

**HI COUNTRY HAUS COMMUNITY IMPROVEMENT AND  
RECREATION ASSOCIATION INC**

**May 31, 2014 REVIEW**

**DECEMBER 30, 2014**

**Janet Jalbert, CPA**

JANET JALBERT, CPA

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December 30, 2014

To the Members and Board of Directors of  
Hi Country Haus Community Improvement and Recreation Association, Inc

I have reviewed the accompanying statement of Assets, Liabilities and Equity of Hi Country Haus Community Improvement and Recreation Association as of May 31, 2014 and the related statements of Revenues & Expenses, and Cash Flows for the year ended. 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 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 controls relevant to the preparation and fair presentation of the financial statements.

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 conformity with the accounting principles generally accepted in the United States of America.

Generally accepted accounting principles require that information about future major repairs, replacements, or improvements of common property be reported as supplemental information. These have been reported on page 9-12. 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 statements in the appropriate operational, economic, or historical context. The supplemental information has been complied with information supplied by management. I have not reviewed or audited this information.



Janet Jalbert

**HI COUNTRY HAUS CIRA**  
Balance Sheet  
May 31, 2014

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**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	
Cash - Operating	\$ 55,510
Cash - Designated for Future Repairs, Replacements and Special Projects	<u>468,537</u>
	524,047
Accounts Receivable - Members, Net of Allowance for Doubtful Accounts of \$6,833	
Prepaid Expenses	<u>5,941</u>
<b>Total Current Assets</b>	<b>529,988</b>

**FIXED ASSETS**

Building - Recreation Complex	361,222
Building Improvements	384,878
Furniture and Fixtures	19,989
Land and Improvements	<u>155,766</u>
	921,855
Less Accumulated Depreciation	<u>(448,480)</u>
<b>Total Fixed Assets</b>	<b><u>473,375</u></b>

**TOTAL ASSETS** **\$ 1,003,363**

**LIABILITIES AND MEMBERS' EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$ 14,680
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**MEMBERS' EQUITY**

Undesignated	527,227
Designated for Future Repairs, Replacements and Special Projects	
Recreation Center	179,430
Planned Unit Development	<u>282,026</u>
	<u>461,456</u>
<b>Total Members' Equity</b>	<b><u>988,683</u></b>

**TOTAL LIABILITIES AND MEMBERS' EQUITY** **\$ 1,003,363**

**HI COUNTRY HAUS CIRA**  
**Statement of Revenue and Expenses**  
**For the Year Ended May 31, 2014**

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**REVENUE**

Member Assessments - REC	\$ 174,986
Member Assessments - PUD	171,688
Interest Income	340
Other Income	<u>18,839</u>
<b>Total Revenue</b>	<b>365,853</b>

**EXPENSES**

<b>Recreation Center Expenses</b>	
Maintenance - Building	8,008
Maintenance - Pool	11,007
Maintenance - Hot Tub	16,723
Management Expense	6,000
Staffing Expense	24,323
Supplies	1,213
Utilities	38,784
Depreciation	2,612
Reserve Expense	<u>53,813</u>

**Total Recreation Center Expenses** **162,483**

**Planned Unit Development Expenses**

Drainage and Road Improvements	70
Landscaping	5,369
Management Expense	6,000
Repairs and Maintenance	12,011
Road Maintenance	24,197
Snow Removal	21,097
Trash Removal	33,643
Utilities	946
Reserve Expense	<u>53,239</u>

**Total Planned Unit Development Expenses** **156,572**

**General and Administrative Expenses**

Accounting Services	11,917
Bad Debt Expense	2,320
Board Meeting Expense	780
Bookkeeping Services	2,324
Insurance	2,560
Legal Fees	28,245
Miscellaneous Expense	2,706
Office Expense	358
Professional Fees	<u>520</u>

