

**Silver Queen West at Wilderrest  
Condominium Association  
Financial Statements  
December 31, 2012**

**Silver Queen West at Wilderndest - Condominium Association**  
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**December 31, 2012**

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**Independent Accountant's Report**

**To the Board of Directors  
Silver Queen West at Wilderrest - Condominium Association  
Silverthorne, Colorado**

We have reviewed the accompanying balance sheet of Silver Queen West at Wilderrest – Condominium Association as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The Schedule of Operating Fund Revenues and Expenses – Budget to Actual on page 9 is presented for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 10 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.



**Stuhr and Associates, LLC  
Frisco, Colorado  
October 17, 2013**

**Silver Queen West at Wilderrest - Condominium Association**  
**Balance Sheets**  
**December 31, 2012**  
**(With Comparative Totals as of December 31, 2011)**

	<u>2012</u>			<u>2011</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 44,467	174,898	219,365	75,756
Assessments receivable	5,258	-	5,258	3,271
Prepaid insurance	-	-	-	28,731
Insurance claim func	-	-	-	73,593
Due (to) from other fund	(1,953)	1,953	-	-
Special assessment receivable				
Short term	-	10,532	10,532	24,560
Long term	-	10,958	10,958	21,045
Property and equipment:				
Manager's unit	36,968	-	36,968	36,968
Equipment	67,941	-	67,941	67,941
Garage	16,687	-	16,687	16,687
	<u>121,596</u>	<u>-</u>	<u>121,596</u>	<u>121,596</u>
Less: Accumulated depreciation	(93,914)	-	(93,914)	(87,531)
Total Property and equipment	<u>27,682</u>	<u>-</u>	<u>27,682</u>	<u>34,065</u>
<b>TOTAL ASSETS</b>	<u><u>75,454</u></u>	<u><u>198,341</u></u>	<u><u>273,795</u></u>	<u><u>261,021</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	21,831	-	21,831	51,002
Accrued expenses	9,591	-	9,591	9,565
Accrued payroll and payroll taxes payable	5,319	-	5,319	5,399
Prepaid regular assessments	16,802	-	16,802	51,058
Prepaid special assessmen	-	89,425	89,425	-
Note payable - long term	-	-	-	130,747
	<u>53,543</u>	<u>89,425</u>	<u>142,968</u>	<u>247,771</u>
<b>TOTAL LIABILITIES</b>	<u>53,543</u>	<u>89,425</u>	<u>142,968</u>	<u>247,771</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances	<u>21,911</u>	<u>108,916</u>	<u>130,827</u>	<u>13,250</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>75,454</u></u>	<u><u>198,341</u></u>	<u><u>273,795</u></u>	<u><u>261,021</u></u>

See accompanying Notes and Independent Accountant's Report

**Silver Queen West at Wilderrest - Condominium Association**  
**Statements of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended December 31, 2012**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Regular assessments	\$ 343,236	141,972	485,208
Interest income	-	2,262	2,262
Laundry income	4,505	-	4,505
Closet rental	5,512	-	5,512
Garage reimbursements	7,200	-	7,200
Discounts on assessments	(7,988)	-	(7,988)
<b>TOTAL REVENUES</b>	<u>352,465</u>	<u>144,234</u>	<u>496,699</u>
<b>EXPENSES</b>			
Wages and related expenses:			
Manager's salary	47,089	-	47,089
Manager assistants and laborers	27,570	-	27,570
Payroll taxes	6,362	-	6,362
Insurance - worker's compensation	1,880	-	1,880
Insurance - employee health	21,332	-	21,332
Operating expenses:			
Accounting	13,200	-	13,200
Financial review	5,125	-	5,125
Bank service charges	153	-	153
Cable TV	42,823	-	42,823
Depreciation	6,383	-	6,383
Electricity and gas	37,214	-	37,214
Electricity - manager's unit	584	-	584
Insurance - building	30,975	-	30,975
Interest expense	1,418	-	1,418
Legal and collection	4,052	-	4,052
Office supplies and expense	1,200	-	1,200
Property taxes - manager's unit	1,293	-	1,293
Rent - garage	600	-	600
Repairs and maintenance	27,350	-	27,350
Sanitation	33,072	-	33,072
Snow removal	521	-	521
Telephone	1,900	-	1,900
Trash removal	7,505	-	7,505
Truck expenses	3,472	-	3,472
Water	17,819	-	17,819
Miscellaneous	979	-	979
Major repairs and replacements:			
Seal coat	-	13,100	13,100
Restoration	-	24,151	24,151
<b>TOTAL EXPENSES</b>	<u>341,871</u>	<u>37,251</u>	<u>379,122</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	10,594	106,983	117,577
Beginning Fund Balances (Deficit)	21,911	(8,661)	13,250
Transfer Fund Balance	(10,594)	10,594	-
<b>ENDING FUND BALANCES</b>	<u>21,911</u>	<u>108,916</u>	<u>130,827</u>

