

**STRAWBERRY FIELDS CONDOMINIUM  
OWNERS ASSOCIATION, INC.**

**Financial Statements &  
Supplementary Information**

**For the Year Ended December 31, 2012**

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Strawberry Fields Condominium Owners  
Association, Inc.  
Colorado Springs, Colorado

We have audited the accompanying financial statements of Strawberry Fields Condominium Owners Association, Inc., which comprise the balance sheet as of December 31, 2012, and the related statements of revenue, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

**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.

**Auditors' 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 Strawberry Fields Condominium Owners Association, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on the final page 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 reporting for placing the basic 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.

*Wang & Goodwin, LLP*  
Colorado Springs, Colorado  
July 3, 2013

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2012

ASSETS

	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5,050	\$ 261,062	\$ 266,112
Assessments receivable, net	15,164		15,164
Prepaid insurance	<u>8,898</u>		<u>8,898</u>
TOTAL ASSETS	<u>\$ 29,112</u>	<u>\$ 261,062</u>	<u>\$ 290,174</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:			
Accounts payable	\$ 12,413	\$ 24,895	\$ 37,308
Assessments received in advance	<u>21,945</u>		<u>21,945</u>
Total current liabilities	34,358	24,895	59,253
FUND BALANCES	<u>(5,246)</u>	<u>236,167</u>	<u>230,921</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,112</u>	<u>\$ 261,062</u>	<u>\$ 290,174</u>

See Notes to Financial Statements

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.  
Statement of Revenue, Expenses, and Changes in Fund Balances  
For the Year Ended December 31, 2012

	Operating Fund	Replacement Reserve Fund	Total
REVENUE:			
Homeowner assessments	\$ 413,138	\$ 136,465	\$ 549,603
Late charges	12,232		12,232
Other income		6,398	6,398
Interest income	<u>18</u>	<u>376</u>	<u>394</u>
Total revenue	425,388	143,239	568,627
EXPENSES:			
Water	131,390		131,390
Pool/jacuzzi operations	19,456	40,680	60,136
Insurance	42,211		42,211
Management fees	36,192		36,192
Landscaping	35,176		35,176
Roof repair	10,982	21,994	32,976
Steps		28,866	28,866
General maintenance and repair	27,771		27,771
Electric	16,685		16,685
Trash removal	15,096		15,096
Gate repairs		13,992	13,992
Security	12,058		12,058
Light maintenance and repair	11,072		11,072
Administrative costs	9,871		9,871
Miscellaneous repairs	7,848		7,848
Siding/stucco repairs	3,415	3,100	6,515
Janitorial	5,760		5,760
Water remediation		5,520	5,520
Street repair/sweep	5,270		5,270
Gas	5,234		5,234
Bad debt expense	4,333		4,333
Carport repairs	4,228		4,228
Snow removal	3,039		3,039
Sprinkler repair	2,799		2,799
Fire Hydrant repairs		2,096	2,096
Tree maintenance	2,090		2,090
Telephone	1,899		1,899
Accounting fees	1,600		1,600
Legal fees	1,523		1,523
Fence repairs	1,375		1,375
Clubhouse maintenance	1,281		1,281
Engineer consulting		805	805
Pest control	<u>685</u>		<u>685</u>
Total expenses	<u>420,339</u>	<u>117,053</u>	<u>537,392</u>
EXCESS OF REVENUE OVER EXPENSES	5,049	26,186	31,235
FUND BALANCES, beginning of year	<u>(10,295)</u>	<u>209,981</u>	<u>199,686</u>
FUND BALANCES, end of year	<u>\$ (5,246)</u>	<u>\$ 236,167</u>	<u>\$ 230,921</u>

