepaid assessments	(450,006)	-	-	(450,006)
Cash provided by (used from) operating	(569,462)	(321,066)	11,591	(878,937)
Investing activities:				
Proceeds from property and equipment	16,634	-	-	16,634
Net purchase and sales of investments	-	(230,513)	-	(230,513)
Cash provided by (used from) financing	16,634	(230,513)	-	(213,879)
Net change in cash and cash equivalents	(552,828)	(551,579)	11,591	(1,092,816)
Cash and cash equivalents:				
Beginning of year	762,186	845,669	53,906	1,661,761
End of year	\$ 209,358	\$ 294,090	\$ 65,497	\$ 568,945
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

Crystal Lakes Road and Recreation Association (the "Association") is a nonprofit corporation organized pursuant to the laws of Colorado on September 18, 1969. The Association was formed to maintain all common property and to govern the community in accordance with the governing documents. The community consists of 1,590 single family homes located in Red Feather Lakes, 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.

Fair Value Measurement

The Association defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 - Quoted prices in active markets that are accessible for identical assets or liabilities.

Level 2 - Quoted prices for identical or similar instruments (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 - The valuation is modeled using significant inputs that are unobservable in the market. These unobservable inputs reflect certain estimates and assumptions that market participants would use in pricing the asset or liability.

(2) Summary of Significant Accounting Policies (Continued)

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.

Asset Recognition

Significant purchase of personal property by the Association will be capitalized, at cost, and depreciated over the estimated useful lives of the assets using the straight-line method.

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, however, as of May 31, 2019 the Association held no 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 May 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) Investments (Trading Securities)

The Association has established a formal investment policy that includes the selection of professional investment advisors to manage the trading securities. Trading securities are recorded at fair market value and consist of certificates of deposit, corporate bonds, mortgage-backed securities, common stock, preferred stock and mutual funds. The Association classifies certificates of deposit and mortgage-backed securities as Level 2.

As of May 31, 2019, the balances of the trading securities, at cost and fair value, are as follows:

Description	Cost Basis	Unrealized Gain (Loss)	Fair Market Value
Certificates of deposit	\$ 251,786	\$ (1,823)	\$ 249,963
Mortgage-backed securities	75,500	1,726	77,226
Investments	\$ 327,286	\$ (97)	\$ 327,189

(8) 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.

In determining the collectability of specific unit owner balances, management considers the number of days' delinquent and the owner's payment history. Accordingly, based on managements' judgment, the Association provided for estimated uncollectible amounts of \$3,600.

(9) Property and Equipment, net

As of May 31, 2019, the balances of the property and equipment, at cost and fair value, are as follows.

Description	Life	Amount
Land and improvements	0-20	\$ 335,412
Buildings and improvements	15-30	259,857
Machinery and equipment	3-7	665,543
Autos and trucks	5	223,558
Office furniture and equipment	5-15	6,623
Total property and equipment		1,490,993
Less: Accumulated depreciation		(978,408)
Total property and equipment, net		\$ 512,585

(10) Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported changes in the net assets or statements of activities.

(11) Commitments

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

(12) 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.

(13) Subsequent Events

Management has evaluated subsequent events through November 8, 2019 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

Schedule of Future Major Repairs and Replacements

The Association conducted an independent study, dated November 5, 2016, to estimate the remaining useful life and the replacement costs of the significant components of common property. The reserve component detail from that study is presented in the following 2 pages. Actual results may vary from these estimates, and such variations may be material.

