

*Park East Square
Homeowners Association*

*FINANCIAL STATEMENTS AND ACCOUNTANT'S
REVIEW REPORT DECEMBER 31, 2024 AND 2023*

Prepared by:
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**PARK EAST SQUARE HOA
BALANCE SHEET
DECEMBER 31, 2024 and 2023**

See Accountant's Review Report

	2024			2023
	Operating Fund	Reserve Fund	Total	Book Bal
CURRENT ASSETS:				
Cash - Operating	91,264	-	91,264	158,009
Cash - Reserve	-	199,979	199,979	201,568
Sub-total Cash	91,264	199,979	291,244	359,577
Accounts receivable	8,163	-	8,163	7,533
Allowance for doubtful accts	-	-	-	-
Sub-total net AR	8,163	-	8,163	7,533
Prepaid insurance	241,943	-	241,943	236,853
Interfund Balances and Other	520,724	-	520,724	
Fixed Assets:				
Equipment	61,748	-	61,748	61,749
Grounds improvements	312,023	-	312,023	312,023
Maintenance: Building & Sidewalks	16,117	-	16,117	16,116
Accumulated Depreciation	(282,949)	-	(282,949)	(282,949)
	106,939	-	106,939	106,939
TOTAL ASSETS	969,035	199,979	1,169,014	710,902
CURRENT LIABILITIES:				
Accounts payable	12,223	-	12,223	419
Credit cards	-	-	-	(3)
Prepaid assessments	53,355	-	53,355	25,718
Interfund Balances and Other	-	520,724	520,724	
Total Current Liabilites	65,578	520,724	586,302	26,134
CAPITAL:				
FB - Oper	471,874	-	471,874	819,694
FB - Reserve	-	199,979	199,979	201,568
FB - Contributed capital	11,844	-	11,844	11,844
NR - Operating	420,274	(520,724)	(100,450)	(348,339)
(Adjustments)	(535)	-	(535)	-
Total Capital	903,457	(320,745)	582,712	684,768
TOTAL LIABILITES AND CAPITAL	969,035	199,979	1,169,014	710,902

The accompanying notes are an integral part of this financial statement.

PARK EAST SQUARE HOA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2024 AND 2023

See Accountant's Review Report

	2024			2023
	Operating Fund	Reserve Fund	Total	Books
<u>REVENUE:</u>				
Assessments - Operating	1,267,200	-	1,267,200	1,104,000
Other Income	34,968	-	34,968	3,589
Interest - Operating/Reserve	105	17,183	17,288	5,844
Total Revenue	1,302,273	17,183	1,319,456	1,113,433
Reserve contribution exp	-	-	-	419,410
Total Income	1,302,273	17,183	1,319,456	694,023
<u>EXPENSES:</u>				
Payroll expense	118,159	-	118,159	65,659
Payroll taxes	12,303	-	12,303	9,891
Payroll Workers comp	3,175	-	3,175	2,783
Contract labor	-	-	-	15,650
	133,637	-	133,637	93,983
Building maintenance	39,389	298,152	337,541	254,245
Grounds maintenance	91,640	241,344	332,984	195,651
Pool maintenance	8,294	-	8,294	6,267
Fire loss - 4232 Monroe	-	-	-	77,000
Insurance	285,206	-	285,206	170,394
Office/misc.	6,896	-	6,896	4,273
Professional fees - Accounting	2,575	-	2,575	5,174
Professional fees - Legal	24,911	-	24,911	14,492
Property management	34,255	-	34,255	26,400
Telephone/Zoom/Web	1,552	-	1,552	2,016
Trash collection	50,853	-	50,853	42,628
Utilities	201,219	-	201,219	149,839
Total Expenses	880,427	539,497	1,419,923	1,042,361
Net Revenue	421,846	(522,314)	(100,468)	(348,339)
Interfund Transfers	(520,724)	520,724		
Fund Balance - BY	158,009	201,569	359,578	707,917
Fund Balance - EY	59,132	199,979	259,110	359,578

PARK EAST SQUARE HOA
STATEMENT OF CASH FLOWS
FOR EACH OF THE YEARS ENDED DECEMBER 31, 2024 AND 2023

See Accountant's Review Report

	2024			2023
	Operating Fund	Reserve Fund	Total	Books
Cash Flows from Operating Activities:				
Member Assessments (Collected)	1,267,200	-	1,267,200	1,104,000
Interest Received	105	17,183	17,288	5,844
Other Income Received	34,968	-	34,968	3,589
Cash Paid to Employees and payroll taxes	(133,637)	-	(133,637)	
Cash Paid for Operating Expenditures	(746,789)	-	(746,789)	(622,951)
Reserve Expenditures Paid	-	(539,497)	(539,497)	(419,410)
Net Borrowing from Reserve Fund	(520,724)	520,724	-	-
Net Cash provided by operating activities	(98,877)	(1,590)	(100,467)	(1,042,361)
Cash Flows from Investing activities:				
N/A	-	-	-	-
Net Cash provided by Investing Activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(98,877)	(1,590)	(100,467)	(1,042,361)
Beginning Cash and Cash Equivalents	158,009	201,568	359,577	288,505
Ending Cash and Cash Equivalents	59,132	199,978	259,110	(753,856)

Independent Accountant's Review Report

Greg Butt, President
Park East Square HOA
c/o Trio Technologies LLC
PO Box 208
Niwot, CO 80544

We have reviewed the accompanying financial statements of **Park East Square HOA**, which comprise the balance sheets as of **December 31, 2023 and 2024**, 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 (owners') financial data and making inquiries of association management (owners). 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 (Owners) is (are) 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 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.

