

**MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH**

**FINANCIAL STATEMENTS**

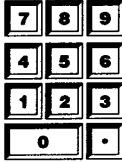
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**December 31, 2011**

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**BEICHLER & ASSOCIATES, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheet of the Master Homeowners Association for Green Valley Ranch as of December 31, 2011, and the related statements of revenues and expenses and changes in fund balance, and cash flows for the year 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.

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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Master Homeowners Association for Green Valley Ranch, as of December 31, 2011 and the results of its operations and its cash receipts and payments for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Beichler & Associates, Inc.*  
October 23, 2012

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

BALANCE SHEET

December 31, 2011

ASSETS

Cash	\$378,526
Accounts receivable, net of allowance for doubtful accounts of \$416,538	125,697
Prepaid expenses	7,386
Office equipment, net of accumulated depreciation of \$6,756	4,504
Leasehold improvements, net of accumulated amortization of \$15,320	5,107
Security deposit	<u>1,626</u>
TOTAL ASSETS	<u>\$522,846</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 802
Prepaid assessments	<u>26,651</u>
TOTAL LIABILITIES	27,453
Contingencies (Notes 5 and 6)	-
Fund balance	<u>495,393</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$522,846</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

For the Year Ended December 31, 2011

Revenues:	
Covenant violations, fines and fees	\$ 89,275
Property transfer and closing fees	62,700
Miscellaneous	12,540
Interest income	891
Lien fees	<u>72,041</u>
Total Revenues	<u>237,447</u>
Expenses:	
Salaries and benefits	1,700
Insurance	8,594
Professional fees	26,756
Rents	19,788
Postage	2,091
Community events	1,877
Bad debts	65,183
Depreciation	3,319
Amortization	5,107
Miscellaneous administrative	19,127
Office	5,929
Miscellaneous	6,152
Green Valley Ranch Metropolitan District (Note 6)	76,625
Detention pond	<u>25,912</u>
	<u>268,160</u>
Excess of Revenues Over Expenses	(30,713)
Fund Balance - January 1, 2011	<u>526,106</u>
Fund Balance - December 31, 2011	<u>\$ 495,393</u>

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

Cash flows from operating activities	\$ <u>(30,713)</u>
Excess of revenues over expenses	
Adjustment to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:	
Decrease in assessments receivable	14,904
Decrease in accounts payable	(4,532)
Decrease in prepaid assessments	(29,011)
Decrease in prepaid expenses	912
Depreciation and amortization	8,426
Decrease in accrued expenses	(6,649)
Loss on disposal of equipment	<u>3,732</u>
	<u>(12,218)</u>
Net cash used by operating activities	(42,931)
Cash Balance - January 1, 2011	<u>421,457</u>
Cash Balance - December 31, 2011	\$ <u><u>378,526</u></u>

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

(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 October 23, 2012, 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, 2011, there were no annual assessments.

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2011

(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, 2011. 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, 2011.

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, 2011. 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

December 31, 2010

(5) Office Lease

The Association signed an office lease in March, 2009 for office space. Monthly lease payments required under this operating lease is as follows:

2012	<u>\$5,691</u>
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(6) 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 2011 was \$76,625 with the amount budgeted for 2012 of \$84,900.

