

**THE WINDSONG  
CONDOMINIUMS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**And**

**INDEPENDENT AUDITOR'S REPORT**

**For The Year Ended December 31, 2018**



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**Independent Auditor's Report**

To the Board of Directors of  
The Windsong Condominiums Association, Inc.

I have audited the accompanying financial statements of The Windsong Condominiums Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances and of cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

The Association's Board of Directors and its designated agents comprise "Management" of the Association. 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 responsibility 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Association'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 Association's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Windsong Condominiums Association, Inc. as of December 31, 2018, 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.

The Windsong Condominiums Association, Inc.  
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***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements located after the footnotes in this report 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance thereon.

*Dale Weidner, CPA*

Dale Weidner, CPA  
Principal  
Dale Weidner & Company, LLC  
Lone Tree, Colorado  
October 20, 2019

**The Windsong Condominiums Association, Inc.**  
**Balance Sheet**  
**December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>ASSETS:</b>			
Cash:			
Checking and money market accounts	\$128,909	\$96,867	\$225,776
Certificates of deposit		375,000	375,000
Total cash	<u>128,909</u>	<u>471,867</u>	<u>600,776</u>
Accrued interest		3,163	3,163
Accounts receivable - members	162,925		162,925
Prepaid insurance	10,052		10,052
Prepaid income taxes	<u>849</u>		<u>849</u>
Total assets	<u><b>\$302,735</b></u>	<u><b>\$475,030</b></u>	<u><b>\$777,765</b></u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Accounts payable	\$82,220		\$82,220
Income tax payable	3,068		3,068
Deferred revenue - prepaid assessments	52,021		52,021
Loan payable (Note 8)		<u>\$18,918</u>	<u>18,918</u>
Total liabilities	<u>137,309</u>	<u>18,918</u>	<u>156,227</u>
Fund balances	<u>165,426</u>	<u>456,112</u>	<u>621,538</u>
Total liabilities and fund balances	<u><b>\$302,735</b></u>	<u><b>\$475,030</b></u>	<u><b>\$777,765</b></u>

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

**The Windsong Condominiums Association, Inc.**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>REVENUES:</b>			
Special assessment (Note 6)	\$1,599,997		\$1,599,997
Assessments - members (Note 3)	1,391,254		1,391,254
Allocation of assessments to replacement fund (Note 4)	(567,988)	\$567,988	0
Insurance claim proceeds (Note 6)	135,041		135,041
Legal fees, late fees, and other member charges	25,736		25,736
Comcast easement (Note 7)	11,371		11,371
Interest	290	3,923	4,213
Total revenues	<u>2,595,701</u>	<u>571,911</u>	<u>3,167,612</u>
<b>EXPENSES:</b>			
<b>Administrative</b>			
Insurance	\$140,900		\$140,900
Management company contract	67,584		67,584
Legal and audit	24,870		24,870
Note interest		\$6,645	6,645
Income tax	3,564		3,564
Other administrative	13,846	3,415	17,261
<b>Building</b>			
Insurance claim / roof repairs (Note 6)	2,433,106	135,079	2,568,185
Trash removal	34,374		34,374
Hot tub / sauna	15,642		15,642
Roof repairs	11,523		11,523
Other building	62,543		62,543
<b>Grounds</b>			
Yard and grounds	59,085		59,085
Asphalt and concrete		96,196	96,196
Snow removal	49,224		49,224
Drainage		46,919	46,919
Tree maintenance	29,706		29,706
Structural		19,656	19,656
Plumbing / sewer		17,993	17,993
Other grounds	61,761		61,761
<b>Utilities</b>			
Water and sewer	191,367		191,367
Gas and electric	13,779		13,779
Internet	2,536		2,536
Total expenses	<u>3,215,410</u>	<u>325,903</u>	<u>3,541,313</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>(619,709)</b>	<b>246,008</b>	<b>(373,701)</b>
Fund balances - beginning of year	<u>785,135</u>	<u>210,104</u>	<u>995,239</u>
<b>FUND BALANCES - END OF YEAR</b>	<b><u>\$165,426</u></b>	<b><u>\$456,112</u></b>	<b><u>\$621,538</u></b>

