

# **Stoney Brook Homeowners' Association, Inc.**

## **Financial Statements and Supplementary Information**

For the Year Ended December 31, 2020  
(With Comparative Totals for the Year Ended December 31, 2019)

# Stoney Brook Homeowners' Association, Inc.

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Certified Public Accountants

## **Independent Auditor's Report**

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To the Board of Directors  
Stoney Brook Homeowners' Association, Inc.

We have audited the accompanying financial statements of Stoney Brook Homeowners' Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues and expenses, change in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibilities 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoney Brook Homeowners' Association, Inc. as of December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Stoney Brook Homeowners' Association, Inc.'s December 31, 2019 financial statements, and our report dated January 24, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

## **Independent Auditor's Report**

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### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on page 13 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 the 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.

*Olson, Reyes and Sauerwein, LLC*

Centennial, Colorado

January 27, 2021

# Stoney Brook Homeowners' Association, Inc.

## Balance Sheets

December 31, 2020

(With Comparative Totals as of December 31, 2019)

	Operating Fund	Replacement Reserve Fund	2020	2019
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 70,330	\$ 43,959	\$ 114,289	\$ 84,347
Assessments receivable	12,498	-	12,498	8,551
Commissions receivable - cable agreement	4,334	-	4,334	4,334
Prepaid expenses and other assets	194,176	-	194,176	168,350
<b>Total Current Assets</b>	<b>281,338</b>	<b>43,959</b>	<b>325,297</b>	<b>265,582</b>
Investments Held for Deferred Compensation	117,793	-	117,793	115,256
<b>TOTAL ASSETS</b>	<b>\$ 399,131</b>	<b>\$ 43,959</b>	<b>\$ 443,090</b>	<b>\$ 380,838</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 16,561	\$ -	\$ 16,561	\$ 24,396
Income taxes payable	668	-	668	485
Deferred assessments - homeowners dues received in advance	4,030	-	4,030	5,965
<b>Total Current Liabilities</b>	<b>21,259</b>	<b>-</b>	<b>21,259</b>	<b>30,846</b>
<b>Long Term Liabilities</b>				
Deferred compensation payable	117,793	-	117,793	115,256
Deferred revenue - cable agreement	10,852	-	10,852	12,852
<b>Total Liabilities</b>	<b>149,904</b>	<b>-</b>	<b>149,904</b>	<b>158,954</b>
<b>Fund Balances</b>	<b>249,227</b>	<b>43,959</b>	<b>293,186</b>	<b>221,884</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 399,131</b>	<b>\$ 43,959</b>	<b>\$ 443,090</b>	<b>\$ 380,838</b>

See Notes to Financial Statements

# Stoney Brook Homeowners' Association, Inc.

## Statements of Revenues and Expenses

For the Year Ended December 31, 2020

(With Comparative Totals as of December 31, 2019)

	Operating Fund	Replacement Reserve Fund	2020	2019
<b>Revenue</b>				
Homeowner dues	\$ 1,614,206	\$ 43,954	\$ 1,658,160	\$ 1,539,720
Special assessment income	-	-	-	69,413
Chateau fees	5,530	-	5,530	10,623
Cable commission	18,827	-	18,827	19,603
Interest and other income	3,321	99	3,420	3,954
<b>Total Revenue</b>	<b>1,641,884</b>	<b>44,053</b>	<b>1,685,937</b>	<b>1,643,313</b>
<b>Expenses</b>				
Salaries and wages	678,598	-	678,598	644,475
Administrative expenses	30,844	-	30,844	30,352
Repairs and maintenance	94,400	-	94,400	123,868
Pool and clubhouse expenses	23,421	-	23,421	26,909
Utilities	327,886	-	327,886	299,465
Insurance	241,673	-	241,673	228,702
Income taxes	2,508	-	2,508	2,245
Landscape	-	68,306	68,306	101,768
Site improvements	-	66,961	66,961	45,415
Painting	-	33,399	33,399	95,090
Operating equipment	-	7,023	7,023	1,415
Reserve study	-	11,693	11,693	1,750
Pool and tennis courts	-	-	-	17,745
Spa replacement	-	-	-	89,013
Ponds and streams	-	27,923	27,923	17,663
<b>Total Expenses</b>	<b>1,399,330</b>	<b>215,305</b>	<b>1,614,635</b>	<b>1,725,875</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<b>\$ 242,554</b>	<b>\$ (171,252)</b>	<b>\$ 71,302</b>	<b>\$ (82,562)</b>

