



**Master Community
Association, Inc.
Financial Statements
For the year ended
December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Master Community Association, Inc.:

To the Board of Directors of Master Community Association, Inc.

We have audited the accompanying financial statements of Master Community Association, Inc., which comprise the balance sheets as of December 31, 2013, 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. Information for the year ended December 31, 2012 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year on which we expressed an unmodified opinion in our report dated July 25, 2013.

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.

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 Master Community Association, Inc. as of December 31, 2013, 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.

INDEPENDENT AUDITOR'S REPORT - continued

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Fund Expenses, Budget and Actual on page 10 is presented for purposes of additional analysis and is 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 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 Supplementary Information on 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.

James Moore & Associates, PC
Certified Public Accountants
Aurora, Colorado

Master Community Association, Inc.

Balance Sheets December 31, 2013

(With Comparative Totals for 2012)

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	December 31, 2013				December
	Operating Fund	Reserve Fund	Community Fund	Total	2012 Total
ASSETS					
Cash and cash equivalents	\$594,292	\$620,541	\$138,847	\$1,353,680	\$1,087,542
Investments	0	690,409	0	690,409	625,564
Accounts receivable, net of Allowance for uncollectible accounts of \$55,000 and \$52,000 on 2013 and 2012 respectively					
Homeowners & Builders	79,303	0	0	79,303	75,077
Other A/R	46,019	0	0	46,019	32,475
Other receivables	14,972	0	0	14,972	17,239
Prepaid expenses	63,550	0	0	63,550	38,961
Receivable from PCMD	61,934	0	0	61,934	50,726
Other assets	12,006	6,224	0	18,230	16,706
Property and equipment, net of Accumulated depreciation of \$136,959 and \$108,067 in 2013 and 2012, respectively	130,809	0	0	130,809	141,297
Total Assets	\$1,002,885	\$1,317,174	\$138,847	\$2,458,906	\$2,085,587
LIABILITIES AND FUND BALANCES					
Accounts payable	\$125,352	\$9,000	\$0	\$134,352	\$134,044
Prepaid assessments	169,305	0	0	169,305	162,501
Other liabilities	515	242,000	0	242,515	12,883
Credit card	3,061	0	63	3,124	3,179
Payroll liabilities	3,302	0	0	3,302	3,050
Total Liabilities	\$301,535	\$251,000	\$63	\$552,598	\$315,657
Unrealized gain / (loss) on investments	0	(11,354)	0	(11,354)	14,094
Working capital	1,042,200	0	0	1,042,200	946,600
Fund balances	(340,850)	1,077,528	138,784	875,462	809,236
Total Liabilities and Fund Balances	\$1,002,885	\$1,317,174	\$138,847	\$2,458,906	\$2,085,587

See accompanying notes and auditor's report.

Master Community Association, Inc.
Statements of Revenues, Expenses, and Changes in Fund Balances
Year Ended December 31, 2013

(With Comparative Totals for 2012)

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	December 31, 2013			December 2012 Total	
	Operating Fund	Reserve Fund	Community Fund		Total
REVENUES					
Homeowner and builder assessments	\$2,362,293	\$0	\$0	\$2,362,293	\$2,124,293
Commercial and rentals assessments	288,255	0	0	288,255	234,172
Declarant assessments	72,548	0	0	72,548	30,431
Investment income	383	22,096	259	22,738	25,702
Pool income	661,529	0	0	661,529	527,318
Community fee income	0	0	37,434	37,434	35,914
Other income	181,912	0	0	181,912	154,205
Collection fees / late fess	22,702	0	0	22,702	32,369
PCMD	843,200	0	0	843,200	818,711
	<u>\$4,432,822</u>	<u>\$22,096</u>	<u>\$37,693</u>	<u>\$4,492,611</u>	<u>\$3,983,115</u>
EXPENSES					
Repairs and maintenance	\$1,310,763	\$0	\$0	\$1,310,763	\$1,212,749
Utilities	197,125	0	0	197,125	188,283
Administration	1,441,242	13,016	0	1,454,258	1,246,704
Taxes and insurance	108,986	0	0	108,986	79,894
PCMD	825,429	0	0	825,429	796,232
Reserve expenses	0	476,752	53,072	529,824	251,504
	<u>\$3,883,545</u>	<u>\$489,768</u>	<u>\$53,072</u>	<u>\$4,426,385</u>	<u>\$3,775,366</u>
Excess of revenues over expenses	\$549,277	(\$467,672)	(\$15,379)	\$66,226	\$207,749
Beginning fund balances	(470,875)	1,148,230	131,881	809,236	601,487
Transfer between funds	(419,252)	396,970	22,282	0	0
Ending fund balances	<u>(\$340,850)</u>	<u>\$1,077,528</u>	<u>\$138,784</u>	<u>\$875,462</u>	<u>\$809,236</u>

See accompanying notes and auditor's report.