**Total General and Administrative Expenses** **51,730**

**Total Expenses** **370,785**

**EXCESS OF EXPENSES OVER REVENUE** **\$ (4,932)**

Hi Country Haus, CIRA  
 Supplemental & expanded cash flow statement

	<u>5/31/14</u>							
<b>Net Income</b>	<b>(4,932)</b>							
Add Back Depreciation (non-cash item)	2,612							
Add Back Bad Debt Expense (non-cash item)	(6,630)	<table border="1" style="font-size: small;"> <tr> <td style="text-align: right;">2,320</td> <td>Bad Debt Expense</td> </tr> <tr> <td style="text-align: right;">(8,950)</td> <td>Bad Debt Expense Recovery</td> </tr> <tr> <td style="text-align: right;">(6,630)</td> <td></td> </tr> </table>	2,320	Bad Debt Expense	(8,950)	Bad Debt Expense Recovery	(6,630)	
2,320	Bad Debt Expense							
(8,950)	Bad Debt Expense Recovery							
(6,630)								
Change in Accounts Receivable (in revenue but not yet collected)	6,630	(Increase) Decrease Assets						
Change in Prepaid Expenses (non-cash item)	(3,430)	(Increase) Decrease Assets						
Change in Accounts Payable (in expenses but not yet paid)	(3,120)	Increase (Decrease) Liabilities						
<b>Net Cash Flow from Operations</b>	<b>(8,870)</b>							
Increase in Reserves (non-cash expense included in the income statement)	107,052							
Purchase of Building Improvements	(15,494)	(15,494)						
Purchase of Furniture and Fixtures	0	0						
Purchase of Land Improvements	(2,630)	(2,630)						
		<b>(18,124)</b>						
<b>Net Cash Flow for the Year</b>	<b>80,058</b>							
Cash at Beginning of Year	443,989							
<b>Cash at End of Current Month</b>	<b>524,047</b>							
 <b>Cash Breakdown:</b>								
Operating	55,510							
Designated for Reserves	468,537							
<b>Total Cash</b>	<b>524,047</b>							

## **Organization and Background**

The Hi Country Haus Community Improvement & Recreation Association, Inc. (HCHCIRA) provides services and facilities common to all members of the community. While the Rec Association oversees common areas, each building is independently managed. Please contact individual owners for information on renting or owning within a building.

HCHCIRA is incorporated as a Not-for-Profit Corporation in the State of Colorado for the purpose of operating and maintain the common property of the Association. It is responsible for roads, bridges, recreation facilities and the open spaces association with the Hi Country Haus Condominiums consisting of 313 residential units located in Winter Park, Colorado. The association began operations in 1972

## **Significant Policies – financial statement related**

**Cash and Cash Equivalents** – The Association considers deposits that can be redeemed on demand and investments that have maturities of less than three months to be cash equivalents. As of May 31, 2014, the cash was deposited into two financial institutions: Bank of the West and First Western Bank. Any amounts invested were invested in money market or CD type funds.

**Cash Balances** – All bank balances are secured by the FDIC for balances up to \$250,000. As of May 31, 2014, no balances exceeded the insured amount.

**Accounts Receivable** – The accounts receivable balance at the balance sheet date May 31, 2014 represents fees due from unit owners. The Associations policy it to retain legal counsel and place liens on the units of members whose assessments are delinquent. Any excess assessments at the year-end are retained by the Association for use in the succeeding year. The association also as a reserve for doubtful accounts set up for a provision for uncollectible accounts.

**Property and Equipment** – Property and related improvements owned by the individual unit owners are not recorded as assets by the Association. The Association has capitalized property for which it has title cost.

**Depreciation** – The Association's furniture, equipment and improvements are depreciated based on the tax basis. Estimated lives range from five to twenty-five years.

**Accounts Payable** – The management company hired by the Association is responsible for paying accounts payable. As for May 31, 2014, there are no significant past due or current amounts due for accounts payable.

HI COUNTRY HAUS COMMUNITY IMPROVEMENT AND RECREATION ASSOCIATION INC  
Notes to Financial Statements

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclose. Accordingly, actual results could differ from those estimates.

### **Tax Returns**

The association is classified as a nonexempt membership organization for both Federal and State purposes for the period ended May 31, 2014. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions and capital transactions.

For Federal tax purposes, the Association is taxed on all net income from membership activities reduced by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses and any excess membership deductions may only be carried forward to offset member income of future tax periods. Any net membership income not applied to the subsequent year is subject to taxation.

This is the same for State income as stated above.

All tax returns for the Association have been filed.

