



**SunRiver Condominium Association  
(A Colorado Non-Profit Corporation)**

**Financial Statements**

**June 30, 2021 and 2020**

SunRiver Condominium Association  
(A Colorado Non-Profit Corporation)  
June 30, 2021 and 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the SunRiver Condominium Association  
Avon, Colorado

We have audited the accompanying financial statements of the SunRiver Condominium Association, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SunRiver Condominium Association as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years 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 Supplementary Information on Future Major Repairs and Replacements at June 30, 2021 on page 11 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient provide any assurance. opinion or

*Lathrop & Associates, CPA*

**Lathrop & Associates, CPA**  
Edwards, Colorado  
December 15, 2021

**SunRiver Condominium Association  
Statements of Financial Position  
As of June 30, 2021 and 2020**

	<u>June 30, 2021</u>			<u>June 30, 2020</u>		
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash & Cash Equivalents						
Checking	\$ 34,496	\$ -	\$ 34,496	\$ 19,407	\$ -	\$ 19,407
Capital Reserves	-	187,885	187,885	-	187,872	187,873
Total cash and cash equivalents	<u>34,496</u>	<u>187,885</u>	<u>222,381</u>	<u>19,407</u>	<u>187,872</u>	<u>207,280</u>
Accounts Receivable	3,217	-	3,217	4,732	-	4,732
Due from Other Fund	<u>259,929</u>	<u>-</u>	<u>259,929</u>	<u>183,352</u>	<u>-</u>	<u>183,352</u>
<b>Total Current Assets</b>	<u>297,642</u>	<u>187,885</u>	<u>485,527</u>	<u>207,491</u>	<u>187,872</u>	<u>395,363</u>
	-	-	-	-	-	-
<b>Fixed Assets</b>						
Equipment, net	<u>1,544</u>	<u>-</u>	<u>1,544</u>	<u>1,626</u>	<u>-</u>	<u>1,626</u>
<b>Total Fixed Assets, Net</b>	<u>1,544</u>	<u>-</u>	<u>1,544</u>	<u>1,626</u>	<u>-</u>	<u>1,626</u>
<b>Total Assets</b>	<u>\$ 299,186</u>	<u>\$ 187,885</u>	<u>\$ 487,071</u>	<u>\$ 209,117</u>	<u>\$ 187,872</u>	<u>\$ 396,989</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Current Liabilities						
Accounts Payable	\$ 55,425	\$ -	\$ 55,425	\$ 2,870	\$ -	\$ 2,870
Prepaid Assessments	3,843	-	3,843	3,646	-	3,646
Due to Other Fund	-	259,929	259,929	-	183,352	183,352
Total Current Liabilities	<u>59,268</u>	<u>259,929</u>	<u>319,197</u>	<u>6,516</u>	<u>183,352</u>	<u>189,868</u>
<b>Total Liabilities</b>	59,268	259,929	319,197	6,516	183,352	189,868
<b>Fund Balances</b>	<u>239,918</u>	<u>(72,044)</u>	<u>167,874</u>	<u>202,601</u>	<u>4,520</u>	<u>207,121</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 299,186</u>	<u>\$ 187,885</u>	<u>\$ 487,071</u>	<u>\$ 209,117</u>	<u>\$ 187,872</u>	<u>\$ 396,989</u>

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

**SunRiver Condominium Association**  
**Statements of Revenue, Expenses and Changes in Fund Balances**  
**For the Years Ended June 30, 2021 and 2020**