See accompanying Notes and Independent Accountant's Report

**Silver Queen West at Wilderrest - Condominium Association**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2012**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from members	\$ 306,205	255,512	561,717
Interest income	-	2,262	2,262
Other cash receipts	10,017	-	10,017
Cash paid for goods and services	(181,289)	(37,251)	(218,540)
Cash paid for salaries and wages	(81,100)	-	(81,100)
Interfund transfers	(44,923)	44,923	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>8,910</b>	<b>265,446</b>	<b>274,356</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Fund balance transfer	(10,594)	10,594	-
Loan proceeds	-	-	-
Principal repaid	-	(130,747)	(130,747)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(10,594)</b>	<b>(120,153)</b>	<b>(130,747)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,684)</b>	<b>145,293</b>	<b>143,609</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>46,151</b>	<b>29,605</b>	<b>75,756</b>
<b>CASH AT END OF YEAR</b>	<b>44,467</b>	<b>174,898</b>	<b>219,365</b>
<b>RECONCILIATION OF EXCESS (DEFICIENCY) OVER EXPENSE TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>10,594</b>	<b>106,983</b>	<b>117,577</b>
Depreciation	6,383	-	6,383
(Increase) decrease in assessments receivable	(1,987)	113,540	111,553
(Increase) decrease in prepaid insurance	28,731	-	28,731
(Increase) decrease in prepaid expenses	-	-	-
Increase (decrease) in accounts payable	(29,171)	-	(29,171)
Increase (decrease) in payroll taxes payable	(80)	-	(80)
Increase (decrease) in accrued expenses	26	-	26
Increase (decrease) in deferred maintenance fees	(34,256)	-	(34,256)
Increase (decrease) in insurance claim fund	73,593	-	73,593
Increase (decrease) in due to (from) other fund	(44,923)	44,923	43,222
Total Adjustments	<b>(1,684)</b>	<b>158,463</b>	<b>156,779</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>8,910</b>	<b>265,446</b>	<b>274,356</b>

See accompanying Notes and Independent Accountant's Report

**Silver Queen West at Wilderrest - Condominium Association**  
**Notes to the Financial Statements**  
**December 31, 2012**

**A. Nature of Organization**

Silver Queen West at Wilderrest – Condominium Association (the “Association”) is a condominium association incorporated in November, 1973 as a Colorado non-profit corporation. The primary function of the Association is to maintain, preserve, and operate the common property of the Association in a fiduciary capacity for the benefit and enjoyment of the owners. The Association consists of 106 residential units in four buildings located in Silverthorne, Colorado.

**B. Summary of Significant Accounting Policies**

**1. Basis of Accounting**

The Association follows the accrual basis of accounting, whereby revenue is recognized when earned rather than received, and expenses are recognized when incurred rather than when paid.

**2. 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.

**3. Member 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 allocates specific funds from the budget for replacement reserves, and any additional income after the payment of normal operating expenses is also allocated to the replacement reserves for future projects. At December 31, 2012 the Association directors considered all assessments receivable to be collectible; therefore, no allowance for uncollectible accounts is deemed necessary.

The Association’s late payment policy is as follows: If the Association does not receive payment for any common expense in full on or before thirty (30) days after it becomes due, the delinquent member shall be liquidated damages for the Association’s time, inconvenience, and overhead in collecting the late payment, as follows:

- a) A \$10 per month late fee; and
- b) Interest at a 18% Annual Percentage Rate from the original dues date until the date of payment.

If an account contains delinquencies for more than sixty (60) days or has an outstanding balance of \$500 or more, the Association will give the member thirty (30) days notice to suspend any or all of the following privileges, if applicable:

- a) Voting privileges;
- b) Use of common amenities, if any.

