

**Second Jefferson Green Homeowners Association**



**Financial Statements and Supplementary Information**

**For the Year Ended December 31, 2022**

## **Table of Contents**

Independent Auditor's Report.....	1 - 2
Financial Statements	
Balance Sheet.....	3
Statement of Revenues, Expenses, and Changes in Fund Balances.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6 - 8
Supplementary Information	
Schedule of Operating Fund Revenues and Expenses – Budget and Actual.....	9
Supplementary Information on Future Major Repairs and Replacements (Unaudited).....	10 - 12



## **Independent Auditor's Report**

To the Board of Directors of  
Second Jefferson Green Homeowners Association

### **Opinion**

I have audited the accompanying financial statements of Second Jefferson Green Homeowners Association (the "Association") which comprises the balance sheet as of December 31, 2022, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Jefferson Green Homeowners Association as of December 31, 2022, 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.

### **Report on Summarized Comparative Information**

I have previously audited the Second Jefferson Green Homeowners Association's December 31, 2021, financial statements, and my report dated May 11, 2022, expressed an unmodified opinion on those financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statement are available to be issued.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

#### **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

April 26, 2023  
Littleton, Colorado

**Second Jefferson Green Homeowners Association**  
**Balance Sheet**  
**As of December 31, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>2021 Total (comparative purposes only)</u>
<b>Assets</b>				
Cash	\$ 80,621	\$ 511,179	\$ 591,800	\$ 485,208
Assessments receivable	10,057	-	10,057	20,279
Prepaid expenses	2,609	-	2,609	1,422
Interfund balance	110,760	(110,760)	-	-
<b>Total Assets</b>	<b>\$ 204,047</b>	<b>\$ 400,419</b>	<b>\$ 604,466</b>	<b>\$ 506,909</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 27,495	\$ 4,381	\$ 31,876	\$ 10,137
Assessments received in advance	40,292	-	40,292	23,342
Total Liabilities	67,787	4,381	72,168	33,479
<b>Fund Balances</b>				
Working capital contributions	-	33,892	33,892	26,212
Fund balances	136,260	362,146	498,406	447,218
Total Fund Balances	136,260	396,038	532,298	473,430
<b>Total Liabilities and Fund Balances</b>	<b>\$ 204,047</b>	<b>\$ 400,419</b>	<b>\$ 604,466</b>	<b>\$ 506,909</b>

**Second Jefferson Green Homeowners Association**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended December 31, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>2021 Total (comparative purposes only)</u>
<b>Revenues</b>				
Member assessments	\$ 645,120	\$ -	\$ 645,120	\$ 624,960
Budgeted contributions to the replacement fund	(186,734)	186,734	-	-
Late fees and collection	5,065	-	5,065	4,611
Other income	683	-	683	322
Interest	-	159	159	39
<b>Total Revenues</b>	<u>\$ 464,134</u>	<u>\$ 186,893</u>	<u>\$ 651,027</u>	<u>\$ 629,932</u>
<b>Expenses</b>				
Insurance	\$ 127,423	\$ -	\$ 127,423	\$ 121,794
Water and sewer	112,216	-	112,216	104,489
Snow removal	41,624	-	41,624	21,029
Landscaping and grounds	38,665	-	38,665	36,859
Trash removal	27,161	-	27,161	23,229
Management fees	24,192	-	24,192	24,192
Legal and professional fees	23,758	-	23,758	39,594
Recreational facilities	13,526	-	13,526	13,419
Electricity and gas	10,770	-	10,770	9,416
Irrigation maintenance	10,659	-	10,659	10,574
Tree and shrub care	7,421	-	7,421	5,823
Roof and gutter repairs	7,391	98,182	105,573	11,217
Office and administrative	6,472	-	6,472	4,437
Garage door repairs	2,961	-	2,961	9,389
Light maintenance	2,623	1,553	4,176	912
Plumbing and sewer	2,061	35,613	37,674	12,228
Building maintenance and repairs	1,499	2,948	4,447	5,201
Bad debt	1,121	-	1,121	-
Parking lot and concrete	-	-	-	29,135
Decks	-	-	-	6,465
<b>Total Expenses</b>	<u>461,543</u>	<u>138,296</u>	<u>599,839</u>	<u>489,402</u>
<b>Excess of Revenues Over Expenses</b>	<u>\$ 2,591</u>	<u>\$ 48,597</u>	<u>\$ 51,188</u>	<u>\$ 140,530</u>
<b>Changes in Fund Balances</b>				
Working capital contributions	-	7,680	7,680	9,300
Beginning Fund Balance	<u>133,669</u>	<u>339,761</u>	<u>473,430</u>	<u>323,600</u>
<b>Ending Fund Balance</b>	<u>\$ 136,260</u>	<u>\$ 396,038</u>	<u>\$ 532,298</u>	<u>\$ 473,430</u>