	<u>June 30, 2021</u>			<u>June 30, 2020</u>		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>		<u>Fund</u>	<u>Fund</u>	
<b>Revenues</b>						
Maintenance Fee Income	\$ 257,119	\$ -	\$ 257,119	\$ 256,600	\$ -	\$ 256,600
Reserve Assessments	-	-	-	-	-	-
Late Fees & Penalties	1,040	-	1,040	363	-	363
Parking Pass	1,075	-	1,075	835	-	835
Other Owner Fees	65	-	65	-	-	-
Interest Income	15	-	15	1,445	-	1,445
Electric Co-Op Member Income	406	-	406	118	-	118
Miscellaneous Income	-	-	-	50	-	50
<b>Total Revenues</b>	<u>259,720</u>	<u>-</u>	<u>259,720</u>	<u>259,411</u>	<u>-</u>	<u>259,411</u>
<b>Expenses</b>						
<b>Operating Expenses</b>						
Property Management, Repairs & Maintenance	81,252	-	81,252	77,954	-	77,954
Utilities	105,342	-	105,342	90,720	-	90,720
Insurance	33,137	-	33,137	30,344	-	30,344
Legal Fees	10	-	10	277	-	277
Accounting	2,470	-	2,470	7,495	-	7,495
Other Expenses	110	-	110	57	-	57
Depreciation	82	-	82	149	-	149
<b>Total Operating Expenses</b>	<u>222,403</u>	<u>-</u>	<u>222,403</u>	<u>206,996</u>	<u>-</u>	<u>206,996</u>
<b>Major Repairs and Replacements</b>		<u>76,564</u>	<u>76,564</u>		<u>57,472</u>	<u>57,472</u>
<b>Total Expenses</b>	<u>222,403</u>	<u>76,564</u>	<u>298,967</u>	<u>206,996</u>	<u>57,472</u>	<u>264,468</u>
<b>Net Surplus (Deficit)</b>	37,317	(76,564)	(39,247)	52,415	(57,472)	(5,057)
<b>Beginning Fund Balances</b>	202,601	4,520	207,121	150,186	61,992	212,178
<b>Ending Fund Balances (Deficit)</b>	<u>\$ 239,918</u>	<u>\$ (72,044)</u>	<u>\$ 167,874</u>	<u>\$ 202,601</u>	<u>\$ 4,520</u>	<u>\$ 207,121</u>

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

**SunRiver Condominium Association**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows</b>		
<b>Inflows:</b>		
Collected from Owners	\$ 258,634	\$ 255,267
Interest Income	15	1,445
Miscellaneous Income	2,180	1,248
Utility Member Income	-	118
Total	260,829	258,078
<b>Outflows:</b>		
Operating Expenses	169,164	212,852
Major Repairs & Replacements	76,564	57,472
Total	245,728	270,324
<b>Cash Flow for Year</b>	15,101	(12,246)
<b>Beginning Cash Balance</b>	207,280	219,526
<b>Ending Cash Balance</b>	\$ 222,381	\$ 207,280

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

**SunRiver Condominium Association**  
**Notes to the Financial Statements**  
**June 30, 2021 and June 30, 2020**

**1. Organization**

Sunriver Condominium Association (the "Association") is incorporated in the State of Colorado as a non-profit corporation organized for the purpose of operating and maintaining the common property of the Association, pursuant to Condominium Declarations dated February 9, 1981, and subsequently amended and supplemented (collectively, the "Declarations"). The Association began operations in 1981.

The Association is located in Eagle-Vail, Colorado. It consists of six buildings with a total of 65 residential units, one of which is deeded to the Association.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned or assessed, and expenses when incurred.

**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 operation of the Association for the current fiscal year. The operating budget also contains a provision to provide for funds to be used for replacement fund projects, but all assessments collected are recorded as operating assessments.

*Replacement Fund* - This fund is intended to be used to accumulate financial resources designated for future major repairs and replacements. However, the Association does not currently reflect any reserve assessment revenues, does not transfer funds to the reserve fund bank account, and pays all expenditures from its operating account.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally at the discretion of the Board of Directors and the management company. As allowed by the condominium declarations, a replacement fund has been established with a separate bank account. Disbursements from the replacement fund may be made only for designated purposes. The annual operating budget reflects an amount for major repairs and replacement expenditures, usually in the range of approximately \$70,000.

**Recognition of Assets**

The Association recognizes as assets on its financial statements all common personal property and all common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto. These assets are recorded at cost and are depreciated using the straight-line method over their estimated useful lives. These assets include a manager's unit and various equipment and furniture.