**Silver Queen West at Wildernest - Condominium Association**  
**Notes to the Financial Statements**  
**December 31, 2012**

**B. Summary of Significant Accounting Policies (continued)**

**4. Interest income**

Interest income is allocated to the replacement fund.

**5. Income taxes**

Condominium associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2012, the Association was taxed as a regular corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates. The Association incurred no tax expense for the year ended December 31, 2012. The Association has a federal and state operating loss carry forward of \$11,660 as of December 31, 2012. This loss carry forward has not been recorded as a deferred income tax asset to these financial statements because of the uncertainty of future taxable income to apply the benefit.

In July 2006, Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic entities was deferred until years beginning after December 15, 2008. ASC 740-10 (previously FIN No. 48) became effective for the Association as of the fiscal year beginning September 1, 2009. The implementation of this standard had no impact on the financial statements.

The Association is subject to examination in the U.S. federal and Colorado state tax jurisdictions for the 2009 – 2011 tax years and 2010 – 2011 tax years, respectively. There are no current examinations of the Association's prior year tax returns. No changes in this position are expected in the next twelve months.

**6. 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 and all common property associated with the units. Common property provided by the developer is owned directly by the owners of the units. The Association is responsible for maintaining and replacing, but does not own common property, and therefore, such property is not reflected in these financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Manager's unit	40
Equipment	5 – 12
Garage	40
Manager's Unit additions	7

Depreciation expense was \$6,383 for the year ended December 31, 2012.



**Silver Queen West at Wilderrest - Condominium Association**  
**Notes to the Financial Statements**  
**December 31, 2012**

**B. Summary of Significant Accounting Policies (continued)**

**7. 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 may differ from those estimates.

**C. Cash and cash equivalents**

For purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2012 the Association's cash and cash equivalents consisted of checking accounts.

**D. Fair Value Measurement of Financial Instruments**

The Association's financial instruments consist of cash, receivables, payables, and note payable. The carrying amount of these financial instruments approximates fair value because of the short-term nature of these items.

**E. Concentration of Credit Risk**

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits in the operating and reserve bank accounts. At times, such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. The risk is managed by maintaining the funds in high quality institutions. At December 31, 2012 no Association funds were at risk.

**F. Prepaid Assessments**

Prepaid assessments are amounts collected in advance by the Association on assessments for the subsequent fiscal year. Management adopted a 5% discount for all owners prepaying the annual assessment by the beginning of the fiscal year. Prepaid assessments as of December 31, 2012 totaled \$16,802.

**G. Accrued Compensated Absences**

Effective September 1, 2006 the Association instituted an All Purpose Leave policy for full time and year around part-time employees. Under this policy, employees accrue hours of leave based on years of service and hours worked, of which not more than 160 hours may be carried over to the following calendar year. As of December 31, 2012 the accrued all purpose leave liability was \$9,591.

**H. Commitments**

The Association entered into a verbal agreement in 1999 with Mountain Systems, Inc. for administrative services. The Management Agreement ("Agreement") was formalized in writing effective September 1, 2006 through August 31, 2007. The Agreement automatically renews annually for consecutive one year periods beginning September 1, 2007.

**Silver Queen West at Wilderrest - Condominium Association**  
**Notes to the Financial Statements**  
**December 31, 2012**

**H. Commitments (continued)**

The Agreement is subject to notification by either party in writing with 30 days notice for cause or with 90 days notice without cause. Total fees for administrative services were \$13,200 for the year ended December 31, 2012. Fees at renewal are mutually agreed upon during the annual budget process.

**I. Notes Payable**

Effective October 25, 2010, the Association entered into a Credit Agreement ("Agreement") with Alpine Bank for a line of credit with a credit limit of \$172,500. Minimum payments are due monthly equal to the amount of accrued finance charges. Finance charges are calculated by applying a periodic rate. The periodic rate is determined by the prime rate based on the independent index of JP Morgan Chase Bank plus a margin, and is subject to change from time to time based on changes in the index. The line of credit has a maturity date of October 10, 2015, at which time all amounts advanced and any unpaid accrued interest, are due in full. The line of credit is secured by the Deed of Trust on the manager's unit owned by the Association. No amount was due on the line of credit as of December 31, 2012. Interest expense incurred with respect to this Agreement during the year ended December 31, 2012 was \$1,418.

**K. Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in a separate savings account and generally are not available for expenditures for normal operations.

