

PONDEROSA CONDOMINIUMS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ponderosa Condominiums Association
Mt. Crested Butte, Colorado

We have audited the accompanying financial statements of Ponderosa Condominiums Association, which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year 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.

Auditor's 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 Ponderosa Condominiums Association as of December 31, 2020, 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.

McNurlin, Hitchcock & Associates, P.C.

McNurlin, Hitchcock & Associates, P.C.
May 12, 2021

PONDEROSA CONDOMINIUMS ASSOCIATION

Balance Sheet
December 31, 2020

	Operating Fund	Replacement Fund	(Memo only) Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 15,163	\$ 36,322	\$ 51,485
Assessments receivable	2,300	-	2,300
Prepaid expenses	648	-	648
Due from Replacement Fund	1,213	-	1,213
Total Current Assets	<u>19,324</u>	<u>36,322</u>	<u>55,646</u>
 TOTAL ASSETS	 <u>\$ 19,324</u>	 <u>\$ 36,322</u>	 <u>\$ 55,646</u>
 LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 5,749	\$ -	\$ 5,749
Prepaid assessments	1,251	-	1,251
Due to Operating Fund	-	1,213	1,213
Total Current Liabilities	<u>7,000</u>	<u>1,213</u>	<u>8,213</u>
 FUND BALANCES	 <u>12,324</u>	 <u>35,109</u>	 <u>47,433</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 19,324</u>	 <u>\$ 36,322</u>	 <u>\$ 55,646</u>

See the accompanying notes to the financial statements and independent auditors' report.

PONDEROSA CONDOMINIUMS ASSOCIATION
Statement of Revenues, Expenses and Changes in Fund Balances
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	(Memo only) Total
REVENUES			
Member assessments	\$ 104,760	\$ 17,640	\$ 122,400
Late fees	757	-	757
Interest income	-	12	12
Insurance claim proceeds	8,972	-	8,972
Miscellaneous income	451	-	451
Total Revenues	<u>114,940</u>	<u>17,652</u>	<u>132,592</u>
EXPENSES			
Cable television	6,087	-	6,087
Contract labor	2,800	-	2,800
Electricity	3,274	-	3,274
Fire protection	179	-	179
Hot tub maintenance and supplies	1,746	-	1,746
Insurance	17,516	-	17,516
Insurance claim repairs	8,972	-	8,972
Internet	5,917	-	5,917
Legal fees	33	-	33
Miscellaneous	1,056	-	1,056
Maintenance supplies	605	-	605
Management fees	35,100	-	35,100
Professional fees	4,000	-	4,000
Snow removal	3,462	-	3,462
Telephone	495	-	495
Trash removal	1,823	-	1,823
Water and sanitation	21,660	-	21,660
Capital expenses	-	12,632	12,632
Total Expenses	<u>114,725</u>	<u>12,632</u>	<u>127,357</u>
REVENUES OVER EXPENSES	215	5,020	5,235
BEGINNING FUND BALANCES	12,109	30,089	42,198
ENDING FUND BALANCES	<u>\$ 12,324</u>	<u>\$ 35,109</u>	<u>\$ 47,433</u>

See the accompanying notes to the financial statements and independent auditors' report.

PONDEROSA CONDOMINIUMS ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>(Memo only) Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Revenues over expenses	\$ 215	\$ 5,020	\$ 5,235
Adjustments to reconcile revenues over expenses to cash provided by (used in) operating activities:			
(Increase) decrease in assets:			
Assessments receivable	(2,228)	-	(2,228)
Due from Replacement Fund	2,266	-	2,266
Increase (decrease) in liabilities:			
Accounts payable	(3,358)	-	(3,358)
Prepaid assessments	201	-	201
Due to Operating Fund	-	(2,266)	(2,266)
Net cash provided by (used in) operating activities	<u>(2,904)</u>	<u>2,754</u>	<u>(150)</u>
Net increase (decrease) in cash and cash equivalents	(2,904)	2,754	(150)
Cash and cash equivalents, beginning of year	<u>18,067</u>	<u>33,568</u>	<u>51,635</u>
Cash and cash equivalents, end of year	<u><u>\$ 15,163</u></u>	<u><u>\$ 36,322</u></u>	<u><u>\$ 51,485</u></u>
 SUPPLEMENTAL INFORMATION:			
Cash paid for interest			<u><u>\$ -</u></u>
Cash paid for income taxes			<u><u>\$ -</u></u>

See the accompanying notes to the financial statements and independent auditors' report.

PONDEROSA CONDOMINIUMS ASSOCIATION

Notes to the Financial Statements

December 31, 2020

Note 1 NATURE OF ORGANIZATION

Ponderosa Condominiums Association (the “Association”) is a statutory condominium association organized as a non-profit corporation incorporated in the state of Colorado in December 1979. The Association is responsible for the operation and maintenance of the common property of Ponderosa Condominiums Association, an 18 unit residential condominium complex in Mt. Crested Butte, Colorado.

