

**Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)**

**Financial Statements
November 30, 2017**

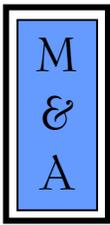


**Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)**

November 30, 2017

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Park Plaza Condominium Association
Avon, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Park Plaza Condominium Association (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of November 30, 2017, 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 purposes 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 Park Plaza Condominium Association as of November 30, 2017, 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.

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**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Park Plaza Condominium Association
Avon, 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 schedules on pages 10 – 11 are 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

The Association has procured a new replacement policy in 2018 to provide accurate information on future repairs and replacements. The information was not completed in time to be included in these financial statements. As a result, the Association has omitted the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
January 24, 2018**

Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Balance Sheets
November 30, 2017

Assets:

Current Assets:

Cash and cash equivalents	510,558
Investments	1,645,967
Prepaid expenses	99,062
Inventory	10,000
Association owned interval unit	55,000
Other assets	2,838

Total Assets 2,323,425

Liabilities and Fund Balances:

Liabilities:

Accounts payable	41,641
Accrued payroll	26,866
Advance deposits	476,864
Prepaid assessments	44,609
Property taxes payable	131,451

Total Liabilities 721,431

Fund Balances 1,601,994

Total Liabilities and Fund Balances 2,323,425

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

Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended November 30, 2017

Revenues:	
Common assessments	1,304,702
Reserve assessments	511,000
Owner rebill and late charges	2,212
Interest income and realized gain/loss	8,080
Bonus night revenue	4,851
Net rental fees	410,664
Locker revenue	31,875
Other income	7,446
	<hr/>
Total Revenues	2,280,830
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Expenses:	
Employee expenses	990,095
General and administrative	358,058
General maintenance	176,313
Limited common elements	241,696
Professional fees	57,080
Property insurance	33,368
Utilities	162,776
Replacement expenses	588,673
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Total Expenses	2,608,059
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Excess (Deficiency) of Revenues over Expenses	(327,229)
	<hr/>
Fund Balances - Beginning of Year (restated)	1,929,223
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Fund Balances - End of Year	1,601,994
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The accompanying notes are an integral part of these financial statements.

Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended November 30, 2017

Cash Flows From Operating Activities:	
Cash received from residential owners	1,573,031
Cash received from commercial assessments	299,942
Cash received from rental operations	512,191
Cash received from interest and dividends	80,382
Other cash receipts	7,446
Cash paid for goods and services	(1,617,181)
Cash paid for salaries and benefits	(986,447)
Net Cash Provided (Used) by Operating Activities	<u>(130,636)</u>
Cash Flows From Investing Activities:	
Proceeds on sale/redemption of investments	529,309
Cash paid to purchase investments	(499,542)
Net Cash Provided (Used) by Investing Activities	<u>29,766</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(100,870)
Cash and Cash Equivalents - Beginning of Year	<u>611,428</u>
Cash and Cash Equivalents - End of Year	<u><u>510,558</u></u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:	
Excess (deficiency) of revenues over expenses	<u>(327,229)</u>
Adjustments to reconcile:	
Realized (gain)/loss on sales of investments	52,958
Unrealized (gain)/loss on investments	19,345
(Increase) decrease - Other assets	10,567
(Increase) decrease - Deposits and prepaids	(31,805)
Increase (decrease)	
- Accounts payable and accrued liabilities	14,995
Increase (decrease) - Accrued property tax	10,673
Increase (decrease) - Deferred revenues	23,184
Increase (decrease) - Advance deposit	96,676
Total Adjustments	<u>196,593</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(130,636)</u></u>

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

**Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
November 30, 2017**

1. Organization

Park Plaza Condominium Association (the "Association") was incorporated in the State of Colorado as a non-profit corporation organized for the purpose of maintaining and managing the common areas and facilities of the Association, pursuant to Articles of Incorporation filed January 9, 1985 and amended April 5, 1985. The Association includes nine commercial units and thirty – six residential units. The residential units are further divided into interval ownership units.

Interval owners that elect to participate in the rental program enter into individual rental management agreements with the Association. Rental income collected, net of related rental expenses, is split between the program and owners on a 30%-70% respective basis.

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. Recognition of Assets

Real and personal common property acquired by the original homeowners from the Declarant is not recognized on the financial statements of the Association because it is commonly owned by individual owners and its disposition by the Board is restricted. Such property includes common-use facilities and improvements conveyed to the Association by the Declarant upon recording the Declarations.

The Association does not record replacements and improvements to real and personal common property as capitalized fixed assets because their disposition is restricted. Rather, such replacements and improvements are expensed in the period incurred.