Master Community Association, Inc.
Statements of Cash Flows
Year Ended December 31, 2013

(With Comparative Totals for 2012)

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	December 31, 2013			December 2012 Total	
	Operating Fund	Reserve Fund	Community Fund		Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess / (Deficit) of revenues over expenses	\$549,277	(\$467,672)	(\$15,379)	\$66,226	\$207,749
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided / (used) by operating activities:					
Depreciation expense	28,892	0		28,892	28,936
(Increase) decrease in:					
Accounts receivable					
Homeowners & Builders	(4,226)	0	0	(4,226)	(133)
Other A/R	(13,544)	0	0	(13,544)	6,635
Other receivables	2,267	0	0	2,267	(14,139)
Prepaid expenses	(24,589)	0	0	(24,589)	(18,078)
Receivable from PCMD	(11,208)	0	0	(11,208)	(757)
Other assets	(645)	(879)	0	(1,524)	(653)
Increase (decrease) in:					
Accounts payable	(1,723)	7,150	(5,119)	308	(68,694)
Prepaid assessments	6,804	0	0	6,804	38,346
Other liabilities	(368)	230,000		229,632	11,862
Credit card	(16)	0	(39)	(55)	(1,384)
Payroll liabilities	252	0	0	252	(421)
Unrealized gain / (loss) on investments	0	(25,448)	0	(25,448)	4,511
Net Cash Provided / (Used) by Operating Activities	<u>531,173</u>	<u>(256,849)</u>	<u>(20,537)</u>	<u>253,787</u>	<u>193,780</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments	0	(64,845)	0	(64,845)	73,173
Property and equipment	(18,404)	0	0	(18,404)	(10,006)
Net Cash Provided / (Used) by Investing Activities	<u>(18,404)</u>	<u>(64,845)</u>	<u>0</u>	<u>(83,249)</u>	<u>63,167</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in Working capital	95,600	0	0	95,600	84,600
Interfund transfers	(419,252)	396,970	22,282	0	0
Net Cash Provided / (Used) by Financing Activities	<u>(323,652)</u>	<u>396,970</u>	<u>22,282</u>	<u>95,600</u>	<u>84,600</u>
NET INCREASE (DECREASE) IN CASH	189,117	75,276	1,745	266,138	341,547
CASH AT BEGINNING OF YEAR	<u>405,175</u>	<u>545,265</u>	<u>137,102</u>	<u>1,087,542</u>	<u>745,995</u>
CASH AT END OF YEAR	<u>\$594,292</u>	<u>\$620,541</u>	<u>\$138,847</u>	<u>\$1,353,680</u>	<u>\$1,087,542</u>

See accompanying notes and auditor's report.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2013

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Note 1 - Nature of Organization

Master Community Association, Inc. (the Association) was incorporated on September 25, 2001, in the State of Colorado. The Association is responsible for the operation, management, and maintenance of the common property within the development. The development is located within the former Stapleton International Airport site in Denver, Colorado. The development is planned for approximately 15,000 units, of which 8,000 will be individually owned residential units, 4,000 unit equivalents will be multi-family residential rentals, and 3,000 unit equivalents will be commercial, industrial, office, or recreation use. As of December 31, 2013, approximately 5,211 residential units had been sold to homeowners

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

Both the accompanying financial statements and related income tax returns have been prepared in accordance with the accrual method of accounting.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund- This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund- This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Assessments Receivable

Assessments are stated on the balance sheet at face value. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2013

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Recognition of Assets and Depreciation Policy

Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

Depreciation

Leasehold improvements for the Association's office of operations is depreciated over 10 years using the straight-line method. The Association's furniture, fixtures, and equipment is depreciated over 7 to 10 years using the straight-line method.

Working Capital Reserves

Working capital deposits collected from homeowners at the initial closing of each lot, as required by the Declarations, have been recorded as contributed capital of the operating fund.

Member Assessments

Association members are subject to regular assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Owners' assessments are determined by an annual budget approved by the board to meet operating costs and contribute to the replacement fund. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year.

For the year ended December 31, 2013, owners were assessed from \$21.40 to \$38 per month.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. The Association expects to file its December 31, 2013 income tax returns, as an exempt organization using Form 990.

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

Master Community Association, Inc
Notes to Financial Statements
December 31, 2013

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Note 3 - Property and Equipment

Property and equipment consist of the following:

Lease hold improvement – MCA office	\$ 124,970
Furniture and equipment	83,547
Training equipment	3,891
Truck	36,573
Pool facility	<u>18,787</u>
	<u>267,768</u>
Accumulated depreciation	<u>136,959</u>
	<u>\$ 130,809</u>

Note 4 - Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregated 1,077,528, are held in separate accounts and are generally not available for operating purposes.

Management of the Association conducted a study to estimate the remaining useful lives and the replacement costs of the common area components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 – Community Fee Assessments

Upon the transfer of a unit within the Association, Section 6.12 of the First Amended and Restated Community Declaration requires a Community Fee to be paid by the seller. The purpose of the Community Fee is to provide funding to help achieve the objectives of the Development Plan. The objectives of the Development Plan are: providing affordable housing, increasing availability of jobs training programs, increasing the availability of educational programs, promoting sustainable development, and creating open space.