See Notes to Financial Statements

# Stoney Brook Homeowners' Association, Inc.

## Statements of Changes in Fund Balances

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Operating Fund	Replacement Reserve Fund	2020	2019
Fund Balances - beginning of year	\$ 221,878	\$ 6	\$ 221,884	\$ 304,446
Excess (deficit) of revenues over expenses	242,554	(171,252)	71,302	(82,562)
Interfund transfers	(215,205)	215,205	-	-
Fund Balances - end of year	\$ 249,227	\$ 43,959	\$ 293,186	\$ 221,884

See Notes to Financial Statements

# Stoney Brook Homeowners' Association, Inc.

## Statements of Cash Flows

For the Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Operating Fund	Replacement Reserve Fund	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficit) of revenues over expenses	\$ 242,554	\$ (171,252)	\$ 71,302	\$ (82,562)
<b>Adjustment to Reconcile Excess (Deficit) of Revenues Over Expenses to Net Cash Flows from Operating Activities</b>				
<b>Change in Operating Assets and Liabilities</b>				
<b>(Increase) Decrease in:</b>				
Assessments receivable	(3,947)	-	(3,947)	7,855
Prepaid expenses and other assets	(25,826)	-	(25,826)	81
Commissions receivable - cable agreement	-	-	-	(126)
Investments Held for Deferred Compensation	(2,537)	-	(2,537)	(16,649)
<b>Increase (Decrease) in:</b>				
Accounts payable and accrued expenses	(7,835)	-	(7,835)	716
Income taxes payable	183	-	183	(519)
Deferred assessments - homeowner dues received in advance	(1,935)	-	(1,935)	(53,652)
Deferred compensation payable	2,537	-	2,537	-
Deferred revenue - cable agreement	(2,000)	-	(2,000)	-
<b>Net Cash Flows from Operating Activities</b>	<b>201,194</b>	<b>(171,252)</b>	<b>29,942</b>	<b>(144,856)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from redemption of United States treasury bills	-	-	-	99,530
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interfund transfers	(215,205)	215,205	-	-
<b>Net Increase (Decrease) in Cash</b>	<b>(14,011)</b>	<b>43,953</b>	<b>29,942</b>	<b>(45,326)</b>
Cash - Beginning of Year	84,341	6	84,347	239,361
<b>Cash - End of Year</b>	<b>\$ 70,330</b>	<b>\$ 43,959</b>	<b>\$ 114,289</b>	<b>\$ 194,035</b>
<b>Supplemental Cash Flow Disclosures</b>				
Cash paid for income taxes	\$ 2,325	\$ -	\$ 2,325	\$ 1,173

See Notes to Financial Statements



# Stoney Brook Homeowners' Association, Inc.

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies

Stoney Brook Homeowners' Association, Inc. (the "Association") was incorporated on December 29, 1975, in the State of Colorado, to administer the operation and management of the Stoney Brook development. The development consists of 282 residential units located on the southwest corner of the intersection of Union and Yosemite Streets in Denver, Colorado and includes approximately 50 acres. Of the approximately 50 acres, the Association owns all the land not deeded to the individual unit owners (approximately 20 acres) or the 1.222 acres of land owned by The Chateau at Stoney Brook (a condominium development) whose land is surrounded by land owned by the Association. In addition, 1.348 acres of the property is used for the clubhouse, pool, tennis courts, hot tub, maintenance garage, and 12-space parking lot (the "Amenities") which is subject to a separate set of covenants that specifies that the Association is obligated to maintain the Amenities and that the unit owners of the Chateau at Stoney Brook are obligated to pay on a percentage basis for certain costs and expenses of the Amenities. The unit owners of the Chateau are entitled to access to the Amenities if payments of their share of the costs are made; however, the property is owned by the Association. All of the property owned by the Association is considered common area property (private property) and includes streets, curbs and gutters, walkways, paths, pond and drainage structures, landscaping, greenbelts, etc. as well as the Amenities. Individual unit owners are deeded a lot around their units which constitutes the private property of the Unit owner and is not considered common area property of the Association.

#### **Fund Accounting on Accrual Basis**

The Association operates according to its governing documents. The Association records its operations on the accrual basis. These financial statements separate funds into operating and replacement reserve funds:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association and recurring maintenance costs of the property.

Replacement Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements as well as expenditures for the ongoing repair and maintenance of certain common area property which are funded annually and are subject to the Association's annual budgeting process.

