

# Crystal Lakes Road and Recreation Association

Audited Financial Statements  
May 31, 2020



**Crystal Lakes Road and Recreation Association**  
May 31, 2020

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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, 2020, 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, 2020, 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  
October 13, 2020

**Crystal Lakes Road and Recreation Association**  
May 31, 2020

Balance Sheet - Operating

	Operating Fund
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,005,637
Investments	-
Accounts receivable, net	46,194
Accrued interest	-
Property & equipment, net	431,790
<b>Total assets</b>	<b>\$ 1,483,621</b>
<b>Liabilities:</b>	
Accounts payable	\$ 22,902
Prepaid assessments	645,847
<b>Total liabilities</b>	<b>668,749</b>
<b>Members' equity:</b>	
Fund balance (deficit)	814,872
<b>Total members' equity</b>	<b>814,872</b>
<b>Total liabilities and members' equity</b>	<b>\$ 1,483,621</b>

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

**Crystal Lakes Road and Recreation Association**  
May 31, 2020

Balance Sheet - Reserves

	Replacement Fund
<b>Assets:</b>	
Cash and cash equivalents	\$ 163,705
Cash and cash equivalents - fishing	78,966
Investments	661,190
Accrued interest	1,620
<b>Total assets</b>	<b>\$ 905,481</b>
<b>Liabilities:</b>	
Accounts payable	\$ -
<b>Total liabilities</b>	<b>-</b>
<b>Members' equity:</b>	
Fund balance (deficit)	905,481
<b>Total members' equity</b>	<b>905,481</b>
<b>Total liabilities and members' equity</b>	<b>\$ 905,481</b>

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

**Crystal Lakes Road and Recreation Association**  
 May 31, 2020

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

	Operating Fund	Replacement Fund	Total
<b>Revenues:</b>			
Member assessments	\$ 1,018,966	\$ 263,812	\$ 1,282,778
Change in fair value	-	(1,312)	(1,312)
Fishing	91,844	-	91,844
Interest income	2,459	11,201	13,660
Operating revenue	171,608	-	171,608
Rental income	18,255	-	18,255
Sale income	6,417	-	6,417
<b>Total revenues</b>	<b>1,309,549</b>	<b>273,701</b>	<b>1,583,250</b>
<b>Expenses:</b>			
Administrative	183,420	-	183,420
Building maintenance	17,515	-	17,515
Depreciation	80,795	-	80,795
Employee	345,376	-	345,376
Equipment maintenance	53,646	-	53,646
Fishing	63,758	-	63,758
Grounds maintenance	60,904	-	60,904
Recreation	8,003	-	8,003
Reserve fund transfer	263,812	-	263,812
Road maintenance	96,001	-	96,001
Utilities	23,887	-	23,887
Fishing replacement expenses	-	1,485	1,485
Replacement fund expenses	-	55,899	55,899
<b>Total expenses</b>	<b>1,197,117</b>	<b>57,384</b>	<b>1,254,501</b>
Excess (deficit) of revenues over expenses	112,432	216,317	328,749
<b>Members' equity:</b>			
Beginning of year	702,440	689,164	1,391,604
<b>End of Year</b>	<b>\$ 814,872</b>	<b>\$ 905,481</b>	<b>\$ 1,720,353</b>

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

**Crystal Lakes Road and Recreation Association**  
 May 31, 2020

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
<b>Operating activities:</b>			
Excess (deficit) of revenues over expenses	\$ 112,432	\$ 216,317	\$ 328,749
Depreciation	80,795	-	80,795
Decrease (increase) in operating assets:			
Accounts receivable, net	(27,791)	-	(27,791)
Accrued interest	-	768	768
Increase (decrease) in operating liabilities:			
Accounts payable	11,063	-	11,063
Prepaid assessments	619,780	-	619,780
<b>Cash provided by (used from) operating</b>	<b>796,279</b>	<b>217,085</b>	<b>1,013,364</b>
<b>Investing activities:</b>			
Net purchase and sales of investments	-	(334,001)	(334,001)
<b>Cash provided by (used from) financing</b>	<b>-</b>	<b>(334,001)</b>	<b>(334,001)</b>
Net change in cash and cash equivalents	796,279	(116,916)	679,363
<b>Cash and cash equivalents:</b>			
Beginning of year	209,358	359,587	568,945
<b>End of year</b>	<b>\$ 1,005,637</b>	<b>\$ 242,671</b>	<b>\$ 1,248,308</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**