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

**The Windsong Condominiums Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (deficiency) of revenues over expenses	(\$619,709)	\$246,008	(\$373,701)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(116,433)		(116,433)
(Increase) decrease in accrued interest		(3,163)	(3,163)
(Increase) decrease in prepaid insurance	24,907		24,907
(Increase) decrease in prepaid income taxes	496		496
Increase (decrease) in accounts payable	48,358		48,358
Increase (decrease) in income taxes payable	1,667		1,667
Increase (decrease) in prepaid assessments	(4,546)		(4,546)
Increase (decrease) in easement deferred revenue	(11,371)		(11,371)
Net cash provided by (used in) operating activities	<u>(676,631)</u>	<u>242,845</u>	<u>(433,786)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Change in interfund receivable (payable)	(28,663)	28,663	0
Increase (decrease) in loan payable		(176,284)	(176,284)
Net cash provided by (used in) financing activities	<u>(28,663)</u>	<u>(147,621)</u>	<u>(176,284)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(705,294)	95,224	(610,070)
Cash at beginning of year	<u>834,203</u>	<u>376,643</u>	<u>1,210,846</u>
<b>CASH AT END OF YEAR</b>	<b><u>\$128,909</u></b>	<b><u>\$471,867</u></b>	<b><u>\$600,776</u></b>

Supplemental Disclosure of Cash Flows Information:

Income taxes paid during the year	<u>\$1,401</u>	<u>\$0</u>	<u>\$1,401</u>
Interest paid during the year	<u>\$0</u>	<u>\$6,645</u>	<u>\$6,645</u>

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

**The Windsong Condominiums Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 1. ORGANIZATION**

The Windsong Condominiums Association, Inc. ("The Association") is a residential management association incorporated on November 1, 1982, as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Arapahoe County, Colorado and consists of the owners of 398 residences. The Members elect the Association's Board of Directors. The Board volunteers its time to manage the affairs of the Association.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

BASIS OF ACCOUNTING

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association's two funds are the operating fund and the replacement fund. The operating fund is used to account for the general operations of the Association. The replacement fund is used to account for money set aside and related expenses for major repairs and replacements.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations the Association's property, including common areas, is not capitalized in these financial statements. That property is commonly owned by the resident-owners, cannot be detached from the development and sold, and is not used by the Association to generate revenue.

ESTIMATES

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

**NOTE 3. ASSESSMENTS**

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners ranged from \$224 to \$401 per month during 2018. Assessments included amounts designated in the Association's budget for the replacement fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

**The Windsong Condominiums Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 4. REPLACEMENT FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require that a replacement fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of replacement fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the replacement fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements."

The Association's budget for 2018 allocated \$567,988 of assessment revenues to the replacement fund. That amount was transferred during the year. Future allocations of assessment revenues to the replacement fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual replacement fund expenses may vary from the reserve study's estimates. These variations may be material. Therefore, the replacement fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

**NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES**

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management, and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had net taxable income for the year which was taxed at a 30% rate on the federal return and at a 4.63% rate on the Colorado return. The Association's federal income taxes for 2018 were \$3,068; Colorado income taxes were \$496.

**NOTE 6. INSURANCE CLAIM / SPECIAL ASSESSMENT**

In May of 2016, the Association incurred significant damage as a result of a hail storm. Through December 31, 2018, the Association received insurance claim proceeds totaling of \$1,391,968 including \$135,041 of proceeds received during 2018. Through December 31, 2018 costs related to the insurance claim totaled \$2,811,212 including \$2,568,185 incurred in 2018. The final settlement amount has not been determined as the Association is exploring options for increasing the recovery amount.

The Association levied a special assessment totaling \$1,599,997 in 2018 in order to pay the difference between expected costs and expected insurance proceeds. This special assessment was allocated on the same basis as regular assessments and ranged from \$3,090 to \$5,533 based on unit type.

**NOTE 7. COMCAST EASEMENT**

In 2012, the Association entered into a 7-year easement agreement with Comcast resulting in proceeds to the Association of \$79,800. That income is being recognized over the life of that agreement.



