

**BALTERRA CONDOMINIUM
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITOR'S REPORT

For The Year Ended December 31, 2019



Independent Auditor's Report

To the Board of Directors of
Balterra Condominium Association, Inc.

I have audited the accompanying financial statements of Balterra Condominium Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances and of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Association's board of directors and its designated agents comprise "management" of the Association. 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 responsibility 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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Balterra Condominium Association, Inc. as of December 31, 2019, 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.

Balterra Condominium Association, Inc.
Independent Auditor's Report
December 31, 2019
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Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements located after the footnotes in this report 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 thereon.

Dale Weidner, CPA

Dale Weidner, CPA
Principal
Dale Weidner & Company, LLC
Lone Tree, Colorado
July 16, 2020

Balterra Condominium Association, Inc.
Balance Sheet
December 31, 2019

	Operating Fund	Replacement Fund	Total Funds
ASSETS:			
Cash: checking and money market accounts	\$153,976	\$232,082	\$386,058
Accounts receivable - members, net of an allowance for doubtful accounts of \$3,000	24,155		24,155
Prepaid insurance	6,801		6,801
	<u>68,364</u>		<u>68,364</u>
Total assets	<u>\$184,932</u>	<u>\$232,082</u>	<u>\$417,014</u>
LIABILITIES AND FUND BALANCES:			
Accounts payable	\$19,057		\$19,057
Deferred revenue - prepaid assessments	26,207		26,207
Deferred revenue - Comcast easement	23,100		23,100
Total liabilities	<u>68,364</u>	<u>0</u>	<u>68,364</u>
Fund balances	<u>116,568</u>	<u>232,082</u>	<u>348,650</u>
Total liabilities and fund balances	<u>\$184,932</u>	<u>\$232,082</u>	<u>\$417,014</u>

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

Balterra Condominium Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$425,448		\$425,448
Allocation of assessments to replacement fund (Note 4)	(204,148)	\$204,148	0
Insurance claim proceeds (Note 6)		1,006,490	1,006,490
Legal fees, late fees, and other member charges	12,252		12,252
Comcast easement (Note 7)	2,100		2,100
Interest	125	2,072	2,197
Total revenues	<u>235,777</u>	<u>1,212,710</u>	<u>1,448,487</u>
EXPENSES:			
Administrative			
Insurance	\$66,758		\$66,758
Professional management	31,800		31,800
Legal and audit	12,715		12,715
Other administrative	5,381	\$2,100	7,481
Repair and maintenance			
Roof and painting - hail claim		1,201,201	1,201,201
Snow removal	81,301		81,301
Building	40,029		40,029
Fitness equipment		25,399	25,399
Other grounds	23,136	1,890	25,026
Landscape contract	23,984		23,984
Swimming pool maintenance and repairs	10,432		10,432
Utilities			
Water and sewer	110,171		110,171
Gas and electric	19,086		19,086
Trash removal	16,211		16,211
Cable/phone/internet	8,580		8,580
Total expenses	<u>449,584</u>	<u>1,230,590</u>	<u>1,680,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(213,807)	(17,880)	(231,687)
Fund balances - beginning of year	376,955	203,382	580,337
Elimination of prior year-end interfund balance	(46,580)	46,580	0
FUND BALANCES - END OF YEAR	<u>\$116,568</u>	<u>\$232,082</u>	<u>\$348,650</u>

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

Balterra Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	(\$213,807)	(\$17,880)	(\$231,687)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(48)		(48)
(Increase) decrease in prepaid expenses	(5,297)	10,000	4,703
Increase (decrease) in accounts payable	(7,546)		(7,546)
Increase (decrease) in prepaid assessments	4,720		4,720
Increase (decrease) in deferred revenue - Comcast	23,100		23,100
Net cash provided by (used in) operating activities	<u>(198,878)</u>	<u>(7,880)</u>	<u>(206,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Change in interfund receivable (payable)	<u>(3,500)</u>	<u>3,500</u>	<u>0</u>
Net cash provided by (used in) financing activities	<u>(3,500)</u>	<u>3,500</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	(202,378)	(4,380)	(206,758)
Cash at beginning of year	<u>356,354</u>	<u>236,462</u>	<u>592,816</u>
CASH AT END OF YEAR	<u>\$153,976</u>	<u>\$232,082</u>	<u>\$386,058</u>

Supplemental Disclosure of Cash Flows Information:

Income taxes paid during the period	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Interest paid during the period	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Balterra Condominium Association, Inc.
Notes to Financial Statements
December 31, 2019

