

PARK EAST SQUARE  
HOMEOWNERS ASSOCIATION, INC.

FINANCIAL REPORT  
(Reviewed)  
December 31, 2021

**SCHWENKE & ASSOCIATES, P.C.**  
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**Boulder, CO 80301**  
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Park East Square Homeowners Association, Inc.

We have reviewed the accompanying financial statements of Park East Square Homeowners' Association, Inc. (a Corporation, the "Association") which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years 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 Association 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 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**

Our responsibility is to conduct the review engagement 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 review, 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 schedule of revenues, expenses, and capital transactions – budget and actual on page 8 and 9 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 supplementary 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 supplemental information. We have not audited the supplementary information and do not express an opinion on such information.

**Required Supplementary Information**

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

*Schwenke & Associates, P.C.*  
SCHWENKE & ASSOCIATES, P.C.

Boulder, Colorado  
June 16, 2022

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS  
December 31, 2021 and 2020

See Independent Accountant's Review Report

	<u>2021</u>	<u>2020</u>
Assets:		
Current Assets:		
Cash-undesignated	\$ 46,619	\$ 79,838
Cash-designated for future repairs and replacements	356,302	415,294
Cash-designated for fire restoration	100,014	
Dues receivable	6,956	5,576
Prepaid expenses	<u>109,890</u>	<u>96,371</u>
Total current assets	<u>619,781</u>	<u>597,079</u>
Property and Equipment:		
Grounds improvements	312,023	312,023
Equipment	61,748	61,748
Maintenance building	<u>14,027</u>	<u>14,027</u>
Total property and equipment	387,798	387,798
Less accumulated depreciation	<u>282,949</u>	<u>262,149</u>
Net property and equipment	<u>104,849</u>	<u>125,649</u>
Total Assets	<u>\$724,630</u>	<u>\$722,728</u>
Liabilities and Homeowners' Equity:		
Current Liabilities:		
Accounts payable	\$ 18,251	\$ 14,553
Prepaid dues	4,045	48,880
Payroll taxes payable	<u>2,526</u>	<u>2,708</u>
Total current liabilities	<u>24,822</u>	<u>66,141</u>
Homeowners' Equity:		
Undesignated	243,492	241,293
Designated for future repairs and replacements	356,302	415,294
Designated for fire restoration	<u>100,014</u>	
Total homeowners' equity	<u>699,808</u>	<u>656,587</u>
Total Liabilities and Homeowners' Equity	<u>\$724,630</u>	<u>\$722,728</u>

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN HOMEOWNERS' EQUITY  
 Years Ended December 31, 2021 and 2020

See Independent Accountant's Review Report

	<u>2021</u>	<u>2020</u>
Revenues		
Homeowners' dues	\$ 844,800	\$844,800
Insurance proceeds	189,301	
Interest	289	2,392
Miscellaneous	<u>4,982</u>	<u>3,602</u>
Total revenues	<u>1,039,372</u>	<u>850,794</u>
Expenses:		
Repairs and replacements	368,735	286,242
Buildings	22,600	21,907
Grounds	49,315	54,400
Pool	2,501	1,544
Fire restoration expenses	89,287	
Insurance	123,740	114,178
Utilities	145,538	153,158
Trash removal	43,383	33,681
Salaries	95,917	99,286
Payroll taxes	9,182	10,439
Miscellaneous	1,819	604
Office	5,469	4,604
Legal and professional	<u>17,865</u>	<u>13,827</u>
Total expenses	<u>975,351</u>	<u>793,870</u>
Excess (deficiency) of revenues over expenses before depreciation and income taxes	64,021	56,924
Depreciation	20,800	23,660
Income tax	<u>          </u>	<u>          </u>
Excess (deficiency) of revenues over expenses	43,221	33,264
Homeowners' Equity:		
Beginning	<u>656,587</u>	<u>623,323</u>
Ending	\$ <u>699,808</u>	\$ <u>656,587</u>

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS  
 Years Ended December 31, 2021 and 2020

See Independent Accountant's Review Report

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Excess of revenues over expenses	\$43,221	\$33,264
Adjustments to reconcile net income to net cash provided by (used in ) operating activities:		
Depreciation	20,800	23,660
Change in assets and liabilities:		
(Increase) decrease in dues receivable	(1,380)	(3,101)
(Increase) decrease in prepaid expenses	(13,519)	(5,119)
Increase (decrease) in accounts payable and accrued expenses	3,516	(53,140)
Increase (decrease) in prepaid dues	<u>(44,835)</u>	<u>19,020</u>
Net cash provided by operating activities	<u>7,803</u>	<u>14,584</u>
Cash Flows From Investing Activities:		
Purchase of equipment	_____	_____
Cash Flows From Financing Activities:		
Increase (decrease) in cash	7,803	14,584
Cash:		
Beginning	<u>495,132</u>	<u>480,548</u>
Ending	<u>\$502,935</u>	<u>\$495,132</u>
Supplemental Disclosures:		
Cash payments for interest	\$ _____	\$ _____
Cash payments for income tax	\$ _____	\$ _____

