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**THE DEER CREEK AT NORTHGATE
HOMEOWNERS ASSOCIATION, INC**

Financial Statements

With

Accountants Review Report

December 31, 2022

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Charles F. Roland CPA
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To the Board of Directors
THE DEER CREEK AT NORTHGATE HOMEOWNERS ASSOCIATION, INC

Colorado Springs, CO

I have reviewed the accompanying financial statements of THE DEER CREEK AT NORTHGATE HOMEOWNERS ASSOCIATION, INC, which comprise the balance sheet as of December 31, 2022, and the related statement of revenue, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

We are required to be independent of Deer Creek at Northgate Homeowner's Association and to meet ethical responsibilities, in accordance with the relevant ethical requirements relating to our reviews.

Accountant's Conclusion

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

Required Supplementary Information

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 five be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. I have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Charles F. Roland
March 31, 2023

THE DEER CREEK AT NORTHGATE HOMEOWNER'S ASSOCIATION, INC.

BALANCE SHEET

December 31, 2022

(see accountant's review report)

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL ALL FUNDS</u>
<u>ASSETS</u>			
Cash-Checking	\$36,574		\$36,574
Reserve-Mutual of Omaha		40,351	\$40,351
HOA Assessments Rcvbl	20		\$20
Total Cash	36,594	40,351	76,945
Accounts receivable from members net of allowance for bad debts of \$0			0
Prepaid Insurance			
Total Assets	<u>\$36,594</u>	<u>\$40,351</u>	<u>\$76,945</u>
<u>LIABILITIES & FUND BALANCES</u>			
Accounts payable	0		0
Prepaid assessments	30,341		30,341
Total Liabilities	30,341	0	30,341
Fund balance:			
Current unrestricted funds	6,253		6,253
Replacement fund balance		40,351	40,351
Total fund	6,253	40,351	46,604
Total liabilities & fund balances	<u>\$36,594</u>	<u>\$40,351</u>	<u>\$76,945</u>

See notes to financial statements

THE DEER CREEK AT NORTHGATE HOMEOWNER'S ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES & CHANGES IN FUND BALANCES
For the Year Ended December 31, 2022
(see accountant's review report)

	OPERATING FUND	REPLACEMENT FUND	TOTAL ALL FUNDS
<u>REVENUES</u>			
Regular assessments	\$50,375	\$0	\$50,375
Late fees, fines, miscellaneous	956		956
Interest	17	55	72
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Total revenues	51,348	55	51,403
<u>EXPENSES</u>			
Insurance	2,282		2,282
Management fees	14,040		14,040
Trash	27,785		27,785
Professional fees	1,800		1,800
Administrative	2,393		2,393
Snow Removal	300		300
Bad Debt	16		16
Reserve			0
Bank Charges			0
Landscape contract	1,759		1,759
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Total expenses	50,375	0	50,375
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Revenue over(under) expenses	973	55	1,028
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Fund Balances beginning of year	5,280	40,296	45,576
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Fund balances end of year	6,253	40,351	46,604
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See notes to financial statements

THE DEER CREEK AT NORTHGATE HOMEOWNER'S ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021
(see accountant's review report)

	OPERATING FUND	REPLACEMENT FUND	TOTAL ALL FUNDS
Cash flows from operating activities:			
Member assessments collected	\$50,375	\$0	\$50,375
Interest collected	17	55	72
Other income collected	956		956
Cash paid for operating expenditures	(50,375)		(50,375)
Cash paid fo major repairs			0
Income tax paid			
Net cash provided (used) by operating activities:	973	55	1,028
Net increase (decrease) in cash for the year	1,116	90	1,206
Cash balance-beginning of year	35,458	40,261	75,719
Cash balance-end of year	\$36,574	\$40,351	\$76,925

**RECONCILIATION OF REVENUES OVER (UNDER) EXPENSES TO NET CASH PROVIDED (USED)
BY OPERATING ACTIVITIES**

Revenues over (under) expenses	\$973	\$55	\$1,028
Adjustments to reconcile revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in accounts receivable	(20)	0	(20)
(Increase) decrease in prepaid insurance	0	0	0
Increase (decrease)in prepaid assessments	0	0	0
Increase (decrease) in accounts payable	0	0	0
Total adjustments	0	0	0
Net cash provided (used) by operating activities	\$973	\$55	\$1,028