The Community Fee is calculated by multiplying the selling price in excess of \$100,000 by 0.25%. Such Community Fee is to be deposited into an escrow account. On a quarterly basis, the escrow holder is to transfer 95% of the Community Fee collected to the Community Investment Fund, a separate legal entity, and 5% of the Community Fee collected to the Association. Accordingly, only the Association's 5% of the Community Fee is reflected as Community Fee income in the Association's financial statement and is maintained as a separate fund.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2013

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Note 6 – PCMD – Park Creek Metropolitan District

The Association has entered into a contract with the Park Creek Metropolitan District (“PCMD”) for the grounds maintenance of PCMD parks property. PCMD has agreed to reimburse the Association for all expenditures incurred on PCMD property.

Note 7 – Office, Community Room and Storage Lease

On October 1, 2007 the Association leased office, community room, and storage space from the Declarant (Forest City) under a five year lease. The lease calls for annual base rent of \$52,956, \$54,540, \$56,196, \$57,864, and \$59,604 in first through fifth of the lease years, respectively. In addition to this base rent, the Association is responsible for approximately 25.271% of common area maintenance on the premises. This lease expired in October 2012, and has continuing as a month-to-month lease through the date of our report.

The Association incurred leasehold improvement costs of \$249,136 to finish out the office, community room, and storage space. The Declarant reimbursed the Association for \$129,140 of these costs, leaving the Association with a net leasehold improvement cost of \$119,996.

Note 8 - Contingencies

The Association is a party to various legal actions normally associated with homeowners associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management’s opinion, would not be material to the future financial condition of the Association.

Note 9 - Supplemental Disclosures

During the year ended December 31, 2013 , the Association paid \$0 in interest expense and \$0, in income taxes.

Note 10 – Pools management

During 2009 the Association took over direct management of the Association’s swimming pools. Prior to 2009 pool management was contracted with an outside service provider. During the year ended December 31, 2013 the association received \$661,529 in pool revenue.

Note 11 – Date of Management’s Review

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

Master Community Association, Inc.
Schedule of Operating Fund Expenses, Budget and Actual
Year Ended December 31, 2013

(With Comparative Totals for 2012)

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	Year Ended		Year Ended	
	December 2013		December 2012	
	Budget (Unaudited)	Actual	Budget (Unaudited)	Actual
Repairs and maintenance				
Grounds maintenance	\$334,456	\$370,527	\$395,240	\$331,753
Building repairs and maintenance	58,000	42,443	65,400	40,016
Aviator Pool Maintenance	34,670	33,920	31,500	35,174
Other Aviator pools expense	33,826	35,453	24,200	33,652
Puddle Jumper Pool	35,165	27,372	31,000	36,772
Other Puddle Jumper pool expense	18,013	13,567	24,700	18,424
Filing 15 Pool	34,429	32,019	28,000	35,899
Other Filing 15 Pool expenses	31,735	32,097	24,700	31,553
Jet Stream Pool expenses	55,552	48,723	52,700	63,527
General Pool Operations	528,411	597,568	481,850	526,595
Snow removal	37,500	44,088	37,500	25,915
Other expenses	4,750	4,094	4,200	4,533
Depreciation expense	0	28,892	0	28,936
	<u>1,206,507</u>	<u>1,310,763</u>	<u>1,200,990</u>	<u>1,212,749</u>
Utilities				
Gas & electric	11,728	14,674	14,500	18,477
Water	122,549	95,341	76,500	97,402
Storm drain fees	83,115	87,110	96,200	72,404
	<u>217,392</u>	<u>197,125</u>	<u>187,200</u>	<u>188,283</u>
Administration				
Management	734,380	741,998	701,442	704,124
Professional services	51,250	66,736	38,400	40,598
Administrative	89,400	77,300	51,525	58,876
Office	53,832	49,627	47,220	48,712
Bad debt expense	0	3,000	0	0
Intranet	1,400	20,112	20,400	16,749
Social activities	372,000	433,762	254,996	325,453
Community room	51,672	48,707	46,920	48,290
	<u>1,353,934</u>	<u>1,441,242</u>	<u>1,160,903</u>	<u>1,242,802</u>
Taxes and insurance				
Federal income tax	0	0	0	0
State income tax	0	0	0	0
Insurance	104,514	108,986	95,571	79,894
	<u>104,514</u>	<u>108,986</u>	<u>95,571</u>	<u>79,894</u>
PCMD				
PCMD - Grounds maintenance	492,492	502,412	515,084	454,913
PCMD - Other maintenance	99,992	80,743	65,000	74,199
PCMD - Snow removal	35,000	34,514	35,000	23,137
PCMD - Trash & debris removal	0	100	6,000	0
PCMD - Tree maintenance	6,000	6,255	7,500	754
PCMD - Utilities	234,584	201,405	197,700	243,229
	<u>868,068</u>	<u>825,429</u>	<u>826,284</u>	<u>796,232</u>
GRAND TOTAL	<u><u>\$3,750,415</u></u>	<u><u>\$3,883,545</u></u>	<u><u>\$3,470,948</u></u>	<u><u>\$3,519,960</u></u>

See accompanying notes and auditor's report.