NOTE 1. ORGANIZATION

Balterra Condominium Association, Inc. ("The Association") is a residential management association incorporated on February 26, 2004, as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Arapahoe County, Colorado, and consists of the owners of 168 residences. The members elect the Association's board of directors. The board volunteers its time to manage the affairs of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association's two funds are the operating fund and the replacement fund. The operating fund is used to account for the general operations of the Association. The replacement fund is used to account for major repairs and replacements and the financial resources designated for that purpose.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations, the Association's property, including common areas, is not capitalized in these financial statements. That property is commonly owned by the resident-owners, cannot be detached from the development and sold, and is not used by the Association to generate revenue.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3. ASSESSMENTS

Assessments are determined by the board of directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners were \$206 per month during 2019. In addition, homeowners with garages were charged an additional \$15 per month. Assessments included amounts designated in the Association's budget for the replacement fund as discussed in Note 4. Total monthly assessment amounts (including amounts assessed for the replacement fund) are included in revenues when billed to owners. The Association may levy special assessments to cover costs as described in the Association's governing documents.

Balterra Condominium Association, Inc.
Notes to Financial Statements
December 31, 2019

NOTE 4. REPLACEMENT FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that a replacement fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of replacement fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the replacement fund and of the periodic costs to repair and replace the common property. Unaudited information based on the Association's reserve study follows the Notes to Financial Statements.

The Association's budget for 2019 allocated \$54,148 of assessment revenues to the replacement fund. In addition, the board elected to transfer an additional \$150,000 to the replacement fund bringing total 2019 contributions to \$204,148. That amount was transferred during the year.

Future allocations of assessment revenues to the replacement fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual replacement fund expenses may vary from the reserve study's estimates. These variations may be material. Therefore, the replacement fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps or a combination of these steps may be required to meet the Association's future repair and replacement needs.

NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management, and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to non-exempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had no net taxable income for federal or Colorado purposes for the year.

NOTE 6. INSURANCE CLAIM

The Association filed an insurance claim for damage incurred in a hail storm in 2018. The Association's policy had a \$2,500 deductible. Through December 31, 2019, the Association received \$1,006,490 in insurance proceeds and incurred \$1,008,990 of covered repairs. In addition, the Association paid the contractor \$141,767 for additional painting and the management company \$50,449 for project management.

NOTE 7. COMCAST EASEMENT PROCEEDS

In 2019, the Association received \$25,200 from Comcast for a 12-year services agreement. That income will be recognized over the life of the agreement.

Balterra Condominium Association, Inc.
Notes to Financial Statements
December 31, 2019

NOTE 8. CONCENTRATION OF CREDIT RISK

The Association's cash balances held with financial institutions are insured by the Federal Deposit Insurance Corporation (the "FDIC") on balances up to \$250,000 per bank. At December 31, 2019, the Association's deposits exceeded federal depository insurance coverage by approximately \$142,313.

NOTE 9. DATE OF MANAGEMENT'S REVIEW

The Association's board of directors and its designated agents comprise "management" of the Association. In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

Balterra Condominium Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2019
Unaudited

The Association engaged an engineer to prepare a reserve study. That reserve study was completed in May of 2019. The reserve study identifies the major components of the Association's common property, estimates of the remaining useful lives of that property, and estimates the cost of the repairs and replacements through 2048. The summary pages of the study follow. The entire study is available in electronic form from the Association's management company and should be utilized for detailed analysis of the reserve status of the Association. Some of the items in the study may have already been repaired or replaced as of the date of this report.

Reserve Component Detail

A: TOPOGRAPHY, GRADING AND DRAINAGE

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
A1	1 UT of Site Grading								
.1	Cyclical	1 UT	100%	\$8,500.00	\$8,500.00	Jun-2025	4	7 Years	Jun-2046
	Regrade sloped areas around buildings and retaining walls								
A2	1 EA of Rock Lined Swale								

B: PAVING AND CURBING

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
B1	108,000 Sq. Feet of Asphalt Driving Areas								
.1	Cyclical	108,000 Sq. Feet	100%	\$.25	\$27,000.00	Jun-2022	7	4 Years	Jun-2046
	Seal and fill cracks in the asphalt driving areas								
.2	Replacement	108,000 Sq. Feet	100%	\$2.75	\$297,000.00	Jun-2024	1		Jun-2024
	Mill and overlay the asphalt driving areas								