**Second Jefferson Green Homeowners Association**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>2021 Total (comparative purposes only)</u>
<b>Cash Flows From Operating Activities</b>				
Excess of Revenues Over Expenses	\$ 2,591	\$ 48,597	\$ 51,188	\$ 140,530
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Bad debt expense	1,121		1,121	-
(Increase) decrease in:				
Assessments receivable	9,101		9,101	(9,119)
Prepaid expenses	(1,187)		(1,187)	(1,422)
Increase (decrease) in:				
Accounts payable and accrued liabilities	17,358	4,381	21,739	3,065
Assessments received in advance	16,950		16,950	(2,951)
<b>Net cash provided by operating activities</b>	<u>45,934</u>	<u>52,978</u>	<u>98,912</u>	<u>130,103</u>
<b>Cash Flows From Financing Activities</b>				
Interfund activities	6,900	(6,900)	-	-
Working capital contributions	-	7,680	7,680	9,300
<b>Net cash provided by financing activities</b>	<u>6,900</u>	<u>780</u>	<u>7,680</u>	<u>9,300</u>
<b>Net increase in cash</b>	<u>\$ 52,834</u>	<u>\$ 53,758</u>	<u>\$ 106,592</u>	<u>\$ 139,403</u>
Cash, beginning of year	<u>27,787</u>	<u>457,421</u>	<u>485,208</u>	<u>345,805</u>
<b>Cash, end of year</b>	<u>\$ 80,621</u>	<u>\$ 511,179</u>	<u>\$ 591,800</u>	<u>\$ 485,208</u>

**Second Jefferson Green Homeowners Association**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2022**

**Note 1 – Nature of the Association**

Second Jefferson Green Homeowners Association (the “Association”) was organized as a non-profit corporation in the State of Colorado in 1973. 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 *Amended and Restated Declaration of Covenants, Conditions and Restrictions for Jefferson Green—Filing No. 2* (the “Declaration”). The Association’s membership consists of the Owners of 168 residential 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, 2022, 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.

Working Capital Contributions

Upon the sale of any unit, the buyer shall pay to the Association at the time of the closing of such transfer, a payment of working capital equal to an amount not to exceed two-times the current monthly installment of the annual assessment.



**Second Jefferson Green Homeowners Association**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2022**

**Note 2 – Summary of Significant Accounting Policies (continued)**

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 years ended December 31, 2022, and 2021, monthly assessments were charged at a uniform rate of \$320 and \$310, respectively.

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 income 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 4.40%, respectively. There was no net taxable income for the years ended December 31, 2022.

The Association's tax filings may be subject to examination by various taxing authorities. The Association's federal income tax returns beginning with the 2020 tax year remain open to potential examination by the Internal Revenue Service; State income tax returns beginning with the 2019 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 2019, the Association engaged a third-party to update a study, originally performed in 2014, 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.

