

PONDEROSA CONDOMINIUMS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Ponderosa Condominiums Association, which comprise the balance sheet as of December 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

McNurlin, Hitchcock & Associates, P.C.

McNurlin, Hitchcock & Associates, P.C.
June 10, 2024

PONDEROSA CONDOMINIUMS ASSOCIATION

Balance Sheet
December 31, 2023

	Operating Fund	Replacement Fund	(Memo only) Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 28,315	\$ 52,433	\$ 80,748
Assessments receivable	1,480	-	1,480
Prepaid expenses	672	-	672
Due from Operating Fund		9,000	9,000
Total Current Assets	<u>30,467</u>	<u>61,433</u>	<u>91,900</u>
TOTAL ASSETS	<u><u>\$ 30,467</u></u>	<u><u>\$ 61,433</u></u>	<u><u>\$ 91,900</u></u>
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 9,414	\$ -	\$ 9,414
Prepaid assessments	615	-	615
Due to Replacement Fund	9,000	-	9,000
Total Current Liabilities	<u>19,029</u>	<u>-</u>	<u>19,029</u>
FUND BALANCES	<u>11,438</u>	<u>61,433</u>	<u>72,871</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 30,467</u></u>	<u><u>\$ 61,433</u></u>	<u><u>\$ 91,900</u></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, 2023

	Operating Fund	Replacement Fund	(Memo only) Total
REVENUES			
Member assessments	\$ 124,200	\$ 8,640	\$ 132,840
Special assessments	-	9,000	9,000
Late fees	27	-	27
Interest income	-	178	178
Miscellaneous income	340	-	340
Total Revenues	<u>124,567</u>	<u>17,818</u>	<u>142,385</u>
EXPENSES			
Cable television	11,790	-	11,790
Contract labor	2,861	-	2,861
Electricity	3,892	-	3,892
Fire protection	284	-	284
Hot tub maintenance and supplies	1,417	-	1,417
Insurance	22,220	-	22,220
Legal fees	63	-	63
Miscellaneous	168	-	168
Maintenance supplies	520	-	520
Management fees	38,400	-	38,400
Professional fees	4,380	-	4,380
Snow removal	13,946	-	13,946
Telephone	577	-	577
Trash removal	3,722	-	3,722
Water and sanitation	24,946	-	24,946
Capital expenses	-	6,036	6,036
Total Expenses	<u>129,186</u>	<u>6,036</u>	<u>135,222</u>
REVENUES OVER (UNDER) EXPENSES	(4,619)	11,782	7,163
BEGINNING FUND BALANCES	16,057	49,651	65,708
ENDING FUND BALANCES	<u>\$ 11,438</u>	<u>\$ 61,433</u>	<u>\$ 72,871</u>

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

PONDEROSA CONDOMINIUMS ASSOCIATION

Statement of Cash Flows
Year Ended December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>(Memo only) Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Revenues over (under) expenses	\$ (4,619)	\$ 11,782	\$ 7,163
Adjustments to reconcile revenues over expenses to cash provided by (used in) operating activities:			
Change in interfund balance	9,000	(9,000)	-
(Increase) decrease in assets:			
Assessments receivable	(873)	-	(873)
Prepaid expenses	(24)	-	(24)
Increase (decrease) in liabilities:			
Accounts payable	3,454	-	3,454
Prepaid assessments	<u>(7,790)</u>	<u>-</u>	<u>(7,790)</u>
Net cash provided by (used in) operating activities	<u>(852)</u>	<u>2,782</u>	<u>1,930</u>
Net increase (decrease) in cash and cash equivalents	(852)	2,782	1,930
Cash and cash equivalents, beginning of year	<u>29,167</u>	<u>49,651</u>	<u>78,818</u>
Cash and cash equivalents, end of year	<u><u>\$ 28,315</u></u>	<u><u>\$ 52,433</u></u>	<u><u>\$ 80,748</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, 2023

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, 2023

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, 2023.

Prepaid Assessments

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

Collection Policy

Owners may be charged late fees and interest on delinquent balances, as determined based on the collection policies of the Association, and any applicable laws and regulations. The Association has the right to pursue legal action in collecting delinquent balances, including placing a lien of the underlying title to the property. All reasonable attorney's fees related to collections are the responsibility of the owner.

