

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

December 31, 2015

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of the:  
Master Homeowners Association for Green Valley Ranch

I have reviewed the accompanying financial statements of the Master Homeowners Association for Green Valley Ranch, which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

*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.

*Accountant's Responsibility*

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my report.

*Accountant's Conclusion*

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Kent Beichle, CPA*  
November 14, 2016

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

BALANCE SHEET

(See Independent Accountant's Review Report)

December 31, 2015

ASSETS

Cash	\$263,097
Accounts receivable, net of allowance for doubtful accounts of \$689,723	299,694
Prepaid expenses	6,490
Office equipment, net of accumulated depreciation of \$11,260	<u>          -</u>
TOTAL ASSETS	<u>\$569,281</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>11,374</u>
TOTAL LIABILITIES	11,374
Contingencies (Notes 5 and 6)	-
Fund balance	<u>557,907</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$569,281</u>

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
(See Independent Accountant's Review Report)

For the Year Ended December 31, 2015

Revenues:	
Covenant violations, fines and fees	\$ 338,655
Property transfer and closing fees	101,050
Miscellaneous	5,169
Interest income	225
Lien fees	<u>23,820</u>
Total Revenues	<u>468,919</u>
Expenses:	
Insurance	9,808
Professional fees	10,715
Postage	782
Community events	23,983
Bad debts	248,731
Miscellaneous administrative	1,992
Miscellaneous	5,747
Green Valley Ranch Metropolitan District (Note 5)	<u>96,000</u>
	<u>397,758</u>
Excess of Revenues Over Expenses	71,161
Fund Balance - January 1, 2015	<u>486,746</u>
Fund Balance - December 31, 2015	<u>\$ 557,907</u>

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

STATEMENT OF CASH FLOWS  
(See Independent Accountant's Review Report)

For the Year Ended December 31, 2015

Cash flows from operating activities	\$ <u>71,161</u>
Excess of revenues over expenses	
Adjustment to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:	
Increase in assessments receivable	(49,193)
Increase in accounts payable	1,613
Decrease in prepaid expenses	<u>645</u>
	<u>(46,935)</u>
Net cash provided operating activities	24,226
Cash Balance - January 1, 2015	<u>238,871</u>
Cash Balance - December 31, 2015	\$ <u>263,097</u>

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS  
(See Independent Accountant's Review Report)

December 31, 2015

(1) Nature of Organization

Master Homeowners Association for Green Valley Ranch (the Association), a not-for-profit corporation organized under the laws of Colorado in 1984, was formed to manage and maintain the common property on behalf of the members of the Association, to enforce the provisions of the master and supplemental declarations, and to adopt rules and regulations covering ownership of property. The Association transferred ownership and the responsibility for maintenance for all of its common areas, including parkways, entrance monuments, grounds improvements, fences, and utility easements, to the GVR Metropolitan District in the latter part of 2001. The Association is located in the City and County of Denver, Colorado, and consists of owners of 4,593 homes and lots. During June of 2007, an additional 1.6 million square feet of common property was transferred to the Association from the declarant under the provisions of the Master declaration. Maintenance of this common area was transferred to the GVR Metropolitan District during 2010.

(2) Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 14, 2016, the date that the financial statements were available to be issued.

(3) Summary of Significant Accounting Policies

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 purposes.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Member Assessments

Association members can be subject to annual assessments to provide funds for the Association's operating expenses. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. For the year ended December 31, 2015, there were no annual assessments.

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
(See Independent Accountant's Review Report)

December 31, 2015

(3) Summary of Significant Accounting Policies, Continued

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.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. According to the Association's governing documents, three-fourths of all unit owners must approve dispositions of any common real property. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution.

(4) Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2015. 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 at 4.63% by the State of Colorado. The Association had no taxable income for the year ended December 31, 2015.

The Association has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for the year ended December 31, 2015. The Association evaluates its uncertain tax positions using the provisions of FASB Statement No. 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized.



MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED  
(See Independent Accountant's Review Report)

December 31, 2015

(5) Green Valley Ranch Metropolitan District

During December of 2010, the Association entered into an agreement with the Green Valley Ranch Metropolitan District (District). The District will provide covenant enforcement and design review services for the Association under the agreement. The District's services will be funded by property tax revenues levied by the District and revenues collected by the Association and transferred to the District as part of this agreement. The amount transferred to the District during 2015 was \$96,000 with the amount budgeted for 2016 of \$85,008.