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business

Park East Square Homeowners Association, Inc. (The "Association") is a Colorado non-profit corporation providing for the maintenance, preservation, and architectural control of the lots and common area within the community. The Association consists of 220 residential units in 55 buildings, located in Boulder, Colorado. In 1975, the builder transferred title to the common area and pool to the Association. The value of the transferred items is not reasonably determinable and no amounts have been recorded in these financial statements regarding those items. Such items are deemed to be owned by the homeowners, not the Association.

A summary of the Association's significant accounting policies follows:

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting.

Accounts Receivable-Members

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 120 days or more delinquent. Liens do not ensure the collectability of receivables since they are generally subordinate to the tax liens and unpaid amounts on first mortgages.

Property and Equipment

Real property and common areas are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Property and equipment is stated at cost. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment	3-5
Maintenance building	15
Grounds improvements	15

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. In 2021 and 2020 the Association elected to file as a homeowner's association in accordance with Internal Revenue Code Section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. The Association's investment income and other nonexempt income are subject to tax. The Association's federal income tax returns for 2021 and 2020 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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 disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit.

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

Note 2. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 16, 2022, the date the financial statements were available to be issued.

Note 3. Financial Concentrations

The Association's cash deposits are held at financial institutions at which deposits are insured up to \$250,000 per institution by the FDIC. At December 31, 2021 and 2020, the Association's cash balances were 100% insured.

The majority of the Association's revenue is derived from member assessment income, and the Association is dependent upon this source of income for its ongoing operations. Collection of member assessments is vital to the ongoing financial support and stability of the Association.

Note 4. Revenue Recognition

On January 1, 2020, the Association adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The majority of the Association's revenue comes from member assessments. These revenues fall within the scope of ASC 606 and are recognized as revenue as the Association satisfies its performance obligation to the homeowner/customer. Performance obligation within the scope of ASC 606 is the passing of the CIRA's annual budget and billing these member assessments. These revenues are earned over time on a daily basis based on the annual budget.

Note 5. Fire Loss

On August 26, 2021, a fire originated in the trash room of building 4232 causing damage to all four units, with unit D sustaining the most severe damage. The Association filed property damage claims with its insurance carrier who is coordinating coverage with individual homeowner insurance carriers. The estimated loss was \$291,385, less recoverable depreciation of \$50,215 and \$10,000 deductible, or \$231,170. As of December 31, 2021, the Association received insurance proceeds of \$189,301 and paid fire restoration expenses of \$89,287.

As of June 16, 2022, the Association received additional insurance proceeds of \$41,869 and paid additional fire restoration expenses of \$63,797.

Note 6. Uncertainties

As a result of the COVID-19 outbreak in the United States and globally, economic uncertainties have arisen that may cause disruption and could impact the Association's ability to carry out its normal activities. Though the extent of disruption is expected to be temporary, as of the date of the issuance of these financial statements, the Association cannot reasonably estimate the impact to the Association's future activities, revenues, financial condition or results of operations.



PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS

Note 7. Future Repairs and Replacement

The Association's governing documents do not require that funds be accumulated for future repairs and replacements. The Association has the right to increase monthly assessments, levy special assessments, or delay replacements until funds are available. Accordingly, the Association's Board of Directors plans to fund future repairs and replacements through annual operating budgets and special assessments, if necessary. The Board has designated funds in the amount of \$356,302 and \$415,294 at December 31, 2021 and 2020, respectively, for future repairs and replacements.

During 2016, a reserve study of common property components was conducted for the Association by Association Reserves Colorado, LLC and is available for review from the Association. Presented below are the major repair and replacement items included in the 2016 reserve study. Actual expenditures may vary from these estimated future replacement costs and the variations may be material.

