

Forest Park Estates Condominium Association, Inc.
Financial Statements and Supplementary Information
For the Year Ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Forest Park Estates Condominium Association, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Forest Park Estate Condominium Association, Inc. (the "Association") which comprises the balance sheet as of December 31, 2021, 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. Information for the year ended December 31, 2020, is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which I expressed an unmodified opinion in my report dated May 26, 2021.

Management's Responsibility for the Financial Statements

The Association's Board of Directors 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Association'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 Association's internal control. Accordingly, I 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest Park Estates Condominium Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Schedule of Operating Fund Revenues and Expenses – Budget and Actual

My audit was performed for the purpose of forming an opinion on the financial statements as a whole. The *Supplemental Schedule of Operating Fund Revenues and Expenses – Budget and Actual* is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information on Future Major Repairs and Replacements

Accounting principles generally accepted in the United States of America require that the information on 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Ryan Lee, CPA



Principal
Lee Public Accounting, LLC

May 16, 2022
Littleton, Colorado

Forest Park Estates Condominium Association, Inc.
Balance Sheet
As of December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>2020 Total (comparative purposes only)</u>
Assets				
Cash	\$ 7,573	\$ 105,480	\$ 113,053	\$ 106,467
Prepaid insurance	2,762	-	2,762	2,762
Interfund balance	(136)	136	-	-
Total Assets	<u>\$ 10,199</u>	<u>\$ 105,616</u>	<u>\$ 115,815</u>	<u>\$ 109,229</u>
Liabilities and Fund Balances				
Accounts payable and accrued liabilities	\$ 4,701	\$ -	\$ 4,701	\$ 2,606
Assessments received in advance	727	-	727	3,193
Total Liabilities	5,428	-	5,428	5,799
Fund balances	4,771	105,616	110,387	103,430
Total Liabilities and Fund Balances	<u>\$ 10,199</u>	<u>\$ 105,616</u>	<u>\$ 115,815</u>	<u>\$ 109,229</u>

Forest Park Estates Condominium Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>2020 Total (comparative purposes only)</u>
Revenues				
Member assessments	\$ 67,640	\$ -	\$ 67,640	\$ 51,372
Budgeted contributions to the replacement fund	(10,038)	10,038	-	-
Late fees and collection	-	-	-	52
Other income	-	-	-	62
Interest	10	-	10	21
Total Revenues	<u>\$ 57,612</u>	<u>\$ 10,038</u>	<u>\$ 67,650</u>	<u>\$ 51,507</u>
Expenses				
Insurance	\$ 13,983	\$ -	\$ 13,983	\$ 13,730
Electricity and gas	7,737	-	7,737	6,302
Water and sewer	7,613	-	7,613	6,056
Landscaping and grounds	7,111	-	7,111	31,790
Legal and professional fees	6,352	-	6,352	7,423
Trash removal	3,705	-	3,705	3,128
Management fees	3,600	-	3,600	3,600
Snow removal	3,583	-	3,583	3,593
Building maintenance and repairs	1,801	-	1,801	2,497
Office and administrative	143	-	143	293
Light maintenance	100	-	100	150
Plumbing and sewer	75	-	75	404
Decks	-	4,890	4,890	-
Roof and gutter repairs	-	-	-	10,374
Parking lot and concrete	-	-	-	1,570
Reserve study	-	-	-	400
Irrigation maintenance	-	-	-	200
Total Expenses	<u>55,803</u>	<u>4,890</u>	<u>60,693</u>	<u>91,510</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 1,809</u>	<u>\$ 5,148</u>	<u>\$ 6,957</u>	<u>\$ (40,003)</u>
Beginning Fund Balance	<u>2,962</u>	<u>100,468</u>	<u>103,430</u>	<u>143,433</u>
Ending Fund Balance	<u>\$ 4,771</u>	<u>\$ 105,616</u>	<u>\$ 110,387</u>	<u>\$ 103,430</u>

