

**WOODGATE TERRACE  
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**And**

**INDEPENDENT AUDITOR'S REPORT**

**For The Year Ended December 31, 2018**



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**Independent Auditor's Report**

To the Board of Directors of  
Woodgate Terrace Homeowners Association, Inc.

I have audited the accompanying financial statements of Woodgate Terrace Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2018, 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 Woodgate Terrace Homeowners Association, Inc. as of December 31, 2018, 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.

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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  
November 21, 2019

**Woodgate Terrace Homeowners Association, Inc.**  
**Balance Sheet**  
**December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>ASSETS:</b>			
Cash: checking and money market accounts	\$15,874	\$56,807	\$72,681
Accounts receivable - members, net of an allowance for doubtful accounts of \$3,800	9,129		9,129
Prepaid expenses	19,543		19,543
Interfund receivable (payable) (Note 4)	<u>(15,022)</u>	<u>15,022</u>	<u>0</u>
Total assets	<u><b>\$29,524</b></u>	<u><b>\$71,829</b></u>	<u><b>\$101,353</b></u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Accounts payable	\$4,261		\$4,261
Deferred revenue - prepaid assessments	<u>8,663</u>		<u>8,663</u>
Total liabilities	12,924	0	12,924
Fund balances	<u>16,600</u>	<u>71,829</u>	<u>88,429</u>
Total liabilities and fund balances	<u><b>\$29,524</b></u>	<u><b>\$71,829</b></u>	<u><b>\$101,353</b></u>

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

**Woodgate Terrace Homeowners Association, Inc.**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>REVENUES:</b>			
Assessments - members (Note 3)	\$167,785		\$167,785
Allocation of assessments to replacement fund (Note 4)	(26,995)	\$26,995	0
Legal fees, late fees, and other member charges	6,150		6,150
Interest	19	137	156
Total revenues	<u>146,959</u>	<u>27,132</u>	<u>174,091</u>
<b>EXPENSES:</b>			
<b>Administrative</b>			
Insurance	\$26,600		\$26,600
Management company contract	13,860		13,860
Other administrative	4,858		4,858
<b>Grounds and building</b>			
Landscape contract	24,630		24,630
Landscape other	19,490		19,490
Roofs		\$7,630	7,630
Snow removal	7,039		7,039
Other grounds	12,433		12,433
<b>Utilities</b>			
Water and sewer	37,733		37,733
Trash removal	7,254		7,254
Gas and electric	2,499		2,499
Total expenses	<u>156,396</u>	<u>7,630</u>	<u>164,026</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(9,437)</b>	<b>19,502</b>	<b>10,065</b>
Fund balances - beginning of year	26,037	52,327	78,364
<b>FUND BALANCES - END OF YEAR</b>	<b><u>\$16,600</u></b>	<b><u>\$71,829</u></b>	<b><u>\$88,429</u></b>

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

**Woodgate Terrace Homeowners Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (deficiency) of revenues over expenses	(\$9,437)	\$19,502	\$10,065
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(5,556)		(5,556)
(Increase) decrease in prepaid expenses	(14,069)		(14,069)
Increase (decrease) in accounts payable	2,375		2,375
Increase (decrease) in prepaid assessments	2,238		2,238
Net cash provided by (used in) operating activities	<u>(24,449)</u>	<u>19,502</u>	<u>(4,947)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of prior year interfund receivable (payable)	17,055	(17,055)	0
Change in interfund receivable (payable)	15,022	(15,022)	0
Net cash provided by (used in) financing activities	<u>32,077</u>	<u>(32,077)</u>	<u>0</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	7,628	(12,575)	(4,947)
Cash at beginning of year	<u>8,246</u>	<u>69,382</u>	<u>77,628</u>
<b>CASH AT END OF YEAR</b>	<b><u>\$15,874</u></b>	<b><u>\$56,807</u></b>	<b><u>\$72,681</u></b>

Supplemental Disclosure of Cash Flows Information:

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

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

**Woodgate Terrace Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 1. ORGANIZATION**

Woodgate Terrace Homeowners Association, Inc. ("The Association") is a residential management association incorporated on June 1, 1986, 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 Denver, Colorado, and consists of the owners of 55 residences (33 townhomes and 22 patio homes). 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**

BASIS OF ACCOUNTING

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

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 money set aside and related expenses for major repairs and replacements.

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.

**Woodgate Terrace Homeowners Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**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 \$173.25 per month for patio homes and \$308.20 per month for townhomes during 2018. Assessments included amounts designated in the Association's budget for the replacement fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

**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 2018 allocated \$26,995 of assessment revenues to the replacement fund. 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.

The replacement fund loaned the operating fund \$38,198 to pay for the 2018/2019 insurance premium in August. The operating fund had repaid \$23,176 of the loan as of December 31, 2018, leaving a balance of \$15,022, as reflected on the Balance Sheet.

**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 nonexempt 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. 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.



**Woodgate Terrace Homeowners Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2018**  
**Unaudited**

McCaffery Reserve Consulting prepared a reserve study for the Association in 2019. That 24-page 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 2033. The summary page of the study follows. 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.

**Component Summary**  
Woodgate Terrace HOA

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
<b>Roofing</b>							
Townhome Shingles	74000	SF	25	21	\$ 4.00	\$ 296,000	1
Gutters & Downspouts	1	Allowance	10	3	\$ 12,000	\$ 12,000	1
						\$ 308,000	
<b>Painting</b>							
Townhome Exterior Phase 1	1	Allowance	7	2	\$ 16,000	\$ 16,000	1
Townhome Exterior Phase 2	1	Allowance	7	1	\$ 16,000	\$ 16,000	1
Townhome Exterior Phase 3	1	Allowance	7	0	\$ 16,000	\$ 16,000	1
						\$ 48,000	
<b>Asphalt</b>							
Slurry Seal & Repair	45000	SF	4	0	\$ 0.17	\$ 7,650	1
Overlay & Replace	15000	SF	25	0	\$ 2.50	\$ 37,500	1
Overlay & Replace	15000	SF	25	0	\$ 2.50	\$ 37,500	1
Overlay & Replace	15000	SF	25	1	\$ 2.50	\$ 37,500	1
Concrete Repairs	1	Allowance	5	0	\$ 8,000	\$ 8,000	1
						\$ 128,150	
<b>Landscaping</b>							
Irrigation System Upgrade	1	Allowance	12	2	\$ 10,000	\$ 10,000	1
Landscape Replacements	1	Allowance	8	1	\$ 8,000	\$ 8,000	1
Tree Trimming			Included in Operating Budget				3
						\$ 18,000	
<b>Miscellaneous</b>							
Mailboxes	2	Each	25	20	\$ 1,500	\$ 3,000	1
Mailboxes	3	Each	25	1	\$ 1,500	\$ 4,500	1
						\$ 7,500	
<b>Contingency</b>							
5%							1

**TOTALS** \$ 509,650

Notes: Any other items not listed are included in operating budget.