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, 2020 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, 2020 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, 2020, 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	\$ 590,000	\$ -	\$ 590,000
Mortgage-backed securities	70,776	414	71,190
Investments	\$ 660,776	\$ 414	\$ 661,190

**(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 \$7,000.

**(9) Property and Equipment, net**

As of May 31, 2020, 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		(1,059,203)
Total property and equipment, net		\$ 431,790

**(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) Fishing activities**

Crystal Lake, Lower Lone Pine Lake, Little Lone Pine Lake, the North Fork Cache la Poudre River, Panhandle Creek, Lone Pine Creek, Beartrap Creek, and several small ponds offer a variety of fishing experiences for expert and novice alike. Quality fishing is maintained through extensive stocking and stream management programs administered by volunteers and funded by the Crystal Lakes Road and Recreation Association. Fishing privileges in Crystal Lakes are gained through membership in the Association. Members are provided yearly Crystal Lakes fishing badges upon successful application. There is a Crystal Lakes Fishing Board which monitors the fishing program and enforces the fishing regulations. The Fishing Board is expected to save a minimum of \$10,000 per year for fishing habitat reserves which is transferred annually upon completion of the financial audit.

The fishing operating activity for the year-ended May 31, 2020, was as follows:

<b>Revenues:</b>	<b>Amount</b>
Fishing allotment	\$ 15,800
Fishing revenue	74,015
Fishing donation	904
Fishing fines	1,125
Total revenues	91,844
<b>Expenses:</b>	
Fishing attendant	\$ 5,643
Fish stocking	55,121
Fishing other	2,994
Total expenses	63,758
Excess (deficit) of revenues over expenses	\$ 28,086

**(12) Commitments**

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

**(13) 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.

**(14) Subsequent Events**

Management has evaluated subsequent events through October 13, 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**

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Schedule of Future Major Repairs and Replacements

The Association conducted an independent study, dated August 6, 2020, 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.