**The Windsong Condominiums Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**NOTE 8. LOAN PAYABLE**

The Association took out a \$607,016 loan in 2013 to facilitate the completion of a street replacement project. In 2014 an additional \$167,996 was borrowed. As of December 31, 2018, the loan balance was \$18,918 with interest accruing at 5.5% per annum. The loan was paid off in February 2019.

**NOTE 9. DATE OF MANAGEMENT'S REVIEW**

The Association's Board of Directors and its designated agents comprise "Management" of the Association. In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

**The Windsong Condominiums Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2018**  
**Unaudited**

Association Reserves prepared a reserve study for Windsong in December of 2018. That 91-page study identifies the major components of the Association's common property, estimates of the remaining useful lives of that property, and estimates the cost of the repairs and replacements through 2043. The summary pages of the study follow. The entire study is available in electronic form from the Association's management company and should be utilized for detailed analysis of the reserve status of the Association. Some of the items in the study may have already been repaired or replaced as of the date of this report.

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
<b>Sights &amp; Grounds</b>								
2109	Patio Concrete - Allowance	\$13,500	X	3	/	3	=	\$13,500
2115	Concrete Walkways - Repair - 5%	\$26,450	X	5	/	5	=	\$26,450
2131	Asphalt - Seal/Repair	\$57,450	X	1	/	4	=	\$14,363
2133	Asphalt - Resurface	\$1,007,550	X	5	/	25	=	\$201,510
2151	Site Fencing: Wood - Repair/Paint	\$35,000	X	5	/	5	=	\$35,000
2155	Site Fencing: Wood - Replace	\$200,000	X	11	/	25	=	\$88,000
2167	Trellis/Arbor - Paint	\$4,500	X	6	/	6	=	\$4,500
2167	Trellis/Arbor - Replace	\$12,100	X	14	/	25	=	\$6,776
2169	Trash Enclosures - Replace - 25%	\$12,000	X	2	/	5	=	\$4,800
2179	Mailboxes - Replace	\$25,500	X	14	/	25	=	\$14,280
2181	Sign/Monument - Refurbish/Replace	\$11,800	X	14	/	30	=	\$5,507
2185	Site Pole Lights - Replace	\$30,800	X	14	/	30	=	\$14,373
2247	Mailbox Bldgs - Maintain	\$5,500	X	14	/	25	=	\$3,080
<b>Building Exteriors</b>								
2303	Exterior Wall Lights - Replace	\$18,450	X	14	/	25	=	\$10,332
2337	Wood Exterior - Paint (PH1)	\$181,650	X	5	/	7	=	\$129,750
2337	Wood Exterior - Paint (PH2)	\$181,650	X	4	/	7	=	\$103,800
2337	Wood Exterior - Paint (PH3)	\$181,650	X	3	/	7	=	\$77,850
2353	Wood/Composite Siding - Replace	\$4,540,750	X	36	/	50	=	\$3,269,340
2377	Roof: Composition Shingle - Replace	\$2,558,200	X	1	/	25	=	\$102,328
2387	Gutters/Downspouts - Replace - 33%	\$101,750	X	4	/	10	=	\$40,700
<b>Tennis Courts</b>								
2611	Asphalt Tennis Court - Seal/Stripe	\$3,800	X	4	/	4	=	\$3,800
2613	Asphalt Tennis Court - Resurface	\$80,000	X	25	/	25	=	\$80,000
2615	Tennis Court Fencing - Replace	\$19,750	X	14	/	30	=	\$9,217
2617	Tennis Court Windscreen - Replace	\$7,900	X	10	/	10	=	\$7,900
<b>East Clubhouse</b>								
2717	Clubhouse Interior Walls - Repaint	\$13,350	X	9	/	10	=	\$12,015
2721	Clubhouse Tile Flooring - Replace	\$8,350	X	36	/	50	=	\$6,012
2721	Vinyl Plank Flooring - Replace	\$8,400	X	9	/	20	=	\$3,780
2725	Clubhouse Bathrooms - Refurbish	\$8,000	X	9	/	20	=	\$3,600
2739	Clubhouse Furniture - Replace	\$8,550	X	6	/	10	=	\$5,130
2743	Clubhouse Water Heater - Replace	\$1,700	X	7	/	15	=	\$793
2746	Clubhouse Condenser - Replace	\$4,750	X	13	/	20	=	\$3,088
2746	Clubhouse Furnace - Replace	\$3,500	X	13	/	20	=	\$2,275
2751	Kitchen - Remodel	\$5,250	X	9	/	30	=	\$1,575
2753	Kitchen Appliances - Replace	\$2,650	X	9	/	15	=	\$1,590
2755	Drinking Fountains - Replace	\$2,600	X	9	/	20	=	\$1,170
<b>East Pool &amp; Spa</b>								
2805	Fencing: Vinyl - Replace	\$11,850	X	9	/	30	=	\$3,555
2807	Patio Furniture - Replace	\$8,000	X	9	/	10	=	\$7,200
2809	Coping Stones - Repair	\$2,700	X	9	/	24	=	\$1,013
2813	Deck - Repair - 10%	\$3,250	X	7	/	10	=	\$2,275
2815	Pool - Resurface	\$13,500	X	9	/	12	=	\$10,125

