

MICHIGAN HILL OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2018

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Sotiros & Sotiros, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Michigan Hills Owners Association, Inc.
Lakewood, Colorado

We have reviewed the accompanying financial statements of Michigan Hills Owners Association, Inc., a Colorado non-profit corporation, which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses and changes in fund balance, 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, we do not express such an opinion.

Management's Responsibility 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; 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

Our 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are 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.

Supplementary Information

The supplementary information included in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly, do not express an opinion on such information.



Sotiros & Sotiros, LLC
Lakewood, Colorado
May 24, 2019

MICHIGAN HILL OWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 63,528
Member assessments receivable, net of allowance for doubtful accounts of \$0	1,649
Prepaid expenses	<u>1,736</u>
TOTAL CURRENT ASSETS	<u>66,913</u>

EQUIPMENT

Less accumulated depreciation	38,011
	<u>(34,354)</u>
	3,657

TOTAL ASSETS

\$ 70,570

LIABILITIES AND FUND BALANCE

LIABILITIES (ALL CURRENT)

Accounts payable	\$ <u>2,489</u>
TOTAL LIABILITIES	2,489

FUND BALANCE

68,081

TOTAL LIABILITIES AND FUND BALANCE

\$ 70,570

MICHIGAN HILL OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUE		
Assessments	\$ 46,725	
Late fees and miscellaneous income	2,649	
Interest income	32	
Total Revenue	<u>32</u>	\$ 49,406
EXPENSES		
<u>Administrative</u>		
Auto Travel	16	
Office Supplies	163	
Postage and Delivery	266	
Printing	241	
Website	15	
Total Administrative	<u>701</u>	701
Burn Pit Expense		2,361
Depreciation		2,189
<u>Government Fees</u>		
Licenses and Registrations	252	
Recording Fees	65	
Total Government Fees	<u>317</u>	317
Insurance		4,792
<u>Meeting Expenses</u>		
Annual Meeting	361	
Board Meetings	188	
Total Meeting Expenses	<u>549</u>	549
<u>Pond Expenses</u>		
Maintenance on Pond Road	150	
Compliance Repairs	6,616	
Fish	800	
Total Pond Expenses	<u>7,566</u>	7,566
<u>Professional Fees</u>		
Bookkeeper	2,400	
Lawyer	450	
Total Professional Fees	<u>2,850</u>	2,850
Real Estate Taxes		987
<u>Road Maintenance</u>		
Culvert and Ditches	10,225	
General Road Maintenance	527	
Grader Fuel	578	
Grader Operator	987	
Grader Repairs	75	
Gravel	5,550	
Snow Plowing	5,044	
Snow Plowing Fuel and Oil	1,557	
Snow Plowing Truck Repairs	897	
Weed Control	347	
Total Road Maintenance	<u>25,787</u>	25,787
Total Expenses		<u>48,099</u>
Excess (Deficit) of Revenue Over Expenses		1,307
BEGINNING FUND BALANCE		<u>66,774</u>
ENDING FUND BALANCE		<u>\$ 68,081</u>

MICHIGAN HILL OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess (Deficit) of Revenue Over Expenses	\$ 1,307
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	2,189
(Increase) decrease in:	
Member assessments receivable, net of allowance for	(1,502)
Prepaid expenses	(44)
Increase (decrease) in:	
Accounts payable	<u>2,377</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,327</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	4,327
CASH AT BEGINNING OF YEAR	<u>59,201</u>
CASH AT END OF YEAR	<u><u>\$ 63,528</u></u>

MICHIGAN HILL OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – NATURE OF OPERATIONS

Michigan Hill Owners Association, Inc. (the Association) was incorporated January 15, 1980 as a Colorado nonprofit corporation. Located in Park County, near Jefferson, Colorado, the purpose of the Association is to organize and operate recreational and social facilities and activities, and to maintain roads within Michigan Hill Subdivision exclusively for members of the MHOA, their families and guests.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association uses the accrual method of accounting.