### **Subsequent Events**

Legal – The Association was previously in a lawsuit with one of the owners. The lawsuit was related to past amounts due for the Association dues. The owner refused to pay the dues based on the fact that she felt the association did not have the right to collect these amounts. The financial statements show significant legal fees related to this event. As of May 31, 2014, the event had not been solved in court. Since then, the court had awarded the association the past due fees and all court costs.

Fiscal Year - The Association is in the process of moving the fiscal year of the accounting and tax periods. This will be moved as of the upcoming year and the new year end will be April 30, 2015. The paperwork for this is currently being filed.

### **Potential Issues (Immaterial)**

Cash Balances and Reserve Balances - As of May 31, 2014 the cash in the reserve accounts \$468,534 and the actual reserve amount is \$461,456. These two amounts should tie to each other. The Association's accountant is currently working to get these two numbers to match and should have them equal before the next year end. The difference is immaterial to the financial statements.

Cash Received - The Association currently uses a management company to collect dues and disburse accounts payable amounts. It is imperative that the management company record the cash when actually received. It has been noted in the past that the cash collected may have not been recorded in a timely manner by the management company. Discussions with the accountant indicated that this problem has gotten better but should be watched in the future.

### **Management Company and Accounting**

The Association currently uses a management company to collect dues and disburse accounts payable amounts. The detail from the management company is then given to an outside accounting firm to record in the financial statements. All reconciliation of accounts is completed by the accountant and not the management company. Since the management company deposits the funds and the outside accounting firm reconciles the bank details, this helps with internal controls.

**Future Major Repairs and Replacements – See attached Reserve Study – pages 9 - 12**



## 3-Minute Executive Summary

**Association:** High Country Haus CIRA **Assoc. #: 19960-2**  
**Location:** Winter Park, CO  
**# of Units:** 314  
**Report Period:** June 1, 2013 through May 31, 2014

**Results as-of 6/1/2013:**

<b>Projected Starting Reserve Balance:</b> .....	<b>\$414,817</b>
<b>Fully Funded Reserve Balance:</b> .....	<b>\$973,332</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$1,779</b>
<b>Percent Funded:</b> .....	<b>42.6%</b>
<b>Recommended 2013 monthly Reserve Contribution:</b> .....	<b>\$8,792</b>
<b>Recommended 2013 Special Assessment for Reserves:</b> .....	<b>\$0</b>

**Most Recent Reserve Contribution Rate:** .....\$936

**Economic Assumptions:**

**Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.50%**  
**Annual Inflation Rate ..... 3.00%**

- This is an "Update No-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2012 Fiscal Year. No site inspection was performed as part of this Reserve Study.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is above 30% Funded, at 42.6% Funded, this represents a fair position. In perspective, associations in the 0-30% funded range are likely to incur special assessments, deferred maintenance, or large increases to dues. While associations in the 70% funded range and above are less likely to have such cash flow issues. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.

- **The wood bridge replacement numbers were obtained through Western Wood Structures. Funding was increased to accommodate changes in the buttress system, anticipating that the Association may wish to widen the bridge at the time of replacement.**
- **Our plan anticipates replacement of the play equipment with a new ADA compliant structure. We have also estimated upgrading the fall surface from the current pea gravel to a rubber safety mat system.**
- **In order to avoid a special assessment to the Homeowners, we have planned the major pool deck, humidifier and structure projects to occur in fiscal year 2015.**

