

**Meadow Creek Condominiums of Vail Association**

**Financial Report**

**June 30, 2021**

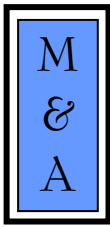


**Meadow Creek Condominiums of Vail Association  
(A Colorado Non-Profit Corporation)**

**June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Meadow Creek Condominiums of Vail Association  
Vail, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Meadow Creek Condominiums of Vail Association (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of June 30, 2021, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibilities***

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 of material misstatement.

An audit includes 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 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 the Association as of June 30, 2021, 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.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Meadow Creek Condominiums of Vail Association**  
**Vail, Colorado**

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental budgetary comparison schedule on page 10 is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's 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 auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

***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 11 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 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.

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the Association adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments, in fiscal year 2021. Our opinion is not modified with respect to this matter.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**December 29, 2021**

**Meadow Creek Condominiums of Vail Association**  
**(A Colorado Non-Profit Corporation)**  
**Balance Sheets**  
**June 30, 2021**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	30,462	101,690	132,152
Accounts receivable - Owners, net	19,849	10,140	29,989
Due (to) from other fund	22,131	(22,131)	-
<b>Total Assets</b>	<b>72,442</b>	<b>89,699</b>	<b>162,141</b>
 <b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	13,723	-	13,723
Deferred assessment revenue	45,772	-	45,772
<b>Total Liabilities</b>	<b>59,495</b>	<b>-</b>	<b>59,495</b>
<b>Fund Balances</b>	<b>12,947</b>	<b>89,699</b>	<b>102,646</b>
<b>Total Liabilities and Fund Balances</b>	<b>72,442</b>	<b>89,699</b>	<b>162,141</b>

The accompanying notes are an integral part of these financial statements.

**Meadow Creek Condominiums of Vail Association**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Common assessments	256,050	50,000	306,050
Deck project reimbursement	-	246,013	246,013
Interest income	29	-	29
Miscellaneous	1,448	-	1,448
<b>Total Revenues</b>	<b>257,527</b>	<b>296,013</b>	<b>553,540</b>
<b>Expenses:</b>			
Management fees	29,000	-	29,000
Bank fees	200	-	200
Professional fees	305	-	305
Insurance	39,365	-	39,365
Utilities	72,154	-	72,154
Trash removal	19,984	-	19,984
Snow removal	25,013	-	25,013
Landscaping	33,270	-	33,270
Repairs and maintenance	24,186	-	24,186
Office and general	2,499	-	2,499
Roof repairs	-	74,452	74,452
Deck project	-	205,821	205,821
Interest	-	5,499	5,499
Gutter repairs	-	5,328	5,328
Stucco repairs	-	5,384	5,384
Other Replacement Fund expenses	-	3,968	3,968
<b>Total Expenses</b>	<b>245,976</b>	<b>300,452</b>	<b>546,428</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>11,551</b>	<b>(4,439)</b>	<b>7,112</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,916</b>	<b>92,618</b>	<b>95,534</b>
Transfer (to) from other fund	(1,520)	1,520	-
<b>Fund Balances - End of Year</b>	<b>12,947</b>	<b>89,699</b>	<b>102,646</b>

The accompanying notes are an integral part of these financial statements.

**Meadow Creek Condominiums of Vail Association**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2021**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Cash received from owners	279,321	285,873	565,194
Other cash receipts	1,448	-	1,448
Interest received	29	-	29
Cash paid for goods and services	(285,176)	(300,452)	(585,628)
Transfer (to) from other fund	(11,801)	11,801	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(16,179)</u>	<u>(2,778)</u>	<u>(18,957)</u>
<b>Cash Flows From Financing Activities:</b>			
Principal drawn on line of credit	-	248,242	248,242
Principal repaid on line of credit	-	(250,000)	(250,000)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>-</u>	<u>(1,758)</u>	<u>(1,758)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(16,179)	(4,536)	(20,715)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>46,641</u>	<u>106,226</u>	<u>152,867</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>30,462</u></u>	<u><u>101,690</u></u>	<u><u>132,152</u></u>
<b>Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:</b>			
Excess (deficiency) of revenues over expenses	<u>11,551</u>	<u>(4,439)</u>	<u>7,112</u>
<b>Adjustments to reconcile:</b>			
(Increase) decrease in accounts receivable - Owners	(1,745)	(10,140)	(11,885)
Increase (decrease) in accounts payable	(39,200)	-	(39,200)
Increase (decrease) in deferred assessment revenue	25,016	-	25,016
Transfer (to) from other fund	(11,801)	11,801	-
Total Adjustments	<u>(27,730)</u>	<u>1,661</u>	<u>(26,069)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>(16,179)</u></u>	<u><u>(2,778)</u></u>	<u><u>(18,957)</u></u>

The accompanying notes are an integral part of these financial statements.