Cash and Cash Equivalents

All checking and savings accounts are considered cash equivalents by the Association for the purpose of the Statements of Cash Flows since all funds are highly liquid with no stated maturities.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are more than six months delinquent.

The Association utilizes the allowance method of recognizing the future potential uncollectibility of member assessments receivable. This reserve is calculated based on the identified uncollectible accounts at year end.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful life of the depreciable assets are:

	<u>Years</u>
Equipment	5 - 10

MICHIGAN HILL OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

Homeowners' associations may be taxed either as homeowner's associations or regular corporations. For the year ended December 31, 2018, the Association was taxed as a homeowners' association. By filing as a homeowners' association, taxes may be due on non-exempt function income such as interest earnings at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association is subject to taxation in the U.S. and Colorado. As of December 31, 2018, the Association's tax years for years ended December 31, 2017, 2016, and 2015 are subject to examination by the tax authorities. As of December 31, 2018, the Association is no longer subject to U.S. federal and Colorado examinations by tax authorities for years before the year ended December 31, 2014.

Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is primarily composed of payments received in advance for the billing of the next fiscal year. As of December 31, 2018, there were no payments received in advance.

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

Subsequent Events

The Association evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through May 24, 2019, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ASSOCIATION, INC.
 BUDGET (NON-GAAP BASIS) TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE I

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
Assessments	\$ 46,900	\$ 46,725	\$ (175)
Late fees and miscellaneous income	1,476	2,649	1,173
Interest income	25	32	7
Total Revenue	<u>48,401</u>	<u>49,406</u>	<u>1,005</u>
EXPENSES			
<u>Administrative</u>			
Auto Travel	50	16	34
Office Supplies	150	163	(13)
Postage and Delivery	160	266	(106)
Printing	200	241	(41)
Website	150	15	135
Total Administrative	<u>710</u>	<u>701</u>	<u>9</u>
Burn Pit Expense	2,500	2,361	139
Depreciation	-	2,189	(2,189)
<u>Government Fees</u>			
Licenses and Registrations	269	252	17
Recording Fees	100	65	35
Total Government Fees	<u>369</u>	<u>317</u>	<u>52</u>
Insurance	4,590	4,792	(202)
<u>Meeting Expenses</u>			
Annual Meeting	430	361	69
Board Meetings	100	188	(88)
Total Meeting Expenses	<u>530</u>	<u>549</u>	<u>(19)</u>
<u>Pond Expenses</u>			
Maintenance on Pond Road	500	150	350
Compliance Repairs	12,000	6,616	5,384
Fish	800	800	-
Total Pond Expenses	<u>13,300</u>	<u>7,566</u>	<u>5,734</u>
<u>Professional Fees</u>			
Bookkeeper	2,400	2,400	-
Lawyer	-	450	(450)
Total Professional Fees	<u>2,400</u>	<u>2,850</u>	<u>(450)</u>
Real Estate Taxes	1,100	987	113
<u>Road Maintenance</u>			
Culvert and Ditches	1,000	10,225	(9,225)
General Road Maintenance	-	527	(527)
Grader Fuel	1,200	578	622
Grader Operator	3,000	987	2,013
Grader Repairs	5,000	75	4,925
Gravel	4,000	5,550	(1,550)
Snow Plowing	7,100	5,044	2,056
Snow Plowing Fuel and Oil	1,400	1,557	(157)
Snow Plowing Truck Repairs	3,500	897	2,603
Weed Control	150	347	(197)
Total Road Maintenance	<u>26,350</u>	<u>25,787</u>	<u>563</u>
Total Expenses	<u>51,849</u>	<u>48,099</u>	<u>3,750</u>
Excess (Deficit) of Revenue Over Expenses	<u>(3,448)</u>	<u>1,307</u>	<u>4,755</u>