A study is conducted and reviewed annually by management and the Board to estimate the remaining useful lives and the replacement costs of the common property components. The Board is funding major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

The Association annually budgets, funds and incurs repairs and replacements deemed necessary to prolong the useful lives of the common area items. Actual expenses, however, may vary from the estimated amounts and the variations may be material. Therefore, funds may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, or to delay major repairs and replacements until the funds are available. The Association also reserves the right to borrow against the manager's unit in the event of an unforeseen major expense that requires immediate action.

**L. Date of Management's Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 21, 2013, the date that the financial statements were available to be issued.

**Silver Queen West at Wilderrest - Condominium Association**  
**Schedule of Operating Fund Revenues and Expenses - Budget and Actual**  
**For the Year Ended December 31, 2012**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Regular assessments	\$ 343,272	343,236	(36)
Laundry	4,200	4,505	305
Closet rental	5,000	5,512	512
Garage reimbursements	7,200	7,200	-
Discounts on assessments	(5,000)	(7,988)	(2,988)
<b>TOTAL REVENUES</b>	<u>354,672</u>	<u>352,465</u>	<u>(2,207)</u>
<b>EXPENSES</b>			
Wages and related expenses:			
Manager's salary	48,000	47,089	911
Manager assistants and laborers	24,000	27,570	(3,570)
Payroll taxes	6,500	6,362	138
Insurance - worker's compensation	2,400	1,880	520
Insurance - employee health	19,000	21,332	(2,332)
Operating expenses:			
Accounting	13,200	13,200	-
Financial review	4,000	5,125	(1,125)
Bank service charges	-	153	(153)
Cable TV	43,000	42,823	177
Depreciation	-	6,383	(6,383)
Electricity and gas	46,000	37,214	8,786
Electricity - manager's unit	650	584	66
Insurance - building	36,000	30,975	5,025
Interest expense	6,000	1,418	4,582
Legal and collection	2,000	4,052	(2,052)
Miscellaneous	1,200	979	221
Office supplies and expense	1,500	1,200	300
Property taxes - manager's unit	1,100	1,293	(193)
Rent - garage	600	600	-
Repairs and maintenance	23,400	27,350	(3,950)
Sanitation	30,528	33,072	(2,544)
Snow removal	600	521	79
Telephone	1,800	1,900	(100)
Trash removal	7,800	7,505	295
Truck expenses	4,800	3,472	1,328
Water	17,808	17,819	(11)
<b>TOTAL EXPENSES</b>	<u>341,886</u>	<u>341,871</u>	<u>15</u>
<b>EXCESS OF OPERATING FUND REVENUES OVER OPERATING FUND EXPENSES</b>			
	<u>12,786</u>	<u>10,594</u>	<u>(2,192)</u>

See Independent Accountant's Report

**Silver Queen West at Wilderrest – Condominium Association**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2012**

The Association's management conducts an annual informal study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs are based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The Association's Board of Directors has not allocated the Replacement Fund Balance at December 31, 2012 or the 2012 funding requirement to each component of common property.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Parking/Building Walls		
Buildings A&B	19	\$30,000
Buildings C&D – upper	19	35,000
Buildings C&D – lower	10	13,000
Parking Lot replacement		
Upper A&B	10	68,000
Upper C&D	10	55,000
Dumpster pads	10	4,000
Parking Lot seal coat		
Upper lots	3	5,000
Lower lots	3	3,600
Roof replacement		
A Building	9	88,300
B Building	9	88,300
C Building	9	72,000
D Building	9	72,000
Garage	9	22,796
Building restoration		
Design	2	20,000
Phase 1	1	255,000
Phase 2	2	1,750,000
Boiler Replacement		
A Building	14	68,000
B Building	14	68,000
C Building	14	76,000
D Building	13	76,000
Studio Units		
Roof and wall replacement	26	40,000
Sidewalk replacement	26	13,400
Common Entryways		
Upper-cost per building	19	9,000
Lower-cost per building (2)	19	11,000
Sidewalks-A/B	19	20,000
Sidewalks-C/D	19	20,000
Vehicle replacement		
Truck		25,000
Backhoe		20,000
Maintenance facility	Inactive	10,000
Service lines/drainage		
A/B	28	20,000
C/D	28	75,000
		<b>\$3,133,396</b>

See Independent Accountant's Report