C: FLATWORK

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
C1	30,600 Sq. Feet of Concrete Walkways								
.1	Cyclical	1,530 Sq. Feet	5%	\$15.00	\$22,950.00	Jun-2020	6	5 Years	Jun-2045
	Remove and replace damaged sections of the concrete walkways								
C2	7,000 Linear Feet of Concrete Curbing								
.1	Cyclical	350 Linear Feet	5%	\$28.00	\$9,800.00	Jun-2020	6	5 Years	Jun-2045
	Remove and replace damaged sections of the concrete curbing								
C3	4,500 Sq. Feet of Concrete Drain Pans								
.1	Cyclical	225 Sq. Feet	5%	\$15.00	\$3,375.00	Jun-2020	6	5 Years	Jun-2045
	Remove and replace damaged sections of the concrete drain pans								
C4	4,150 Sq. Feet of Pool Deck								
.1	Cyclical	210 Sq. Feet	5%	\$15.00	\$3,150.00	Jun-2020	6	5 Years	Jun-2045
	Remove and replace damaged sections of the pool deck								

Reserve Component Detail

D: LANDSCAPING AND APPURTENANCES

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
D1	11,400 Sq. Feet of Retaining Walls								
.1	Cyclical	1,140 Sq. Feet	10%	\$30.00	\$34,200.00	Jun-2024	3	10 Years	Jun-2044
	Remove and replace damaged sections of the retaining walls								
D2	375 Linear Feet of Split Rail Fencing								
.1	Cyclical	375 Linear Feet	100%	\$12.00	\$4,500.00	Jun-2019	2	15 Years	Jun-2034
	Remove and replace the split rail fencing								
D3	1,430 Linear Feet of Metal Railing								
.1	Replacement	1,430 Linear Feet	100%	\$10.27	\$14,686.10	Jun-2019	1		Jun-2019
	Prep and repaint the metal railing								
.2	Cyclical	1,430 Linear Feet	100%	\$10.27	\$14,686.10	Jun-2029	2	10 Years	Jun-2039
	Prep and repaint the metal railings								
.3	Cyclical	478 Linear Feet	33%	\$35.00	\$16,730.00	Jun-2034	3	1 Years	Jun-2036
	Remove and replace the metal railing in phases								
D4	1 Sq. Yards of Irrigation System								
.1	Cyclical	4 EA	---	\$2,700.00	\$10,800.00	Jun-2021	2	15 Years	Jun-2036
	Remove and replace the irrigation clocks								
.2	Cyclical	4 EA	---	\$450.00	\$1,800.00	Jun-2025	2	20 Years	Jun-2045
	Remove and replace the backflow preventers								
D5	10 EA of Mail Cluster Boxes								
.1	Cyclical	10 EA	100%	\$1,300.00	\$13,000.00	Jun-2024	2	20 Years	Jun-2044
	Remove and replace the cluster box units								
D6	1 UT of Community Trash Enclosure								
.1	Cyclical	2 EA	---	\$2,000.00	\$4,000.00	Jun-2026	2	20 Years	Jun-2046
	Remove and replace the metal doors								

E: FAÇADE

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
E1	67,000 Sq. Feet of Brick Veneer								

Reserve Component Detail

.1	Cyclical	670 Sq. Feet	1%	\$9.25	\$6,197.50	Jun-2024	3	10 Years	Jun-2044
Repoint and replace damaged sections of the brick veneer in phases									
E2	100,700 Sq. Feet of Lap Siding								
.1	Replacement	1 UT	---	\$129,495.00	\$129,495.00	Jun-2019	1		Jun-2019
Prepare and paint the cementitious lap siding									
.2	Cyclical	100,700 Sq. Feet	100%	\$1.97	\$198,379.00	Jun-2029	2	10 Years	Jun-2039
Prepare and paint the cementitious lap siding									
E3	1 EA of Decks								
.1	Cyclical	684 Linear Feet	---	\$35.00	\$23,940.00	Jun-2024	2	20 Years	Jun-2044
Remove and replace the metal railing in phases									
.2	Cyclical	1,920 Sq. Feet	---	\$16.00	\$30,720.00	Jun-2034	1	30 Years	Jun-2034
Remove and replace the composite decking in phases									
E4	430 Linear Feet of Sealant Joints								
.1	Cyclical	430 Linear Feet	100%	\$3.00	\$1,290.00	Jun-2019	3	10 Years	Jun-2039
Remove and replace the sealant joints									

F: ROOFING

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
F1	1,535 Squares of Asphalt Shingles								
.1	Cyclical	384 Squares	25%	\$431.14	\$165,450.00	Jun-2044	4	1 Years	Jun-2047
Remove and replace the asphalt shingles in phases									
F2	10,540 Linear Feet of Gutters and Downspouts								
.1	Cyclical	2,635 Linear Feet	25%	\$8.95	\$23,583.25	Jun-2044	4	1 Years	Jun-2047
Remove and replace gutters and downspouts in phases									