Forest Park Estates Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total	2020 Total (comparative purposes only)
Cash Flows From Operating Activities				
Excess (Deficiency) of Revenues Over Expenses	\$ 1,809	\$ 5,148	\$ 6,957	\$ (40,003)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	-		-	293
Increase (decrease) in:				
Accounts payable and accrued liabilities	2,095		2,095	2,111
Assessments received in advance	(2,466)		(2,466)	1,390
Net cash provided (used) by operating activities	1,438	5,148	6,586	(36,209)
Cash Flows From Financing Activities				
Interfund activities	2,583	(2,583)	-	-
Net cash provided (used) by financing activities	2,583	(2,583)	-	-
Net increase (decrease) in cash	\$ 4,021	\$ 2,565	\$ 6,586	\$ (36,209)
Cash, beginning of year	3,552	102,915	106,467	142,676
Cash, end of year	\$ 7,573	\$ 105,480	\$ 113,053	\$ 106,467

Forest Park Estates Condominium Association, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 1 – Nature of the Association

Forest Park Estates Condominium Association, Inc. (the “Association”) was organized as a non-profit corporation in the State of Colorado in 1987. The purpose of the Association is to provide for the operation, administration, use, and maintenance of the common property, and to promote the common benefit and enjoyment of the residents of the community. All members are subject to the *Condominium Declaration for Forest Park Estates (A Condominium)* (the “Declaration”). The Association’s membership consists of the Owners of 15 residential condominium units located in Jefferson County, Colorado.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared using 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 – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash

The Association considers all highly liquid investments with an original maturity of three months or less to be cash. The Association continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of December 31, 2021, the Association had no cash equivalents.

Common Area Property

Real property and common areas conveyed to the Association by the Declarant are not recorded in the Association’s financial statements because the disposition of those properties is restricted by the Declaration. It is the duty of the Association to care for and maintain the common areas for the common benefit and enjoyment of its membership. Major repairs and replacements to common area property are recorded as expenditures in the Replacement Fund.

Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. 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, 2021, monthly assessments to each unit were \$395, except for one stand-alone unit, which is charged \$106.65.

Forest Park Estates Condominium Association, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Use of 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.

Note 3 – Income Taxes

The Association elects to file its federal tax return as a homeowners' association under Section 528 of the Internal Revenue Code. 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 non-exempt function income, which includes interest earned, is taxed at the federal and state levels at 30% and 4.50%, respectively. There was no net taxable income for the year ended December 31, 2021.

The Association's tax filings may be subject to examination by various taxing authorities. The Association's federal income tax returns beginning with the 2019 tax year remain open to potential examination by the Internal Revenue Service; State income tax returns beginning with the 2018 tax year are open to potential examination.

Note 4 – Future Major Repairs and Replacements

The Association's Declaration requires funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

In 2020, the Association engaged a third-party to perform a study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to the Declaration, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 – Related Party Transactions

The Association's management company also provides maintenance services to the Association through affiliated entities. During the years ended December 31, 2021, and 2020 the Association paid these affiliated entities \$1,591 and \$3,714, respectively, for maintenance services.

Forest Park Estates Condominium Association, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2021

Note 6 – Contingencies

The Association may be a party to various legal actions throughout the year normally associated with homeowners' associations, including, but not limited to, the collection of delinquent assessments and covenant compliance matters, the aggregate of which, in management's opinion, would not have a material adverse effect on the Association's financial position, results, or liquidity.

Note 7 – Subsequent Events

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 the financial statements were available to be issued.

Forest Park Estates Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses - Budget and Actual
For the Year Ended December 31, 2021

	<u>Actual</u>	<u>Budget</u> <u>(compiled)</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
Operating Fund Revenues			
Member assessments	\$ 67,640	\$ 67,640	\$ -
Budgeted contributions to the replacement fund	(10,038)	(10,038)	-
Interest	10	30	(20)
Total Operating Fund Revenues	\$ 57,612	\$ 57,632	\$ (20)
Operating Fund Expenses			
Insurance	\$ 13,983	\$ 14,584	\$ 601
Electricity and gas	7,737	7,057	(680)
Water and sewer	7,613	6,355	(1,258)
Landscaping and grounds	7,111	9,500	2,389
Legal and professional fees	6,352	5,000	(1,352)
Trash removal	3,705	2,700	(1,005)
Management fees	3,600	3,600	-
Snow removal	3,583	4,300	717
Building maintenance and repairs	1,801	1,500	(301)
Office and administrative	143	655	512
Light maintenance	100	-	(100)
Plumbing and sewer	75	1,200	1,125
Roof and gutter repairs	-	500	500
Irrigation maintenance	-	500	500
Total Operating Fund Expenses	55,803	57,451	1,648
Excess of Revenues Over Expenses	\$ 1,809	\$ 181	\$ 1,628