Table 2: Reserve Component List Detail

20978-2

#	Component	Quantity	Useful Life	Rem. Useful Life	[--- Current Cost Estimate ---]	
					Best Case	Worst Case
Sites & Grounds						
2105	Trailer Pad Storage - Repair	~ (100) Spaces, (4) Gates	30	5	\$7,000	\$8,000
2107	Concrete Pads/Walk - Repair/Replace	Numerous GSF	12	11	\$18,000	\$19,200
2163	Lakes/Ponds/Streams - Maintain	(6) Ponds/Lakes	5	4	\$40,000	\$50,000
2164	Mailboxes Sheds - Refurbish	(3) Sheds	25	14	\$5,000	\$8,000
2165	Mailbox Pedestals - Allowance	~ (26) CBUs	2	1	\$1,400	\$1,800
2167	Entrance Sign - Refurbish/Replace	(2) Large Wood Signs	10	7	\$8,200	\$14,000
2183	Greenbelt - Mitigate	~ 563 Acres	1	0	\$31,000	\$51,000
2191	Tami Bridge - Replace	~ (18 x 30)	70	13	\$300,000	\$350,000
2193	Fuel Tank - Replace	(1) Tank	20	19	\$38,000	\$42,000
Grounds Equipment						
2194	Big Tex Trailer - Replace	(1) Trailer	25	24	\$5,000	\$6,300
2194	Dump Truck - Replace	(1) Ford L900 Dump Truck	25	0	\$63,000	\$85,000
2196	ATV - Replace	(1) ATV	10	3	\$8,200	\$12,000
2197	Dodge Truck - Replace (16')	(1) 2016 Dodge Truck	8	7	\$41,000	\$45,000
2197	Ford Truck - Replace (10')	(1) 2010 Ford F-250	8	2	\$41,000	\$45,000
2197	Ford Truck - Replace (12')	(1) 2012 Ford F-250	8	4	\$41,000	\$45,000
2197	Ford Truck - Replace (15')	(1) Ford F-250	8	7	\$41,000	\$45,000
2198	Snow Plow Blades - Replace	~ (7) Pieces	2	0	\$12,000	\$16,000
2199	Backhoe - Replace	(1) 2000 Backhoe	30	13	\$60,000	\$70,000
2199	Cat Loader - Replace	(1) Cat 950	30	19	\$95,000	\$108,000
2199	Motor Grader - Replace	Cat 143 H	30	12	\$120,000	\$180,000
2199	Roller/Compactor - Replace	(1) Cat CS 433C	30	12	\$69,000	\$90,000
2199	Skid Steer - Replace	(1) Cat 272C	30	21	\$51,000	\$61,000
2199	Water Tanker - Replace	(1) Ford L70 Water Tanker	25	4	\$74,000	\$96,000
Building Exteriors						
2325	Deck - Resurface/Replace	~ 3,500 GSF	25	8	\$40,000	\$57,000
2355	Wood Trim/Siding - Repaint/Repair	~ 9,000 GSF	5	3	\$13,000	\$20,000
2379	Shop Shingle Roof - Replace	~ 1,700 GSF	25	8	\$10,000	\$14,000
2379	WC/BC Roof - Replace	~ 14,000 GSF	25	15	\$86,000	\$110,000
2383	Shop Metal Roof - Replace	~ 2,300 GSF	25	8	\$26,000	\$38,000
2398	Shop - Refurbish	(1) Building	30	0	\$38,000	\$46,000
Building Interiors						
2401	Interior Surfaces - Paint	~ 3,200 GSF	10	0	\$10,000	\$14,000
2410	Basecamp Flooring - Replace	~ 180 GSY	10	0	\$15,000	\$17,000
2411	Wapiti Center Flooring - Replace	~ 93 GSY	10	0	\$15,000	\$17,000
2428	Basecamp Furniture - Replace	~ (53) Pieces	10	8	\$18,000	\$22,000
2429	Wapiti Center Furniture - Replace	~ (62) Pieces	10	9	\$10,000	\$16,000
2429	Wapiti Office Furniture - Replace	~ (62) Pieces	10	0	\$5,000	\$8,000
2430	Basecamp Bathrooms- Refurbish	(2) Bathrooms	12	1	\$10,000	\$12,000
2431	Wapiti Bathrooms - Refurbish	(2) Bathrooms	12	4	\$8,200	\$10,000
2432	Basecamp - Refurbish	Numerous GSF	10	8	\$16,000	\$20,000

Table 2: Reserve Component List Detail

20978-2

#	Component	Quantity	Useful Life	Rem. Useful Life	[--- Current Cost Estimate ---]	
					Best Case	Worst Case
2432	Wapiti Center - Refurbish	Numerous GSF	10	9	\$35,000	\$37,000
2433	Downstairs Wapiti Center - Remodel	(2) Offices	10	0	\$8,000	\$9,000
2434	Office/Audio Equip - Replace	~ (15) Pieces	5	0	\$6,100	\$9,200
2435	Basecamp Kitchen/Apps. - Refurbish	(1) Kitchen	15	14	\$28,000	\$32,000
<i>Mechanical</i>						
2540	Base Station Equipment - Replace	Equipment	10	9	\$4,000	\$6,000
2543	Warning Signs - Replace	~ (6) Stations/Sirens	10	3	\$51,000	\$71,000
2567	Instant Water Heater - Replace	(1) Tank	10	9	\$4,500	\$5,500
2571	Boilers - Replace	(2) Burnham Boilers	15	0	\$10,000	\$14,000
46	Total Funded Components					