	Estimated Remaining <u>Useful Life</u>	Estimated Current Replacement <u>Cost</u>
Roofs	23 years	\$1,016,000
Irrigation lines	23 years	<u>312,000</u>
		<u>\$1,328,000</u>

During 2021 and 2020 the Association's repair and replacement expenditures were \$368,735 and \$286,242, respectively, from designated cash balances as follows:

	<u>2021</u>	<u>2020</u>
Gutters	\$ 9,600	\$ 10,210
Concrete	21,055	33,395
Asphalt	165,445	115,571
Sewer lines	18,025	11,950
Painting	42,020	37,000
Stairs/railings	9,529	10,585
Siding	83,831	51,699
Structural	7,770	2,151
Other	<u>11,460</u>	<u>13,681</u>
	<u>\$368,735</u>	<u>\$286,242</u>

SUPPLEMENTAL INFORMATION

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.

SCHEDULE OF REVENUES, EXPENSES, AND CAPITAL TRANSACTIONS  
BUDGET AND ACTUAL

Year Ended December 31, 2021

See Independent Accountant's Review Report

	<u>Budget</u> (Compiled)	<u>Actual</u> (Reviewed)	Variance Favorable (Unfavorable) (Compiled)
Revenues			
Homeowners' dues	\$844,800	\$844,800	\$
Insurance proceeds		189,301	189,301
Interest		289	289
Miscellaneous		<u>4,982</u>	<u>4,982</u>
Total revenues	<u>844,800</u>	<u>1,039,372</u>	<u>194,572</u>
Expenses (excluding depreciation):			
Repairs and replacements	306,600	368,735	(62,135)
Buildings	24,500	22,600	1,900
Grounds	58,454	49,315	9,139
Pool	3,140	2,501	639
Fire restoration expenses		89,287	(89,287)
Insurance	121,698	123,740	(2,042)
Utilities	165,200	145,538	19,662
Trash removal	43,620	43,383	237
Salaries	107,396	95,917	11,479
Payroll taxes	10,000	9,182	818
Contract labor	6,000		6,000
Miscellaneous	1,200	1,819	(619)
Office	4,068	5,469	(1,401)
Legal and professional	<u>15,050</u>	<u>17,865</u>	<u>(2,815)</u>
Total expenses (excluding depreciation)	<u>866,926</u>	<u>975,351</u>	<u>(108,425)</u>
Excess (deficiency) of revenues over expenses (excluding depreciation) before income taxes	(22,126)	64,021	86,147
Income taxes	_____	_____	_____
Excess (deficiency) of revenues over expenses (excluding depreciation)	(22,126)	64,021	86,147
Capital Transactions:			
Equipment	_____	_____	_____
Excess (deficiency) of revenues over expenses (excluding depreciation) and capital transactions	<u>\$(22,126)</u>	<u>\$ 64,021</u>	<u>\$ 86,147</u>

PARK EAST SQUARE HOMEOWNERS ASSOCIATION, INC.

SCHEDULE OF REVENUES, EXPENSES, AND CAPITAL TRANSACTIONS  
BUDGET AND ACTUAL

Year Ended December 31, 2020

See Independent Accountant's Review Report

	<u>Budget</u> (Compiled)	<u>Actual</u> (Reviewed)	Variance Favorable (Unfavorable) <u>(Compiled)</u>
Revenues			
Homeowners' dues	\$844,800	\$844,800	\$
Interest	4,000	2,392	(1,608)
Miscellaneous	<u>600</u>	<u>3,602</u>	<u>3,002</u>
Total revenues	<u>849,400</u>	<u>850,794</u>	<u>1,394</u>
Expenses (excluding depreciation):			
Repairs and replacements	281,200	286,242	(5,042)
Buildings	25,600	21,907	3,693
Grounds	57,896	54,400	3,496
Pool	3,500	1,544	1,956
Insurance	121,715	114,178	7,537
Utilities	139,000	153,158	(14,158)
Trash removal	34,350	33,681	669
Salaries	95,770	99,286	(3,516)
Payroll taxes	13,850	10,439	3,411
Contract labor	500		500
Miscellaneous	12,811	604	12,207
Office	6,750	4,604	2,146
Legal and professional	<u>18,150</u>	<u>13,827</u>	<u>4,323</u>
Total expenses (excluding depreciation)	<u>811,092</u>	<u>793,870</u>	<u>17,222</u>
Excess (deficiency) of revenues over expenses (excluding depreciation) before income taxes	38,308	56,924	18,616
Income taxes	_____	_____	_____
Excess (deficiency) of revenues over expenses (excluding depreciation)	38,308	56,924	18,616
Capital Transactions:			
Equipment	_____	_____	_____
Excess (deficiency) of revenues over expenses (excluding depreciation) and capital transactions	<u>\$38,308</u>	<u>\$56,924</u>	<u>\$18,616</u>