**Meadow Creek Condominiums of Vail Association  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
June 30, 2021**

**1. Organization**

Meadow Creek Condominiums of Vail Association (the "Association") was incorporated in the State of Colorado as a non-profit corporation pursuant to Articles of Incorporation filed June 20, 2003, and subsequently amended. As detailed in the Association's *Amended and Restated Condominium Declaration* (the "Declaration") recorded July 23, 2007, the Association was organized for the purpose of operating and maintaining the common property of the Association's owner-members.

The Association, which is located in Vail, Colorado, is a townhome complex comprised of 64 residential units.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned or assessed, and expenses when incurred.

**B. Fund Accounting**

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's elected Board of Directors (the "Board") and the Association's managing agent. Disbursements from the Replacement Fund may be made only for their designated purpose.

**C. Recognition of Assets**

Real and personal common property acquired by the original members from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Board is restricted. Accordingly, replacements and improvements to such common property are not recorded by the Association as capitalized fixed assets but are expensed in the period incurred.

The Association recognizes as assets on its financial statements only real and personal property to which it has title and that it can dispose of for cash, while retaining the proceeds. At June 30, 2021, the Association had no property which met these criteria.

**D. Cash and Cash Equivalents**

The Association considers all checking, money market, and savings accounts, as well as investments with original maturities of less than 90 days when purchased, to be cash equivalents for the purpose of the Statements of Cash Flow, since all such funds are highly liquid.

**E. Allowance for Uncollectible Amounts**

The Association utilizes the allowance method of recognizing the future potential uncollectibility of assessments receivable from owners. At June 30, 2021, no allowance for doubtful accounts was deemed necessary as all accounts were considered collectible.



**Meadow Creek Condominiums of Vail Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**June 30, 2021**  
**(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**F. Deferred Assessment Revenue**

Deferred assessment revenue represents common assessments for the following fiscal year which have been billed to owners in advance or prepaid by owners.

**G. Revenues and Revenue Recognition**

Common assessments are the primary source of revenue for the Association. The Board, together with the Managing Agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses, which are payable in quarterly installments.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes incidental revenues from various administrative fees and fines upon provision of the underlying goods or service. All such revenues are non-refundable.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments or, with approval of the membership, transferred to the Replacement Fund.

**H. Income Taxes**

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination by the Internal Revenue Service for tax years prior to fiscal year 2018 and by the Colorado Department of Revenue for tax years prior to fiscal year 2017.

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

**Meadow Creek Condominiums of Vail Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**June 30, 2021**  
**(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**J. Subsequent Events**

Management has evaluated subsequent events through December 29, 2021; the date these financial statements were available to be issued.

**4. Revenue from Contracts with Customers**

For the year ended June 30, 2021, revenue recognized for goods transferred or performance obligations met at a point in time totaled \$1,448. There were no revenues recognized for goods transferred or performance obligations met over time during 2021. Revenues may be affected by general economic conditions and inflationary pressures. Revenues are primarily collected from members of the Association.

**5. Line of Credit**

In May 2020, the Association entered into a \$250,000 line of credit agreement with FirstBank to assist in funding the deck repair project (as further discussed in Note 8). Interest accrued on amounts drawn on the line at 0.75% above the Prime Rate (but never less than 4% per annum). The line of credit, which was to mature in February 2021, was secured by an assignment of assessments.

In February 2021, the line of credit agreement was modified to reduce the principal amount to \$100,000 and extend the maturity date to February 2022. Other significant terms of the agreement remained unchanged.

The line of credit was paid off by the Association as of June 30, 2021.

During the year ending June 30, 2021, the Association drew \$248,242 and repaid \$250,000 on the line of credit, and incurred interest expense of \$5,499.

**6. Replacement Fund and Reserve for Future Major Repairs and Replacements**

The Association's governing documents allow for the accumulation of funds for future major repairs and replacements. In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to decide on a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owners for the anticipated costs and accumulating the funds in reserves to meet the future funding requirements.