#### **Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from the estimates.

# Stoney Brook Homeowners' Association, Inc.

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies (continued)

#### Prior Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by fund. The prior year presentation does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

#### Income Taxes

The Association qualifies as a tax-exempt homeowners' association in accordance with Internal Revenue Code Section 528. Under that section, the Association excludes from taxation income and expenses related to its exempt purpose, which is the acquisition, construction, management, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and 4.55% by the State of Colorado.

#### Property and Equipment

Common area property, which was conveyed by the developer to the Association, is carried at no value in the financial statements. In accordance with accounting rules established by the American Institute of Certified Public Accountants in its "Audits of Common Interest Realty Associations", the Association's policy is not to capitalize common area assets unless they are (1) separately disposable or (2) used to generate significant revenues on the basis of usage. Accordingly, the clubhouse, tennis courts, swimming pool, hot tub, maintenance garage (the Amenities, subject to separate covenants) and sidewalks, roads and greenbelts have not been capitalized. Improvements to these assets are expensed as incurred. According to the Association's governing documents, a majority of all unit owners must approve dispositions of any common real property.

#### Interfund Transfers

At various times, the Operating Fund and the Replacement Reserve Fund may not have completed the cash transfers required under accrual accounting. Cash held for transfer to or from one fund to the other fund, if any, is shown as due from one fund to the other.

# Stoney Brook Homeowners' Association, Inc.

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies (continued)

#### Assessments Receivable

Assessments receivable at the balance sheet date represent assessments due from homeowners. Homeowner dues are considered delinquent when they are 10 days past due. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent beyond 60 days. The Board has determined that an allowance for uncollectable assessments is not necessary at December 31, 2020 and 2019.

#### Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASC 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance.

The Association adopted ASC 606 as of January 1, 2019 using the modified retrospective method. The cumulative effect of adoption did not have an impact on the Association's fund balances as of January 1, 2019.

The Association's revenue is derived from operating assessments (homeowner dues) and special assessments. Operating assessments are due by the tenth day of each month and are used to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. The performance obligation for operating assessments is the management and general maintenance of the common area property and, accordingly, operating assessments are recognized over time throughout the year as the dues are assessed and the performance obligations are satisfied.

Special assessments are assessed on an as needed basis as determined by the board of directors, when there is a specific expenditure to be incurred for an intended purpose, such as a major repair or property enhancement. The performance obligation for reserve assessments is satisfied as the expenditure is made. Accordingly, special assessments are recognized over time as the major repair or property enhancement is completed and the expense is incurred. For the years ended December 31, 2020 and 2019, operating and special assessments are recognized over time were \$1,658,160 and \$1,609,133, respectively.

Contract liabilities represent an obligation to provide a good or service to a customer when consideration has already been received from the customer but not yet earned by the Association. Contract liabilities include operating and special assessments received in advance of the performance obligation being satisfied (deferred assessments). As of December 31, 2020 and 2019, deferred assessments were \$4,030 and \$5,965, respectively.

#### Future Major Repairs and Replacements

The Association accumulates funds for future major repairs and replacements based on estimated future costs. Actual future expenditures may vary from the estimated costs.

# Stoney Brook Homeowners' Association, Inc.

## Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies (continued)

#### Subsequent Events

In preparing its financial statements, the Association has evaluated subsequent events through January 27, 2021, which is date the financial statements were available to be issued. Management of the Association has not identified any material subsequent events that require reporting or disclosure,

### Note 2 - Concentration of Credit risk

Financial instruments that potentially subject the Association to credit risk consist primarily of cash and assessments receivable. Assessments receivable are concentrated with residents of the Association located in Colorado. The Association may file liens against the homeowner's property for unpaid assessments.

Since the Association periodically places cash in individual financial institutions in excess of FDIC insured limits, the Association periodically reviews the financial condition of the financial institutions to reduce the Association's credit risk associated with cash.

### Note 3 - Cable Agreement

In March 2014, the Association entered into a marketing agreement with Mile Hi Cable Partners, L.P. Under the agreement, the Association is to provide marketing support services for a period of twelve years. The Association received a \$35,250 fee upon signing which has been deferred and is being recognized as revenue ratably over the life of the contract. A commission of 30% of all amounts received by the Association is paid to Communications Consulting Group as compensation for assisting the Association in negotiating the agreement. At December 31, 2020 and 2019, deferred revenue from this agreement was \$10,852 and \$12,852, respectively

The Association also earns additional commission based on basic service penetration levels which is paid quarterly. At December 31, 2020 and 2019, commissions receivable were \$4,334 and \$4,334, respectively. For the years ended December 31, 2020 and 2019, commission revenue relating to this cable agreement was \$18,827 and \$19,603, respectively.