Real and personal common property acquired by the Association from the developer are not recognized on the financial statements of the Association because that property is commonly owned by individual owners and its disposition by the Board is restricted.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Association defines cash equivalents as all highly liquid investments with an original maturity of less than three months.



**SunRiver Condominium Association**  
**Notes to the Financial Statements**  
**June 30, 2021 and June 30, 2020**

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

**Allowance for Uncollectible Amounts**

The Association uses the allowance method for recognizing the potential future non- collectability of delinquent accounts receivable. The Association has the right to place a priority lien on the property of unit owners whose assessments are delinquent. At June 30, 2021 and 2020, management has determined that the Association will ultimately prevail against unit owners with delinquent balances and, accordingly, no allowance for uncollectible accounts is considered necessary.

Common assessments are the primary source of revenue for the Association. The Association's Board of Directors, together with the Association's managing agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On a monthly basis, members of the Association are assessed for their pro-rata share of these estimated expenses. Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses may be repaid to, or recovered from, the members in a subsequent year by reducing or increasing assessments, or, with the approval of the Board of Directors, transferred to the Replacement Fund. Any annual shortfalls in the Operating Fund may be funded from transfers from the Replacement Fund with the approval of the Board of Directors.

**Reserve Assessments**

The Association does not provide for a separate replacement fund assessment. The operating assessments contain a provision to provide for a surplus intended to be used for replacement fund projects in the current year in the amount of approximately \$70,000 per year. However, for the years ended June 30, 2020 and 2021, all funds were maintained in the operating bank account and all expenditures, including those considered to be major repairs and replacement expenditures, were paid for from the operating fund bank account.

**Prepaid Assessments**

Prepaid assessments represent assessments which have been paid by owners in advance.

**Income Taxes**

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. The Association has elected to be taxed as homeowners' association under Section 528 of the Internal Revenue Code. Under section 528 of the Internal Revenue Code, homeowner's associations are eligible for a limited exemption from income taxation. Under IRC section 528 associations are taxed at a rate of 30% on the homeowners' association taxable income. Association taxable income consists of all of the organization's income except exempt function income. Taxable income includes interest income and rental income, net of any costs allocable against the income. Exempt function income includes any amount received as membership dues, fees, or assessments from owners of condominium housing units.

The Association has adopted the application of the uncertain tax position provisions of FASB ASC 740, *Income Taxes*. The Association evaluates its uncertain tax positions using the provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2021 and 2020, there were no uncertain tax positions identified.

With few exceptions, the Association is no longer subject to tax examinations by tax authorities for Forms 1120, for fiscal years before June 30, 2017.

**SunRiver Condominium Association**  
**Notes to the Financial Statements**  
**June 30, 2021 and June 30, 2020**

**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 or revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Fixed Assets**

The Association had the following fixed assets recorded on their books as of June 30, 2020 and 2021:

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Manager's unit	\$ 110,000	\$ 110,000
Pool and spa	607	607
Furniture and equipment	<u>16,771</u>	<u>16,771</u>
Total	127,378	127,378
Accumulated Depreciation	<u>(125,834)</u>	<u>(125,752)</u>
Total fixed assets, net of accumulated depreciation	<u>\$ 1,544</u>	<u>\$ 1,626</u>

The Association owns a deeded unit that is utilized as a manager's unit. That unit is fully depreciated.

**4. Replacement Fund and Reserve for Future Major Repairs and Replacements**

The Association is earmarking funds for future major repairs and replacement of the Association's property but does not reflect those member assessments separately in the accounting for the assessments. Accumulated funds are intended to be held in a separate savings and investment account and generally not available for expenditures for normal operations. However, for the years ended June 30, 2020 and 2021, all funds were maintained in the operating bank account and all expenditures, including those considered to be major repairs and replacement expenditures, were paid for from the operating fund bank account. The Statement of Financial Position reflects amounts due between the funds at June 30, 2021 and 2020. The Association's reserve fund balance was (\$72,044) and \$4,520 as of June 30, 2021 and 2020, respectively.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owners for the anticipated costs, and accumulating funds in reserves to meet the future funding requirements. The Board of Directors has done an extensive review to estimate the remaining useful lives and the replacement costs of the components of common property for the next ten years. The table included on page 11 is an unaudited Schedule of Future Major Repairs and Replacements. The schedule reflects, based on estimates, the projected reserve balance after ten years without any increase in dues or special assessments. The Board feels that this is a conservative estimate based on potential repairs and replacement costs. The Board, with the assistance of the property manager, will examine annually the estimated funds needed on an annual basis, and adjust accordingly. Funds are being accumulated in the Replacement Fund, based on these estimates. Actual expenditures will vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to Board