# Reserve Component List Detail

20978-3  
WSV

#	Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate	
					Best Case	Worst Case
<b>Sites &amp; Grounds</b>						
2105	Trailer Pad Storage - Repair	~ (100) Spaces, (4) Gates	10	1	\$7,900	\$9,000
2107	Concrete Pads/Walk - Replace - 5%	5% of ~ 5000 GSF	12	7	\$3,000	\$5,000
2163	Fishing Habitat - Maintain	(6) Ponds/Lakes	5	2	\$55,000	\$65,000
2164	Mailboxes Sheds - Refurbish - 33%	~ 33% of (3) Sheds	10	5	\$5,700	\$9,000
2165	Mailbox Pedestals - Allowance	~ (26) CBUs	2	0	\$1,500	\$2,100
2167	Large Monument Signs - Refurbish	(2) Large Wood Signs	10	3	\$9,200	\$15,000
2181	Metal Property Signs - Replace	(3) Small Metal	25	22	\$28,000	\$32,000
2183	Fire Mitigation - Allowance	~ 563 Acres	4	4	\$20,000	\$30,000
2191	Tami Bridge - Replace	~ (18 x 30)	70	9	\$340,000	\$390,000
2193	Fuel Tank - Replace	(1) Tank	20	15	\$40,000	\$44,000
<b>Grounds Equipment</b>						
2201	Dodge Truck - Replace ('16)	(1) 2016 Dodge 2500 Truck	6	3	\$40,000	\$50,000
2201	Ford Truck - Replace ('15)	(1) Ford F-250	6	3	\$48,000	\$52,000
2201	Ford Truck - Replace ('20)	(1) Ford Truck	6	0	\$48,000	\$52,000
2207	Dump Truck - Replace	(1) Ford L900 Dump Truck	25	8	\$86,000	\$96,000
2209	ATV - Replace	(1) ATV	10	7	\$9,000	\$11,000
2211	Motor Grader - Replace	Cat 143 H	30	8	\$130,000	\$210,000
2225	Backhoe - Replace	(1) 2000 Backhoe	30	9	\$85,000	\$95,000
2227	Cat Loader - Replace	(1) Cat 938G	30	15	\$110,000	\$120,000
2229	Roller/Compactor - Replace	(1) Cat CS 433C	30	8	\$78,000	\$100,000
2231	Skidsteer - Replace	(1) Cat 272C	30	17	\$58,000	\$69,000
2233	Big Tex Trailer - Replace	(1) Trailer	25	20	\$5,700	\$7,100
2235	(Water) Freightliner - Replace	(1) Ford L70 Water Tanker	35	10	\$75,000	\$85,000
2237	(Water) Freightliner Tank - Replace	(1) Ford L70 Water Tanker	20	5	\$14,000	\$16,000
2238	"V" Plow - Replace	(1) Trailer	8	7	\$20,000	\$22,000
2239	Attachment Equipment - Allowance	~ (7) Pieces	2	0	\$12,000	\$16,000
2249	Fuel Tanks, Controls - Replace	(1) Tank	20	15	\$43,000	\$47,000
<b>Maintenance Shop</b>						
2337	Wood Siding - Seal/Paint	~ 475 GSF	5	4	\$6,000	\$7,000
2353	Wood Siding - Replace	~ 475 GSF	60	20	\$10,500	\$15,000
2361	Windows - Replace	~ (12) Windows	30	28	\$9,600	\$14,400
2371	Garage Doors - Replace		30	29	\$16,000	\$20,000
2381	Roof: Metal - Replace	~ 4000 GSF	40	38	\$34,000	\$38,000
2387	Gutters/Downspouts - Replace	~ 200 LF	40	38	\$1,600	\$2,400
2429	Shop Interiors - Remodel	(1) Shop	15	13	\$45,000	\$55,000
2505	Garage Operators - Replace	(2) Overhead Units	12	10	\$5,000	\$7,000
<b>Base Camp/Wapiti Exteriors</b>						
2333	Wood Deck - Resurface/Restore	~ 3,500 GSF	30	4	\$45,000	\$77,000
2337	Wood Siding - Seal/Paint	~ 9,000 GSF	5	0	\$14,000	\$16,000
2353	Wood Siding - Replace	~ 9,000 GSF	60	20	\$198,000	\$225,000
2361	Windows - Replace	~ (86) Windows	30	5	\$68,800	\$103,200
2377	Roof: Composition Shingle - Replace	~ 14,000 GSF	25	11	\$140,000	\$168,000
<b>Base Camp/Wapiti Interiors</b>						

#	Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate	
					Best Case	Worst Case
2401	Interior Surfaces - Paint	~ 9700 GSF	10	9	\$11,000	\$15,000
2409	Tile Flooring - Replace	~ 375 GSF	10	7	\$7,000	\$8,300
2411	Carpet - Replace (2016)	~ 140 GSY	10	6	\$7,000	\$10,000
2411	Carpet - Replace (2019)	~ 95 GSY	10	9	\$5,000	\$6,700
2417	Sheet Flooring - Replace	~ 2950 GSF	10	7	\$16,000	\$20,000
2425	Furnishings - Allowance	~ (53) Pieces	5	4	\$8,000	\$12,000
2427	Basecamp Bathrooms - Refurbish	(2) Bathrooms	25	0	\$38,000	\$42,000
2427	Guest Bathrooms - Refurbish	(2) Bathrooms	25	0	\$58,000	\$62,000
2427	Lower Office Bathroom - Refurbish	(1) Bathroom	25	22	\$15,000	\$20,000
2435	Kitchenette - Remodel	(1) Kitchenette	25	22	\$9,000	\$10,000
2435	Main Kitchen - Remodel	(1) Kitchen	25	24	\$35,000	\$40,000
2437	Kitchen Appliances - Replace	(6) Appliances	12	11	\$6,000	\$9,000
<b>Mechanical</b>						
2543	Warning Sirens - Replace	~ (6) Stations/Sirens	10	9	\$58,000	\$80,000
2561	Burnham Boilers - Replace	(2) Burnham Boilers	25	5	\$20,000	\$24,000
2563	Tankless Water Heater - Replace	(1) Unit	15	12	\$3,000	\$4,000
2565	Water Heater Tank - Replace (2008)	(1)120 Gallon Tank	15	3	\$4,000	\$6,200
2565	Water Heater Tank - Replace (2015)	(1) 50 Gallon Tank	25	10	\$2,000	\$3,000
2747	Base Station Equipment - Replace	Equipment	10	5	\$4,500	\$6,800

57 Total Funded Components