See notes to financial statements

THE DEER CREEK AT NORTHGATE HOMEOWNER'S ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2022

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICES

Organization

The Deer Creek at Northgate Homeowner's Association, Inc., (the Association) was incorporated on May 4, 2001, as a Colorado nonprofit corporation to provide for the protection and enhancement of value, desirability, and attractiveness of the property within the Association, pursuant to the Declaration of Protective Covenants of The Deer Creek at Northgate Homeowner's Association, Inc. The development consists of 155 single family lots, located in El Paso County, Colorado.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting. Financial resources are classified for accounting purposes into two funds. The operating fund is used to account for the general operations of the Association. The replacement reserve fund is used to accumulate monies designated for future major repairs and replacements.

Income Tax

The Association has elected to be taxed as a homeowner association under Internal Revenue Code Section 528. 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 the Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed by the federal government and by the State of Colorado.

Notes to Financial Statements

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

The Association's tax filings are subject to audit by various taxing authorities, generally for three years after the date of filing. Management believes that it does not have any uncertain tax positions that are material to the financial statements.

Assessments Receivable

Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with owners having outstanding balances, it has concluded that any losses on balances outstanding at year-end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

Property

The Association does not capitalize real property directly associated with the lots. At December 31, 2022, property not capitalized consists of a small tract of land, easements, and signage. According to the Association's governing documents, the common area may be dedicated or transferred to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed upon by at least 67% of the lot owners entitled to vote.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of the Association's checking and money market accounts.

Supplemental Cash Flow Disclosures

During the year ended December 31, 2022, the Association paid no income taxes or interest.

Notes to Financial Statements

A. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 8, 2022, the date that the financial statements were available to be issued.

B. REPLACEMENT RESERVE FUNDS

Article 10, Section 10.1B of the Amended and Restated Declaration states that the common assessments set by the Board of Directors may include amounts for the creation of reasonable reserves for the repair, replacement and maintenance of those common elements that must be replaced periodically.

The Association has allocated amounts from each owner's monthly assessment to the replacement reserve fund. The replacement reserve funds have been segregated from the Association's operating funds.

C. FUTURE MAJOR REPAIRS AND REPLACEMENTS

A reserve study was conducted by the Board in October, 2016, to estimate the remaining useful lives and the replacement costs of the common property components. The table shown in the unaudited supplementary information on future major repairs and replacements is based on this study.

Notes to Financial Statements

C. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is funding for future major repairs and replacements over the remaining useful lives of the components. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement reserve 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 membership approval, to pass special assessments.

D. WORKING CAPITAL CONTRIBUTIONS

Pursuant to Article 10, Section 10.11, the Association shall require the first lot owner of any lot (other than the Declarant or a builder) who purchases that lot from Declarant or a builder to make a nonrefundable contribution to the Association in the amount equal to two times the total annual assessment at the time of sale. However, the Association has collected working capital on subsequent transfers as well as those transfers directly from the Declarant or a builder. Such contribution to the working capital fund shall not relieve a lot owner from making regular payments of assessments as the same become due. Upon the transfer of their Lot, a lot owner shall be entitled to a credit from their transferee (but not from the Association) for the aforesaid contribution to working capital fund.

THE DEER CREEK AT NORTHGATE HOMEOWNER'S ASSOCIATION, INC.

Supplementary Information on Future Major Repairs and Replacements

December 31, 2022

(Unaudited)

An internal strategic plan, including an assessment of future major repairs and replacements, was conducted by the Board in October 2016 to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were obtained by inspection of the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs and estimated remaining lives have not been revised since that date and 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 following information is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Costs</u>
Entrance sign #1 Landscaping	1	\$ 1,000
Entrance sign #2	3	5,000
Entrance sign #3	5	5,000
Connecting trail	6	10,000
Property extension	1	<u>1</u>
Totals		<u>\$ 21,001</u>