**SunRiver Condominium Association**  
**Notes to the Financial Statements**  
**June 30, 2021 and June 30, 2020**

**5. Replacement Fund and Reserve for Future Major Repairs and Replacements - Continued**

approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Amounts included in major repairs and replacements expense for the years ended June 30, 2020 and 2021 consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2021</u>
Parking Lots	\$ -	\$ 53,100
Pool	-	6,558
Security/Surveillance Systems	11,646	-
Irrigation System	1,480	-
Fences	-	16,000
Paint Fences, Handrails, Etc.	-	56
Paint Buildings	8,665	45
Decks	31,815	-
Other	3,866	805
Total	<u>\$ 57,472</u>	<u>\$ 76,564</u>

**6. Management Contract**

The Association engaged two different management companies in the years ended June 30, 2020 and 2021. The companies provided on-site management of the Association's operations, as well as maintenance, landscape maintenance, snow removal services and other incidental services to the Association. Payments to each of the companies was as follows:

<u>Company</u>	<u>Dates of Service</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Mountain Management	6/6/19 - 5/31/20	30,200	-	30,200
Vail Management LLC	6/1/20 - 6/30/21	-	36,465	36,465
Total		<u>\$ 30,200</u>	<u>\$ 36,465</u>	<u>\$66,665</u>

During 2020, Mingma Sherpa dba Mountain Management formed a new LLC named Vail Management LLC. Therefore, the Association was engaged with the same individual, however this activity is reflected as two different management companies.

**8. Related Party Transactions**

An entity related to a board member was awarded a snow removal contract. The Association paid expenses of \$4,500 and \$4,250, for the years ended June 30, 2020 and June 30, 2021, respectively.

**SunRiver Condominium Association  
Notes to the Financial Statements  
June 30, 2021 and June 30, 2020**

**9. Evaluation of Subsequent Events**

Management of the Association has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through the date on which the review report was able to be released and did not identify any events or transactions that would have a material impact on the financial statements.

**SunRiver Condominium Association, Inc.**  
**Supplemental Information on Future**  
**Major Repairs and Replacements**  
**June 30, 2021**

**(See Independent Auditors' Report)**

The Association has estimated 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 common property components at the date of this audit. The following information is based on Association estimates and presents significant information about the components of common property.

<b>Components</b>	<b>Estimated Future Replacement Cost</b>	
Building	\$	26,069
Concrete Repairs		34,571
Decks		57,806
Equipment		1,818
Fences		20,855
Fire Alarm System		5,049
Garage		6,716
Grounds Improvements		47,259
Irrigation System		2,149
Landscaping		15,208
Lighting		4,108
Painting		107,630
Parking Lots		36,678
Pool		34,618
Retaining Walls		136,972
Roof		496,736
Security / Surveillance Systems		4,022
Stairways		8,910
Wood Siding		624,170
Total	<u>\$</u>	<u>1,671,345</u>

**Replacement Fund balance June 30, 2020 and 2021:**

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Beginning Balance	\$ 61,992	\$ 4,520
Reserve assessments during year	-	-
Reserve interest income	-	-
Reserve Expenditures during year	(57,472)	(76,564)
Transfer of prior year operating surplus	-	-
Ending Replacement Fund balance	<u>\$ 4,520</u>	<u>\$ (72,044)</u>
Funds in Replacement Fund Bank account June 30	<u>\$ 187,872</u>	<u>\$ 187,885</u>