Note 2 DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated subsequent events and transactions for potential required recognition or disclosure through the date on the audit report.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Fund Accounting

In accordance with US GAAP, the Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the Replacement Fund generally may be made for designated purposes. 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.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements and acquisitions.

Estimates

The preparation of financial statements in conformity with US GAAP 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 could differ from those estimates.

See accompanying independent auditors’ report.

PONDEROSA CONDOMINIUMS ASSOCIATION

Notes to the Financial Statements

December 31, 2020

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments and Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisition, and major repairs and replacement. The Board of Directors determines the annual budget and the assessment of owners. Member assessments are allocated equally between all units. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association has the right to enforce the collection of assessments by placing a lien on the underlying title to the property. As such, there is no allowance for uncollectible accounts at December 31, 2020.

Prepaid Assessments

Prepaid assessments are subsequent year's member assessments received prior to the current year end.

Collection Policy

Monthly installments are due by the last day of the calendar month in which billed. Any assessment not paid by the last day of the month billed shall be charged a late fee of \$25 or 1.5% per month, whichever is greater. A first notice is sent when the balance becomes 30 days delinquent. A second notice is sent when the balance is 60 days delinquent which includes notice of intent to file a lien and the possibility that the account will be turned over to a collection agency if the delinquency is not cured within 30 days. Once an account delinquency exceeds 6 months, and a payment plan has not been entered into or failed to be followed, the Board may formally resolve for the Association's lien to foreclose.

Cash and Cash Equivalents

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property is owned by the individual unit owners in common and not by the Association. Accordingly, these assets are not recorded on the Association's financial statements. Common property includes the building and all related components, outside walkways, furniture, and landscaping, etc.

See accompanying independent auditors' report.

PONDEROSA CONDOMINIUMS ASSOCIATION

Notes to the Financial Statements

December 31, 2020

Note 4 MANAGING CONTRACT

Mountain Home Management CB, LLC took over as managing agent for the Association's daily operations as of December 1, 2020. Crested Butte Condominium Management, Inc. managed the Association's daily operations up until the transition to Mountain Home Management CB, LLC. The contracted management fees paid to Crested Butte Condominium Management, Inc. and Mountain Home Management CB, LLC for the year ended December 31, 2020, was \$31,900 and \$3,200, respectively. Portions of the expenses incurred by the Association were paid directly to Crested Butte Condominium Management for current operations and maintenance fees. Fees paid to management regarding other operational expenses for the year ended December 31, 2020, totaled \$299.

Note 5 SPECIAL ASSESSMENTS

In December 2012, the Board voted to levy a special assessment in the amount of \$500 per unit due in July of 2013, and in each July thereafter through 2017 for a total of \$2,500 per unit. The special assessment was used to increase reserves in the Association's Replacement Fund. During 2017 the board voted to extend the special assessment levy for another 5 years. Special assessments totaled \$9,000 for year ended December 31, 2020, and are included in member assessments within the Replacement Fund on the Statement of Revenues, Expenses, and Changes in Fund Balances.

Note 6 INCOME TAXES

Homeowner associations may be taxed as regular corporations, subject to the provisions of the Internal Revenue Code Section 277, or as homeowner associations subject to Internal Revenue Code Section 528. For the year ended December 31, 2020, the Association elected to be taxed as a homeowner association and filled form 1120-H. As a homeowner association, exempt function income is not taxable. Nonexempt function income less nonexempt function expenses are taxable if it exceeds \$100. The Association did not report taxable income for the year ended December 31, 2020.

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include deciding on an allocation of income and expenses between member and nonmember activities and deciding whether to file Form 1120 or Form 1120-H. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Association has assessed its tax positions for all open tax years and has concluded that there are currently no significant unrecognized tax benefits or liabilities to be recognized.

See accompanying independent auditors' report.

PONDEROSA CONDOMINIUMS ASSOCIATION

Notes to the Financial Statements

December 31, 2020

Note 7 FUTURE MAJOR REPAIRS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements. During the year ended December 31, 2020, the Association received \$8,640 in reserve assessments designated for future repairs and replacements. The Association spent \$12,632 from the Replacement Fund, primarily for exterior wood refinishing and the replacement of monitored smoke alarms. The Association also received special assessments to fund capital projects and accumulated reserve funds (See Note 5).