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>PUD Components</b>					
111	Composite Decking/Rail - Replace	25	15	\$20,950	\$32,639
205	Streets & Drives - Repair	1	0	\$12,500	\$12,875
398	Lift Pumps - Replace (part)	10	4	\$5,500	\$6,190
399	Sewer Laterals - Replace	45	5	\$8,000	\$9,274
399	Water Laterals - Replace	45	5	\$8,000	\$9,274
399	Electric Laterals - Replace	45	5	\$17,500	\$20,287
409	Picnic Tables - Replace (part)	5	1	\$900	\$927
415	Play Equipment - Replace (part)	10	0	\$30,000	\$40,317
416	Play Surface - Replace	10	0	\$17,100	\$22,981
815	Pavilion - Refurbish	10	6	\$5,000	\$5,970
835	Trash Enclosures - Replace (part)	1	0	\$2,500	\$2,575
1003	Irrigation Miscellaneous - Replace	12	6	\$1,000	\$1,194
1005	Trees - Replace (partial)	5	2	\$9,000	\$9,548
1006	Bridge Abutments - Maintain	10	0	\$9,000	\$12,095
1006	River Bank - Maintain	3	1	\$2,500	\$2,575
1020	Metal Bridge - Maintain	10	3	\$6,000	\$6,556
1020	Wood Bridge - Replace	50	7	\$252,500	\$310,543
1025	Bridge Engineering - Inspection	50	7	\$8,000	\$9,839
1402	Signage - Replace	10	8	\$13,500	\$17,101
1520	Solar Equipment - Replace	30	19	\$3,800	\$6,663
1610	Volleyball Area - Refurbish	15	0	\$6,750	\$10,516
<b>Recreation Center Components</b>					
103	Pool Deck - Resurface	20	2	\$40,500	\$42,966
312	Water Heater - Replace	10	5	\$5,500	\$6,376
312	Water Heater/Tank - Replace	10	6	\$13,500	\$16,120
370	Heat Exchangers - Replace	10	3	\$3,600	\$3,934
395	Boiler - Replace	25	4	\$16,500	\$18,571
305	Base Heat Strips - Replace (part)	10	3	\$4,000	\$4,371
395	Dehumidifiers - Replace	20	2	\$125,000	\$132,613
601	Carpet - Replace	10	6	\$8,100	\$9,672
602	Linoleum Floor - Replace	8	1	\$1,300	\$1,339
603	Tile Floor - Replace Phase 1	20	0	\$2,700	\$4,877
603	Tile Floor - Replace Phase 2	20	16	\$10,400	\$16,689
811	Wood Siding/Trim - Replace	20	0	\$23,100	\$41,721
830	Brick/Rock Veneer - Repair	5	0	\$1,350	\$1,565
903	Furniture - Replace	12	8	\$8,750	\$11,084
904	Kitchenette - Refurbish	24	8	\$9,000	\$11,401
906	Locker Rooms - Refurbish	20	16	\$35,000	\$56,165
908	Windows - Replace	30	9	\$6,300	\$8,220
909	Bathroom - Refurbish	12	8	\$5,000	\$6,334
910	Clubhouse - Refurbish	12	8	\$8,000	\$10,134
1112	Masonite Siding - Repaint	5	0	\$1,950	\$2,261
1201	Pool - Resurface	10	0	\$19,000	\$25,534
1203	Coping Stones - Replace	10	0	\$7,200	\$9,676
1205	Acrylic Spas - Replace (part)	15	3	\$8,500	\$9,288

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>1206</b>	<b>Pool and Spa Covers - Replace</b>	<b>8</b>	<b>0</b>	<b>\$7,000</b>	<b>\$8,867</b>
1208	Pool Sand Filter - Replace	20	11	\$2,250	\$3,115
1208	Spa Sand Filters - Replace	20	12	\$8,000	\$11,406
1209	Pool/Spa Heater 1 - Replace	10	0	\$3,000	\$4,032
1209	Pool/Spa Heater 2 - Replace	10	1	\$3,000	\$3,090
1210	Spa Chlorinators - Replace	10	1	\$563	\$579
1212	Motor & Pumps - Replace (part)	1	0	\$1,100	\$1,133
1220	Vacuum Controller - Replace	8	3	\$750	\$820
1225	Misc. Pool Equip. - Replace (part)	1	0	\$875	\$901
1230	Pool Furniture - Replace (part)	3	1	\$1,100	\$1,133
1231	ADA Pool Lift - Replace	30	29	\$7,500	\$17,674
1303	Asphalt Shingle Roof - Replace	25	7	\$31,500	\$38,741
1308	Pool Enclosure - Replace	40	2	\$300,000	\$318,270
1310	Gutters/Downspouts - Replace	25	7	\$2,200	\$2,706
1312	Flat Roof - Replace	15	4	\$16,100	\$18,121
<b>59</b>	<b>Total Funded Components</b>				

Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Note 2: highlighted line items are expected to require attention in the initial year