The Association's Managing Agent conducts a study annually to estimate the remaining useful lives and replacement costs of the components of common property. The table included in the unaudited supplementary Schedule of Future Major Repairs and Replacements on page 11 is based on the study.

The Association levied aggregate Replacement Fund assessments of \$50,000 during the year ended June 30, 2021.

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. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Meadow Creek Condominiums of Vail Association  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
June 30, 2021  
(Continued)**

**7. Management Contract**

Effective in July 2019, the Association executed a management contract with Vail Management Company (“Vail Management”) to engage Vail Management as the Association’s Managing Agent and to provide day-today administration and management of the Association. The agreement had an initial one-year term, but automatically renews for successive one-year terms, unless otherwise terminated. Pursuant to the agreement, Vail Management is to be paid a fixed monthly fee for management services, as approved annually by the Association, and hourly rates for repair and maintenance services. Vail Management is also entitled to reimbursement, as approved by the Association, for out-of-pockets costs incurred on behalf of the Association.

For the year ended June 30, 2021, the Association incurred management fees and other billings as follows:

Management fees	\$ 29,000
Snow removal	3,283
Landscaping	498
Repairs and maintenance	18,805
Office and general	760
Replacement Fund projects	<u>23,219</u>
<b>Total</b>	<u><u>\$ 75,565</u></u>

The Association had a net balance of \$1,873 payable to Vail Management at June 30, 2021 for services provided.

**8. Deck Repair Project**

In April 2020, the Board approved deck repair project at a total estimated cost of \$250,000, with each owner to be billed for the cost of repairs to their respective decks. Payment was to be due 30 days after billing, with unpaid amounts bearing interest at 5% per annum.

The project commenced in fiscal year 2020 and was completed during fiscal year 2021. Total expenses incurred on the project totaled \$260,881 and total owner billings totaled \$260,562.

**9. New Accounting Standard**

Effective July 1, 2020, the Association implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), issued by the Financial Accounting Standards Board, and all subsequent amendments. ASU 2014-09 requires enhanced disclosures of the Association’s revenue recognition policies. The implementation of ASU 2014-09 has been applied retrospectively to all periods presented, with no effect to net assets or previously issued financial statements.

**Meadow Creek Condominiums of Vail Association**  
**(A Colorado Non-Profit Corporation)**  
**Schedule of Operating Fund - Budget to Actual Comparison**  
**For the Year Ended June 30, 2021**  
**(With Comparative Actual Amounts for the Year Ended June 30, 2020)**

	<b>Budget (Unaudited)</b>	<b>Actual</b>	<b>Variance: Positive (Negative)</b>
<b>Revenues:</b>			
Common assessments	256,050	256,050	-
Interest income	750	29	(721)
Miscellaneous	-	1,448	1,448
	<u>256,800</u>	<u>257,527</u>	<u>727</u>
<b>Total Revenues</b>			
<b>Expenses:</b>			
Management fees	29,000	29,000	-
Bank fees	50	200	(150)
Professional fees	6,000	305	5,695
Insurance	38,500	39,365	(865)
Utilities	61,600	72,154	(10,554)
Trash removal	18,000	19,984	(1,984)
Snow removal	53,800	25,013	28,787
Landscaping	27,000	33,270	(6,270)
Repairs and maintenance	22,000	24,186	(2,186)
Office and general	850	2,499	(1,649)
	<u>256,800</u>	<u>245,976</u>	<u>10,824</u>
<b>Total Expenses</b>			
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<u>-</u>	<u>11,551</u>	<u>11,551</u>

The accompanying notes are an integral part of these financial statements.

**Meadow Creek Condominiums of Vail Association  
(A Colorado Non-Profit Corporation)  
Schedule of Future Major Repairs and Replacements  
June 30, 2021  
(Unaudited)**

The Association's Managing Agent conducts a study annually to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were developed based on management's assessment of the current condition of the property components; knowledge of local pricing for labor, equipment, and materials, as well as past experience.

The balance of the Replacement Fund has not been designated by the Board for specific components of common property.

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

<b>Components</b>	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Cost</b>	<b>Replacement Fund Balance June 30, 2021</b>
Roofs	6 - 19	394,800	
Carport roofs	2 - 5	54,000	
Parking - Seal coating and striping	0 - 1	17,300	
Painting	3	256,000	
Gutters	2	4,500	
Other minor projects	1	10,000	
		<u>736,600</u>	
Total			<u>89,699</u>

The accompanying notes are an integral part of these financial statements.