Forest Park Estates Condominium Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2021
Unaudited

In 2020, the Association engaged a third-party to perform a study to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The information on the following pages was extracted from the study and presents significant information about the components of common property.

Funding Summary For Forest Park Estates HOA

Beginning Assumptions

Financial Information Source	Research With Client
# of units	14
Fiscal Year End	December 31, 2020
Monthly Dues from 2020 budget	\$4,281.00
Monthly Reserve Allocation from 2020 Budget	\$0.00
Projected Starting Reserve Balance (as of 1/1/2020)	\$137,894
Reserve Balance: Average Per Unit	\$9,850
Ideal Starting Reserve Balance (as of 1/1/2020)	\$91,716
Ideal Reserve Balance: Average Per Unit	\$6,551

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	4.15%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	150%
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Recommendations for 2020 Fiscal Year

Monthly Reserve Allocation (2020)	\$0
Per Unit	\$0.00
Monthly Reserve Allocation (starting 2021)	\$2,640
Per Unit	\$188.57
Minimum Monthly Reserve Allocation (starting 2021)	\$2,175
Per Unit	\$155.36
Primary Annual Increases	4.50%
# of Years	30
Special Assessment	\$0
Per Unit	\$0

Changes To Current 2020 Reserve Contribution

Increase/Decrease to Reserve Allocation	\$0
as Percentage	0%
Average Per Unit	\$0.00

Changes from 2020 to 2021 Reserve Contribution

Increase/Decrease to Reserve Allocation	\$2,640
as Percentage	0%
Average Per Unit	\$188.57

Significant Components For Forest Park Estates HOA

ID	Asset Name	Useful Lives	Remaining Useful Lives	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
103	EPDM Flat Roof - Replace	20	18	\$92,625	\$4,631	17.5534%
105	Comp Shingle Roof - Replace	20	18	\$16,388	\$819	3.1056%
204	Building Ext Surfaces - Repaint	6	5	\$9,450	\$1,575	5.9696%
207	Metal Railing - Repaint	6	5	\$2,838	\$473	1.7925%
303	Wood Siding - Repair (Condo)	6	5	\$12,250	\$2,042	7.7384%
306	Brick - Major Repairs	6	5	\$11,250	\$1,875	7.1067%
401	Asphalt - Major Overlay	28	1	\$26,125	\$933	3.5364%
402	Asphalt - Surface Application	4	2	\$3,575	\$894	3.3875%
601	Concrete Flatwork - Partial Replace	4	3	\$3,150	\$788	2.9848%
611	Stairway Systems/Deck - Replacement	40	39	\$125,000	\$3,125	11.8444%
702	Boilers/Storage Tank - Replace	30	29	\$28,500	\$950	3.6007%
721	Expansion Tank - Replace	20	8	\$1,650	\$83	0.3127%
803	Mailboxes - Replace	18	4	\$2,200	\$122	0.4632%
1001	Wood Fencing - Replace	24	5	\$1,900	\$79	0.3001%
1010	Trash Enclosure - Replace	12	5	\$2,855	\$238	0.9018%
1602	Exterior Wall Mount - Replace (Condo)	17	0	\$3,638	\$214	0.8110%
1701	Irrigation System - Major Repairs	5	0	\$3,000	\$600	2.2741%
1801	Groundcover - Replenish	7	0	\$13,750	\$1,964	7.4451%
2001	Sewer System - Major Repairs	4	0	\$7,250	\$1,813	6.8698%
2002	Plumbing	3	0	\$9,500	\$3,167	12.0023%