G: INTERIOR

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
G1	980 Sq. Feet of Tile Floor								
G2	1,250 Sq. Feet of Carpet								
.1	Cyclical	1,250 Sq. Feet	100%	\$6.50	\$8,125.00	Jun-2024	3	10 Years	Jun-2044
Remove and replace the carpet									

Reserve Component Detail

G: INTERIOR (Continued)

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
G3	1 EA of Furnishings								
.1	Cyclical	1 EA	100%	\$1,500.00	\$1,500.00	Jun-2020	2	15 Years	Jun-2035
	Remove and replace the furnishings								
G4	1 EA of Club House Kitchen								
.1	Cyclical	1 EA	100%	\$18,000.00	\$18,000.00	Jun-2032	2	15 Years	Jun-2047
	Remove and replace the appliances, cabinetry and tile flooring								
G5	2 EA of Club House Bathrooms								
.1	Cyclical	2 EA	100%	\$7,000.00	\$14,000.00	Jun-2032	2	15 Years	Jun-2047
	Remove and replace the toilets, sinks, mirrors, toilet stalls and urinals								

H: MECHANICAL

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
H1	2 EA of Pool and Spa Heaters								
.1	Cyclical	2 EA	100%	\$6,000.00	\$12,000.00	Jun-2022	2	15 Years	Jun-2037
	Remove and replace pool and spa heaters								
H2	2 EA of Pool and Spa Filter								
.1	Cyclical	2 EA	100%	\$2,500.00	\$5,000.00	Jan-2020	3	10 Years	Jan-2040
	Remove and replace pool and spafilters								
H3	2 EA of Pool Pumps								
.1	Cyclical	2 EA	100%	\$1,300.00	\$2,600.00	Jun-2019	4	8 Years	Jun-2043
	Remove and replace the pool and spa pumps								
H4	2 EA of Club House Furnaces								
.1	Cyclical	2 EA	100%	\$2,500.00	\$5,000.00	Jun-2024	2	15 Years	Jun-2039
	Remove and replace the club house furnaces								
H5	1 EA of Club House Hot Water Heater								
.1	Cyclical	1 EA	100%	\$1,200.00	\$1,200.00	Jun-2022	2	15 Years	Jun-2037
	Remove and replace the club house hot water heater								

Reserve Component Detail

I: FIRE AND LIFE SAFETY

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
I1	6 EA of Fire Control Panel								
.1	Replacement	6 EA	100%	\$6,000.00	\$36,000.00	Jun-2038	1		Jun-2038
	Remove and replace fire control panel								
I2	6 EA of Domestic Backflow Preventer								
.1	Replacement	6 EA	100%	\$450.00	\$2,700.00	Jun-2038	1		Jun-2038
	Remove and replace the backflow preventers								

J: AMENITIES

Code	Description	Quantity	% of Total	Unit Cost	Total Cost	Start Work	# of Cycles	Occurs Every	End Work
J1	1,220 Sq. Feet of Swimming Pool								
.1	Cyclical	1 UT	---	\$1,200.00	\$1,200.00	Jun-2020	4	8 Years	Jun-2044
	Cyclically remove and replace the pool and spa cover								
.2	Cyclical	1,220 Sq. Feet	100%	\$13.00	\$15,860.00	Jun-2024	3	10 Years	Jun-2044
	Resurface the swimming pool								
.3	Replacement	125 Linear Feet	---	\$40.00	\$5,000.00	Jun-2044	1		Jun-2044
	Remove and replace the pool coping								
J2	190 Sq. Feet of Spa								
.1	Cyclical	190 Sq. Feet	100%	\$13.00	\$2,470.00	Jun-2024	3	10 Years	Jun-2044
	Resurface the spa								
.2	Cyclical	34 Linear Feet	---	\$40.00	\$1,360.00	Jun-2020	4	8 Years	Jun-2044
	Remove and replace the spa coping								
J3	1 EA of Exercise Equipment								
.1	Cyclical	1 EA	100%	\$7,500.00	\$7,500.00	Jun-2031	4	5 Years	Jun-2046
	Remove and replace a portion of the exercise equipment								
J4	1 UT of Trellis								
.1	Cyclical	1 UT	100%	\$8,000.00	\$8,000.00	Jun-2031	1	25 Years	Jun-2031
	Remove and replace the trellis								