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
2817	Spa - Resurface	\$5,150	X	4	/	6	=	\$3,433
2823	Pool Cover - Replace	\$3,000	X	7	/	8	=	\$2,625
2825	Spa Cover - Replace	\$2,000	X	7	/	8	=	\$1,750
2827	Pool Heater - Replace	\$7,750	X	9	/	12	=	\$5,813
2829	Spa Heater - Replace	\$3,600	X	2	/	12	=	\$600
2831	Pool Filter - Replace	\$1,400	X	18	/	20	=	\$1,260
2833	Spa Filter - Replace	\$1,400	X	18	/	20	=	\$1,260
2837	Pumps - Replace	\$2,950	X	9	/	15	=	\$1,770
<b>West Clubhouse</b>								
2715	Clubhouse Lights - Replace	\$3,150	X	11	/	25	=	\$1,386
2717	Clubhouse Interior Walls - Repaint	\$2,450	X	11	/	15	=	\$1,797
2720	Clubhouse Carpet- Replace	\$3,600	X	10	/	10	=	\$3,600
2721	Clubhouse Tile Flooring - Replace	\$2,200	X	36	/	50	=	\$1,584
2725	Clubhouse Bathrooms - Refurbish	\$8,000	X	11	/	20	=	\$4,400
2739	Clubhouse Furniture - Replace	\$9,400	X	11	/	15	=	\$6,893
2743	Clubhouse Water Heater - Replace	\$1,150	X	15	/	15	=	\$1,150
2746	Clubhouse Condenser - Replace	\$4,750	X	14	/	20	=	\$3,325
2746	Clubhouse Furnace - Replace	\$3,500	X	16	/	20	=	\$2,800
2751	Kitchen - Remodel	\$5,250	X	30	/	30	=	\$5,250
2753	Kitchen Appliances - Replace	\$2,650	X	15	/	15	=	\$2,650
<b>West Pool</b>								
2803	Wood Fencing - Repair/Paint	\$1,500	X	5	/	5	=	\$1,500
2805	Wood Fencing - Replace	\$11,300	X	11	/	30	=	\$4,143
2807	Patio Furniture - Replace	\$8,350	X	11	/	15	=	\$6,123
2809	Coping Stones - Repair	\$2,700	X	20	/	24	=	\$2,250
2813	Deck - Repair - 10%	\$4,100	X	7	/	10	=	\$2,870
2815	Pool - Resurface	\$13,500	X	8	/	12	=	\$9,000
2817	Spa - Resurface	\$5,150	X	3	/	6	=	\$2,575
2823	Pool Cover - Replace	\$3,000	X	7	/	8	=	\$2,625
2825	Spa Cover - Replace	\$2,000	X	7	/	8	=	\$1,750
2827	Pool Heater - Replace	\$7,750	X	7	/	12	=	\$4,521
2829	Spa Heater - Replace	\$3,600	X	8	/	12	=	\$2,400
2831	Pool Filter - Replace	\$1,400	X	10	/	20	=	\$700
2833	Spa Filter - Replace	\$1,400	X	10	/	20	=	\$700
2837	Pumps - Replace	\$2,950	X	11	/	15	=	\$2,163
								\$4,429,017