See Notes to Financial Statements

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2012

	Operating Fund	Replacement Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenue over expenses	\$ 5,049	\$ 26,186	\$ 31,235
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Increase in assessments receivable	(3,695)		(3,695)
Increase in allowance for bad debt	4,000		4,000
Decrease in insurance proceeds	1,512		1,512
Decrease in prepaid insurance	6,468		6,468
Increase (decrease) in accounts payable	(15,968)	24,895	8,927
Increase in assessments received in advance	<u>1,897</u>		<u>1,897</u>
Total adjustments	<u>(5,786)</u>	<u>24,895</u>	<u>19,109</u>
Net cash provided (used) by operating activities	<u>(737)</u>	<u>51,081</u>	<u>50,344</u>
NET INCREASE (DECREASE) IN CASH	(737)	51,081	50,344
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,787</u>	<u>209,981</u>	<u>215,768</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,050</u>	<u>\$ 261,062</u>	<u>\$ 266,112</u>

See Notes to Financial Statements

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Strawberry Fields Condominium Owners Association, Inc. is a statutory condominium association that was incorporated in the State of Colorado on November 19, 1997. The Association is responsible for the operation and maintenance of the common property of Strawberry Fields Condominium Owners Association, Inc. The development consists of 232 residential units located in Colorado Springs, Colorado.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting. Financial resources are classified for accounting purposes into two funds. The operating fund is used to account for the general operations of the Association. The replacement reserve fund is used to accumulate monies designated for future major repairs and replacements.

Income Tax

The Association has elected to be taxed as a homeowner association under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed by the federal government and by the State of Colorado.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2010 to 2012 remain open to examination by the Internal Revenue Service; Colorado income tax returns for 2009 to 2012 are open to examination. Management of the Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Assessments Receivable

Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with owners having outstanding balances, it has recorded an allowance for doubtful accounts of \$9,000 at December 31, 2012.

#### Property

Real property and common areas acquired from the developer and related improvements to such property 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.

#### Supplemental Cash Flow Disclosures

During the year ended December 31, 2012, the Association paid no interest or income taxes.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

#### Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 3, 2013, the date that the financial statements were available to be issued.

### B. REPLACEMENT RESERVE FUNDS

Article VI, Section 6.12.2 of the Declaration states that the common assessments set by the Board of Directors may include amounts for the creation of reasonable reserves for the repair, replacement and maintenance of those common elements that must be replaced periodically.



## Notes to Financial Statements

### C. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association engaged an independent firm to prepare a reserve analysis in July 2008 to estimate the remaining useful lives and the replacement costs of the common property components. The table shown in the unaudited supplementary information on future major repairs and replacements is based on this analysis.

The Association is funding for future major repairs and replacements over the remaining useful lives of the components. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments or pass special assessments.

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Supplementary Information on Future  
Major Repairs and Replacements

December 31, 2012

(Unaudited)

The Association engaged an independent firm to prepare a reserve analysis in July 2008 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained by inspection of the property. Replacement costs were based on the estimated costs to repair or replace the common property components assuming a 3% annual rate of inflation. Estimated replacement costs and estimated remaining lives have not been revised since the date of the study.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Replacement Reserve Fund Balance at 12/31/12</u>
Concrete	0-2	\$ 28,392	\$
Tennis court (resurface)	10	9,407	
Metal fence/doors/gates	3-15	49,674	
Carpet	2-4	6,622	
Guard/handrail	0-5	6,227	
Trash enclosure	7	3,690	
Carport steel posts	15	28,978	
Landscaping and irrigation	0-8	8,435	
Wood retaining wall	7	13,529	
Security system	6	14,926	
Keycard/phone entry system	4-5	12,549	
Rock veneer	4	3,545	
Furniture and equipment	2-15	49,062	
Kitchenette (refurbish)	6	17,911	
Bathrooms and rooms	4-10	38,567	
Wood fence	1-8	113,361	
Asphalt	5-8	430,517	
Mailboxes	7	8,794	
Gate operators	2-8	29,833	
Exterior (repaint)	0-4	244,922	
Stair treads	1-6	584,071	
Pool/spa	0-8	71,165	
Roofs	13-21	1,456,049	
Gutters/downspout	0-4	9,895	
Signage (replace)	1-12	6,278	
Lights	1-3	4,258	
Unallocated			<u>236,167</u>
Total		<u>\$ 3,250,657</u>	<u>\$ 236,167</u>