**Second Jefferson Green Homeowners Association**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2022**

**Note 4 – Future Major Repairs and Replacements (continued)**

The study calculates an ideal balance of \$2,807,584 in the replacement fund as of January 1, 2020. The study recommends an initial special assessment contribution to the replacement fund of \$504,000, and an annual contribution of \$444,000 increased annually by 2.50%.

**Note 5 – Related Parties**

In addition to monthly management services, the Association's managing agent also provides certain maintenance services under affiliated entities. For the year ended December 31, 2022, total disbursements to these related party entities for maintenance services totaled \$40,238.

**Note 6 – Concentration Risk**

The Association maintains its cash balances in bank deposit accounts which, at times throughout the year, may exceed federally insured limits. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022, uninsured cash balances totaled \$340,515.

**Note 7 – 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 8 – 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.

**Second Jefferson Green Homeowners Association**  
**Schedule of Operating Fund Revenues and Expenses - Budget and Actual**  
**For the Year Ended December 31, 2022**

	<u>Actual</u>	<u>Budget</u> <u>(compiled)</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Operating Fund Revenues</b>			
Member assessments	\$ 645,120	\$ 645,120	\$ -
Budgeted contributions to the replacement fund	(186,734)	(186,734)	-
Late fees and collection	5,065	3,200	1,865
Other income	683	250	433
Interest	-	35	(35)
<b>Total Operating Fund Revenues</b>	<b>\$ 464,134</b>	<b>\$ 461,871</b>	<b>\$ 2,263</b>
<b>Operating Fund Expenses</b>			
Insurance	\$ 127,423	\$ 134,644	\$ 7,221
Water and sewer	112,216	104,038	(8,178)
Snow removal	41,624	50,000	8,376
Landscaping and grounds	38,665	38,500	(165)
Trash removal	27,161	23,500	(3,661)
Management fees	24,192	24,192	-
Legal and professional fees	23,758	4,575	(19,183)
Recreational facilities	13,526	20,960	7,434
Electricity and gas	10,770	10,787	17
Irrigation maintenance	10,659	15,000	4,341
Tree and shrub care	7,421	10,000	2,579
Roof and gutter repairs	7,391	5,000	(2,391)
Office and administrative	6,472	4,675	(1,797)
Garage door repairs	2,961	4,500	1,539
Light maintenance	2,623	2,500	(123)
Plumbing and sewer	2,061	3,000	939
Building maintenance and repairs	1,499	6,000	4,501
Bad debt	1,121	-	(1,121)
<b>Total Operating Fund Expenses</b>	<b>461,543</b>	<b>461,871</b>	<b>328</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$ 2,591</b>	<b>\$ -</b>	<b>\$ 2,591</b>

**Second Jefferson Green Homeowners Association**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2022**  
**Unaudited**

In 2019, the Association engaged a third-party to update a study, originally conducted in 2014, 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 Second Jefferson Green

### Beginning Assumptions

Financial Information Source	Research With Client
# of units	168
Fiscal Year End	December 31, 2020
Monthly Dues from 2019 budget	\$41,832.00
Monthly Reserve Allocation from 2019 Budget	\$9,998.00
Projected Starting Reserve Balance (as of 1/1/2020)	\$216,272
<b>Reserve Balance: Average Per Unit</b>	<b>\$1,287</b>
Ideal Starting Reserve Balance (as of 1/1/2020)	\$2,807,584
Ideal Reserve Balance: Average Per Unit	\$16,712

### Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	3.75%
Current Average Interest Rate	1.00%

### Current Reserve Status

Current Balance as a % of Ideal Balance	8%
---	----

### Recommendations for 2020 Fiscal Year

Monthly Reserve Allocation	\$39,000
Per Unit	\$232.14
Minimum Monthly Reserve Allocation	\$37,000
Per Unit	\$220.24
Primary Annual Increases	2.50%
# of Years	20
Secondary Annual Increases	3.50%
# of Years	10
Special Assessment (2020 and 2021)	\$504,000
Per Unit	\$3,000