### Note 4 - Special Assessment

A special assessment was levied on June 1, 2018 to replace the Association's hot tub. The amount of the special assessment was \$300 per unit for a total of \$84,600. The special assessment income was recognized as the hot tub expenses were incurred. During 2019, the replacement of the hot tub was completed and the Association recognized special assessment income of \$69,413.

# Stoney Brook Homeowners' Association, Inc.

## Notes to the Financial Statements

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### Note 5 - Retirement Plans

#### Simple IRA

The Association has established a Simple IRA. Under the plan, employees who have received at least \$5,000 in compensation from the Association in any two preceding years are eligible to participate in the plan. A participant may elect under a deferral agreement to have a percentage of their compensation contributed to a Simple IRA. Each year, the Association shall make either a matching contribution or a non-elective contribution to the participant's IRA. The matching contribution cannot exceed the lesser of the participant's elective deferral or three percent of the participant's compensation for the year. If made, the non-elective contribution must be two percent of the compensation of each employee eligible to participate. Contributions for the year ended December 31, 2020 and 2019, were \$6,901 and \$6,456, respectively.

#### Non-Qualified Deferred Compensation Plan

The Association has established a non-qualified deferred compensation plan for an employee which is currently being funded by the Association at the discretion of the Board. The funds have been invested in an account in the name of the Association and are being held on behalf of the employee. The employee is entitled to the entire account balance, including all earnings, one year after the employee terminates his service with the Association for any reason, including death or disability. The employee became fully vested on December 31, 2014. The investment account is reflected as Investments Held for Deferred Compensation on the Association's balance sheet. The account is available to creditors in the event of the Association's liquidation. No investment earnings or losses are reflected in these financial statements as all proceeds of the fund are the right of the employee under the terms of the agreement.

As of December 31, 2020 and 2019, the balance of the deferred compensation arrangement was \$117,793 and \$115,256, respectively. For the years ended December 31, 2020 and 2019, the Association's contributions remitted to the plan were \$-0- and \$13,000, respectively. The Investments Held for Deferred Compensation and the related Deferred Compensation Payable are adjusted for any earnings or losses on the invested balance.

# **Stoney Brook Homeowners' Association, Inc.**

## **Notes to the Financial Statements**

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### **Note 6 - Replacement Reserve Funds**

The Association contracted McCaffery Reserve Consulting, an independent engineer, to conduct a reserve study in 2019 to estimate the remaining useful lives and replacement costs of the components of common property. Funds are being accumulated in the reserve fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, 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.

The Declaration of the Association provides that the annual assessment include an amount to provide for reasonable reserves for future repair and replacement of Association assets. The Association has allocated budgeted amounts from each homeowner's monthly assessment to fund Replacement Reserve. If the balance of the fund is insufficient to cover major repairs or replacements were, the Board may, at its discretion, increase regular assessments, levy a special assessment or defer the repairs or replacements until funds are available.

### **Note 7 - Legal Issues**

In the ordinary course of business, the Association may become involved in various litigation matters involving ordinary and routine claims incidental to homeowner associations. A significant portion of these matters involve the collection of delinquent assessments and covenant compliance wherein the Association is the plaintiff. As of December 31, 2020, management currently believes that the outcome of these proceedings, individually and in the aggregate, will not have a material effect on the Association's financial condition.

# Stoney Brook Homeowners' Association, Inc.

## Schedule of Future Major Repairs and Replacements

December 31, 2020

(Unaudited)

During 2019 the Association contracted McCaffery Reserve Consulting to estimate the remaining useful lives and the replacement cost of Stoney Brook Homeowners' Association, Inc.'s components of common areas. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives assuming an inflation rate of 3%. The Board of Directors and the Long Range Planning Committee are using the study to assist in setting the annual assessment to be dedicated to the Replacement Fund.

The following information assumes all prior year repairs and replacements suggested by the reserve study have been completed and presents significant information about the components of common property:

Components	Expected Useful Life (Years)	Remaining Useful Life (Years)	Next	
			Estimated Replacement Cost	
Clubhouse	6-25	1-22	\$	202,774
Painting	7	1-4		788,246
Asphalt	1-25	1-8		690,056
Fencing/Rails	15-25	3-4		33,110
Pool & Spa Area	8-25	3-9		142,091
Landscaping	1-8	1-4		124,509
Lighting	20	4		69,556
Miscellaneous	1-25	1-6		293,322
<b>Total</b>			\$	2,343,664

See Independent Auditor's Report