The Association has conducted an informal study for the year ending December 31, 2020 to estimate the remaining useful lives and replacement costs of the components of common property and current estimates of costs of major future repairs and replacements. Funds are being accumulated in the Replacement Fund, based on estimates of future needs for repairs and replacements. Actual expenditures may vary from these estimates, 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 to increase regular assessments, pass special assessments, borrow funds, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

Note 8 FLOOD INSURANCE CLAIM

In May 2020, a shower valve failure in one of the units caused water damage to the kitchen and hall bathroom ceilings and walls of an adjacent unit. The Association's insurance carrier agreed to pay the replacement cost less the deductible. The cost of repairs totaled \$8,972, a homeowner involved in the insurance event was charged the deductible of \$5,000, and the Association received the remainder of the insurance proceeds totaling \$3,972 from the insurance company to cover the cost of repairs. As of December 31, 2020 all insurance repair work has been completed and all proceeds have been received.

See accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
Ponderosa Condominiums Association
Mt. Crested Butte, Colorado

We have audited the financial statements of Ponderosa Condominiums Association as of and for the year ended December 31, 2020, and our report thereon dated May 12, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The statement of revenues and expenses-budget versus actual, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that supplemental information on future major repairs and replacements 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 evidence to express an opinion or provide any assurance.

McNurlin, Hitchcock & Associates, P.C.

McNurlin, Hitchcock & Associates, P.C.
May 12, 2021

PONDEROSA CONDOMINIUMS ASSOCIATION
Statement of Revenues and Expenses - Budget Versus Actual (Non-GAAP)
Year Ended December 31, 2020

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 122,400	\$ 122,400	\$ -
Late fees	150	757	607
Interest income	60	12	(48)
Miscellaneous income	200	451	251
Total Revenues	122,810	123,620	810
EXPENSES			
Cable television	5,788	6,087	(299)
Contract labor	4,448	2,800	1,648
Electricity	3,650	3,274	376
Fire protection	300	179	121
Hot tub maintenance and supplies	1,400	1,746	(346)
Insurance	17,634	17,516	118
Internet	5,629	5,917	(288)
Legal fees	50	33	17
Miscellaneous	60	1,056	(996)
Maintenance supplies	1,610	605	1,005
Management fees	34,800	35,100	(300)
Professional fees	4,000	4,000	-
Snow removal	4,500	3,462	1,038
Telephone	492	495	(3)
Trash removal	1,840	1,823	17
Water and sanitation	21,850	21,660	190
Capital expenses	26,067	12,632	13,435
Total Expenses	134,118	118,385	15,733
REVENUES OVER (UNDER) EXPENSES	\$ (11,308)	\$ 5,235	\$ 16,543

See accompanying independent auditors' report on supplemental information.

PONDEROSA CONDOMINIUMS ASSOCIATION

Supplemental Information on Future Major Repairs and Replacements (Compiled)
December 31, 2020

The Association's management company conducted an informal study in 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on prior costs (if known) and estimates to repair or replace the common property components adjusted by the Bureau of Labor Statistics Inflation Calculator. The following information was extracted from this study and presents significant information about the components of common property to be repaired or replaced.

Project	Estimated Remaining Useful Life (Years)	Estimated Cost to Repair / Replace
Alarm System	0	\$ 5,010
Bear-Resistant Dumpster	0	2,600
Paint Exterior Stucco and Painted Wood Trim	1	23,966
Seal Coat/ Re-Stripe Parking Lot	1	6,843
Paint Interior Hallways/ Doors/Trim	2	4,570
Carpet Hallways	2	7,635
Seal Exterior Natural Wood	2	11,421
Patio Furniture	3	1,002
Hot Tub	3	10,300
Crawl Space Vapor Barrier	5	1,424
Overhead Doors-Building 2	9	6,884
Front Entry Doors (3)	10	2,921
Patio - Level Pavers	10	3,453
Water Heaters-Sauna Showers (2)	10	1,495
Backflow Preventers	10	4,948
Seal Chimney Chases and Natural Wood Trim	10	5,393
Overhead Doors-Building 1	11	6,621
Rear Entry Doors (4)	12	2,916
Garage Roof Snow Brakes	17	8,670
Rebuild Building 3 Front Stairs	18	2,500
Repave Parking Lots/Walks	18	75,985
Garage Man Doors (2)	18	1,479
Retaining Walls - North	20	51,222
Metal Trim - Chimney Chases	23	1,331
Unit Entry Doors	Not given	13,500
Electrical Equipment (per building)	Not given	8,500
Decks/Roof Extension	Not given	370,000
Concrete Floor Building 1	Not given	26,710
Hot Tub Renovation, Shed, Stairs	Not given	152,106
Roofs	Not given	138,504
Building 3 Porch Supports and Retaining Wall	Not given	32,330
Windows and Patio Doors	Not given	196,806
Attic Insulation	Not given	3,093
Crawl Space and Exterior Drainage Repairs	Not given	92,361
Main Water Shutoff	Not given	865
Retaining Walls - Front Parking Lot	Not given	68,664
Cultured Stone Veneer Building 3 Foundation	Not given	2,400
Total		\$ 1,356,428

See accompanying independent auditors' report on supplemental information.