### Changes From Prior Year (2019 to 2020)

Increase/Decrease to Reserve Allocation	\$29,002
as Percentage	290%
Average Per Unit	\$172.63

## Significant Components For Second Jefferson Green

ID	Asset Name	Useful Lives	Remaining Useful Lives	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
105	Comp Shingle Roof - Replace	20	16	\$707,750	\$35,388	11.7938%
120	Gutters/Downspouts - Replace (1)	20	9	\$30,875	\$1,544	0.5145%
121	Gutters/Downspouts - Replace (2)	20	2	\$69,188	\$3,459	1.1529%
202	Garage Door Trim/Access Doors - Repaint	5	0	\$17,650	\$3,530	1.1765%
207	Iron Fencing - Repaint	4	0	\$6,125	\$1,531	0.5103%
207	Pool Fence - Repaint	4	2	\$1,850	\$463	0.1541%
209	Wood Fencing - Stain	3	0	\$14,275	\$4,758	1.5858%
302	Vinyl Siding - Replace (1)	24	3	\$533,750	\$22,240	7.4119%
303	Vinyl Siding - Replace (2)	24	4	\$533,750	\$22,240	7.4119%
304	Vinyl Siding - Replace (3)	24	5	\$533,750	\$22,240	7.4119%
401	Asphalt - Overlay	24	1	\$403,575	\$16,816	5.6043%
402	Asphalt - Seal Coat/crack fill	4	3	\$24,888	\$6,222	2.0736%
407	Drive Concrete - Replace	24	1	\$92,500	\$3,854	1.2845%
502	Garage Doors - Replace	20	0	\$87,150	\$4,358	1.4523%
503	Garage Access Doors - Replace	5	0	\$5,625	\$1,125	0.3749%
601	Concrete Sidewalks/Decks - Repair	4	0	\$51,450	\$12,863	4.2868%
607	Wood Deck - Replace	30	28	\$57,138	\$1,905	0.6348%
803	Mailboxes - Replace	18	16	\$15,250	\$847	0.2824%
809	Address Signs - Replace	12	1	\$3,600	\$300	0.1000%
1001	Wood Fencing - Replace (1)	20	4	\$28,875	\$1,444	0.4812%
1001	Wood Fencing - Replace (2)	20	10	\$34,200	\$1,710	0.5699%
1002	Ironwork Fencing - Replace	28	26	\$10,625	\$379	0.1265%
1005	Brick Columns - Major Repairs	8	6	\$3,250	\$406	0.1354%
1008	Vinyl Fencing - Replace	30	2	\$29,925	\$998	0.3324%
1101	Pool - Resurface	12	2	\$17,813	\$1,484	0.4947%
1104	Coping Stone/Tile - Replace	12	2	\$12,750	\$1,063	0.3541%
1105	Pool Heater - Replace	12	0	\$5,875	\$490	0.1632%
1107	Pool Filter - Replace	17	0	\$2,200	\$129	0.0431%
1112	Pool Cover - Replace	10	7	\$4,075	\$408	0.1358%
1307	Benches - Replace	12	3	\$3,525	\$294	0.0979%
1413	Restroom - Remodel	17	0	\$11,000	\$647	0.2156%
1602	Exterior Wall Mount - Replace	18	0	\$51,250	\$2,847	0.9489%
1604	Pole Lights - Replace	24	0	\$30,750	\$1,281	0.4270%
1701	Irrigation System - Major Repairs	3	0	\$165,000	\$55,000	18.3302%
1703	Irrigation Controller - Replace	12	0	\$19,500	\$1,625	0.5416%
1801	Landscaping - Refurbish	3	1	\$70,000	\$23,333	7.7765%
1804	Tree - Replacement/Major Maintenance	4	0	\$100,000	\$25,000	8.3319%
2001	Sewer System - Major Repairs	3	0	\$47,500	\$15,833	5.2769%