We are required to be independent of **Park East Square HOA** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Basis for Qualified Conclusion

As explained in Note 5, we were unable to obtain sufficient appropriate review evidence regarding the reconciliation of the Association's operating fund balance. The financial statements present an operating fund balance of \$59,132, whereas the bank statement from the Association's current management company reflects a balance of \$91,264 at December 31, 2024, resulting in an unexplained variance of \$32,132.

Management has represented that this variance may relate to an error in the ending balance information provided by a prior management company during the transition period. However, we were unable to obtain adequate supporting documentation to verify this explanation or to determine whether any adjustment might be necessary to the reported balances.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that estimates of current or future costs of major repairs and replacements of common property that will be required in the future on page 8 be presented to supplement the basic financial statements. Such 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. The information is the responsibility of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Dylan Bain, CPA – Managing Partner
TrueNorth CPAs
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September 30, 2025

PARK EAST SQUARE HOA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(See Accountant's Review Report)

1. General Information and Summary of Significant Accounting Policies

Park East Square HOA (the "Association" or "PESHA") was incorporated on January 10, 1975. The Association is a nonprofit corporation formed under the laws of the State of Colorado to manage and maintain the common property for 220 residential units. The Association's primary activities include maintenance, landscaping, parking lots, and enforcement of covenants.

2. Basis of Presentation and Accounting Policies

Basis of Accounting: The financial statements are prepared on an accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Fund Structure: The Association maintains two major funds:

- *Operating Fund:* for day-to-day operations, maintenance, utilities, management, insurance, etc.
- *Replacement Reserve Fund:* for major repairs and replacement of common assets (e.g., roof, paving, pool resurfacing).

Assessments: Annual assessments are levied each January based on the approved budget. Special assessments may be levied when needed for capital projects or repair shortfalls.

Use of Estimates: Management makes estimates, judgments, and assumptions that affect amounts reported (e.g., allowance for delinquent accounts, useful lives of assets).

Cash and Cash Equivalents: Cash includes checking, savings, and short-term investments with original maturities of three months or less.

Receivables and Allowances: The Association does not record assessments receivable net of allowance for doubtful accounts. The allowance is based on historical collection experience and current conditions.

Fixed Assets / Common Area Assets: The Association has capitalized common area and chattel assets prior to the period under review. Depreciation was computed on a straight-line basis over useful lives of 5 to 30 years. This practice has been discontinued despite the fixed assets remaining on the financial statements. The cost of routine maintenance and repairs is expensed as incurred.

Insurance: The Association maintains liability, hazard, and fidelity bonding insurance; deductibles are borne by the Association.

Subsequent Events: Events occurring after the balance sheet date but before issuance are evaluated for disclosure or adjustment.

3. Accounts Receivable

At December 31, 2024, assessments receivable totaled \$5,037.40. No allowance for doubtful accounts has been assessed. The aging is:

- Current: \$1,534.90
- 30-60 days past due: \$467.20
- 60-90 days past due: \$40.41
- Over 90 days past due: \$5,037.40

4. Replacement Reserve Fund

The Association's board approves annual contributions to the replacement reserve fund based on a reserve study. The most recent study was conducted in 2025 by an independent reserve specialist engaged by the Association. At December 31, 2024, the reserve fund's cash balance was \$199,979, and interest earnings for the year totaled \$17,183.

According to the study, a fully funded replacement reserve fund would total \$5,128,658. The projections assumed an annual inflation rate of 3% and a 1.5% after-tax rate of return on invested funds. Based on these assumptions, the Association's current reserve balance represents approximately 3.9% of the fully funded level. The study further estimated annual deterioration of common property at \$282,443, an amount that exceeds the current reserve balance. To address this shortfall, the study recommended annual reserve contributions of \$459,500, along with a one-time special assessment of \$1,200,000.

As of the date of this report, the Board has not adopted the funding plan recommended in the reserve study and currently funds reserves at a lower level. Future contributions are subject to annual budget approval by the Board. Actual expenditures may differ significantly from the reserve study estimates, and such differences could be material. Accordingly, amounts accumulated in the reserve fund may not be sufficient to meet future major repair and replacement needs.

Management is responsible for the preparation and results of the reserve study, which has not been audited or reviewed by us. Although the Association is not required under U.S. GAAP to accumulate funds equal to estimated replacement costs, it is required to disclose the results of its most recent reserve study.

5. Reconciliation of Cash and Bank Balances

At December 31, 2024, the Association's operating fund balance per the prepared financial statements was \$59,132, while the corresponding balance per the Association's bank statement per the current management company was \$91,264, resulting in an unexplained variance of \$32,132.

Management has represented that the variance may be attributable to a misstatement of the ending balance provided by a prior management company to the Association's bookkeeper during a transition period. However, no contemporaneous records or corroborating documentation were available to confirm this explanation, and as such, the variance could not be fully reconciled.

Management believes that, except for this unresolved difference, the financial statements are presented in accordance with the accrual basis of accounting, as required by the Association's governing documents and consistent with the AICPA's *Audit and Accounting Guide: Common Interest Realty Associations*.

The independent accountant has issued a qualified conclusion on these financial statements under *AR-C Section 90, Review of Financial Statements*, due to the inability to obtain sufficient evidence to determine whether adjustments might be necessary to the reported cash and operating fund balances. In the accountant's judgment, the financial statements otherwise present, in all material respects, the financial position and results of operations of the Association for the year then ended.