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, 2023

Note 4 MANAGING CONTRACT

The Association's daily operations are managed by Mountain Home Management CB, LLC in accordance with a management agreement through December 31, 2024. The contracted management fees paid to Mountain Home Management CB, LLC for the year ended December 31, 2023, were \$38,400. Portions of the expenses incurred by the Association were paid directly to Mountain Home Management CB, LLC for current operations and maintenance fees. Fees paid to management for other operational expenses for the year ended December 31, 2023, totaled \$4,336.

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. During 2022 the board voted to extend the special assessment levy for another 5 years through 2027. Special assessment revenue is detailed 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, 2023, 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, 2023.

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, 2023

Note 7 FUTURE MAJOR REPAIRS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements. Contributions and expenses to the Replacement Fund are detailed on the Statements of Revenues, Expenses, and Changes in Fund Balances. Expenditures related to major repairs and replacements during the year ended December 31, 2023 were for water meter replacements.

The Association has conducted an informal study for the year ending December 31, 2023 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.

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, 2023, and our report thereon dated June 10, 2024, 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 the 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 12 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.
June 10, 2024

PONDEROSA CONDOMINIUMS ASSOCIATION
Statement of Revenues and Expenses - Budget Versus Actual (Non-GAAP)
Year Ended December 31, 2023

	<u>Unaudited</u> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 132,840	\$ 132,840	\$ -
Special assessments	9,000	9,000	-
Late fees	-	27	27
Interest income	10	178	168
Miscellaneous income	450	340	(110)
Total Revenues	142,300	142,385	85
EXPENSES			
Board meetings	20	-	20
Cable television	11,570	11,790	(220)
Contract labor	2,561	2,861	(300)
Electricity	4,000	3,892	108
Fire protection	485	284	201
Hot tub maintenance and supplies	1,630	1,417	213
Insurance	20,400	22,220	(1,820)
Legal fees	50	63	(13)
Miscellaneous	635	168	467
Maintenance supplies	1,400	520	880
Management fees	38,400	38,400	-
Professional fees	4,350	4,380	(30)
Snow removal	10,000	13,946	(3,946)
Telephone	580	577	3
Trash removal	2,250	3,722	(1,472)
Water and sanitation	25,000	24,946	54
Capital expenses	13,385	6,036	7,349
Total Expenses	136,716	135,222	1,494
REVENUES OVER EXPENSES	\$ 5,584	\$ 7,163	\$ 1,579

See accompanying independent auditors' report on supplemental information.

PONDEROSA CONDOMINIUMS ASSOCIATION

Supplemental Information on Future Major Repairs and Replacements (Compiled)
December 31, 2023

The Association's Board of Directors conducted an informal study in 2023 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	2	5,877
Backflow Preventers	7	5,857
Bear-Resistant Dumpster	0	2,689
Carpet Hallways	0	8,667
Crawl Space Vapor Barrier	2	1,685
Front Entry Doors (3)	7	6,000
Garage Man Doors (2)	15	2,000
Garage Roof Snow Brakes	14	9,843
Hot Tub	0	20,000
Overhead Doors-Bldg 1	8	7,867
Overhead Doors-Bldg 2	6	8,209
Exterior Stucco and Wood Trim Upkeep	3	28,475
Interior Hallways/ Doors/Trim Upkeep	0	5,284
Patio - Level Pavers	7	4,080
Patio Furniture	0	1,187
Rear Entry Doors (4)	9	6,000
Rebuild Bldg 3 Front Stairs	15	4,530
Repave Parking Lots/Walks	15	91,271
Seal Chimney Chases Wood	7	6,383
Seal Coat/ Re-Stripe Parking Lot	1	9,619
Seal Exterior Natural Wood	0	13,495
Stonework Repairs	8	1,365
Water Heaters-Sauna Showers (2)	7	2,654
Cultured Stone Veneer Bldg 3 Foundation	Not given	3,000
Unit Entry Doors	Not given	18,000
Electrical Equipment (per bldg)	Not given	8,500
Decks/Roof Extension	Not given	434,000
Concrete Floor Bldg 1	Not given	31,663
Hot Tub Renovation, Shed, Stairs	Not given	180,295
Roofs	Not given	162,767
Bldg 3 Porch Supports & Retaining Wall	Not given	38,509
Windows & Patio Doors	Not given	217,793
Attic Insulation	Not given	3,540
Crawl Space & Exterior Drainage Repairs	Not given	109,262
Retaining Walls - North	Not given	60,510
Main Water Shutoff	Not given	989
Metal Trim - Chimney Chases	Not given	1,549
Retaining Walls - Front Parking Lot	Not given	80,900
Total		<u>\$ 1,604,314</u>

See accompanying independent auditors' report on supplemental information.