C. Cash and Cash Equivalents

The Association considers all checking, money market, and savings accounts to be cash equivalents for the purposes of the Statement of Cash Flows, since all such funds are highly liquid.

D. Investments

The Association has invested in federal government agency securities to fund and finance projected repair and replacement projects determined by the Board of Directors. These investments are classified as trading for financial statement presentation purposes. Accordingly, these securities are reported on these financial statements at fair value and all realized and unrealized gains and losses are included in current period earnings.

E. Allowance for Uncollectible Accounts

The Association uses the allowance method for recognizing the potential future uncollectibility of delinquent assessments receivable from owners and others. An allowance for doubtful accounts of \$0 has been recorded at November 30, 2017 to provide for the possibility of some balances not being collected.

**Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
November 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (continued)

F. Inventory

The Association's inventory includes maintenance supplies for units and is valued at the lower of cost or market using the first in first out method.

G. Association Owned Interval

The Association has assumed ownership through legal proceedings of an interval unit, and is currently rented through the rental program. The unit was recorded at the fair market value at the time of transfer to the Association.

H. Prepaid Expenses

Prepaid expenses represent expenses paid prior to November 30, 2017, which benefit future periods.

I. Prepaid Assessment Revenue

Prepaid assessment revenue represents assessments for the next fiscal year, which have collected from owners in advance. The Association bills interval and commercial owners semi-annually.

J. Assessments

Assessments are the primary source of revenue for the Association. The Board prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements.

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 the approval of the Board, transferred to the Reserve Investment.

K. 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 for tax years prior to 2014 by the Internal Revenue Service and for tax years prior to 2013 by the Colorado Department of Revenue.

L. Subsequent Events

Management has evaluated subsequent event through January 24, 2018; the date these financial statements were available to be issued.

**Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
November 30, 2017
(Continued)**

2. Summary of Significant Accounting Policies (continued)

M. 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, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

3. Investments

The following schedule summarizes the investment income in the Statements of Revenues, Expenses and Changes in Fund balances:

	2017
Interest income	\$ 80,382
Net realized unrealized gains (losses)	\$ (72,302)
Total	\$ 8,080

The Associations measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At November 30, 2017, the District had the following recurring fair value measurements:

	Fair Value	Quoted Prices in Active Markets (Level 1)
Government agency securities	\$ 1,645,967	1,645,967

4. Replacement Funds and Reserve for Future Major Repairs and Replacements

As required by the Association's Investment Policy, the Association is accumulating funds for future major repairs and replacement of the Association's common property. Accumulated funds are held in separate investment account and are generally not available for expenditures for normal operations.

In 2018, the Board commissioned a study to estimate the remaining useful lives and the replacement costs of the components of common property. This study was not yet available for inclusion in these financial statements.

**Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
November 30, 2017
(Continued)**

4. Replacement Funds and Reserve for Future Major Repairs and Replacements (continued)

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 determine 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 funds in reserves to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Reserve investment.

Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the investment account may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board has the right, subject to member approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

5. Advertising Costs

Advertising costs are expensed when incurred. The Association had advertising expenses of \$1,551 related to the rental operations fund for the year ended November 30, 2017.

6. Ownership Interest Concentration

A member of the Association owns 6 commercial units with a combined approximate 24% interest in the general common elements of the Association.

7. Concentration of Credit Risk

The Association has cash balances in financial institutions which are not covered by insurance provided by the federal government. The Federal Deposit Insurance Corporation (the "FDIC") insures single depositors up to \$250,000. At November 30, 2017, the Association's uninsured cash balance totaled \$177,636.

8. Restatement

The Association previously disclosed unrealized gains and losses from investments on the balance sheet, but did not recognize the gains and losses in the income statement. As such, the Association's 2016 fund balance is restated to reflect such changes as follows:

Ending Fund Balance, December 31, 2016, as previously stated	\$ 1,955,373
Net unrealized gains (losses)	<u>(26,150)</u>
Ending Fund Balance, December 31, 2016, restated	<u>\$ 1,929,223</u>

Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget to Actual Comparison
For the Year Ended November 30, 2017

	Budget (Unaudited)	Actual	Variance Positive (Negative)
Operating Revenues:			
Common assessments	1,304,702	1,304,702	-
Reserve assessments	511,000	511,000	-
Owner rebill and late charges	1,800	2,212	412
Interest income and realized gain/loss	30,000	8,080	(21,920)
Bonus night revenue	5,000	4,851	(149)
Net rental fees	390,000	410,664	20,664
Locker revenue	32,000	31,875	(125)
Other income	1,500	7,446	5,946
Total Revenues	<u>2,276,002</u>	<u>2,280,830</u>	<u>4,828</u>
Operating Expenses:			
Employee expenses:			
Management	66,000	77,753	(11,753)
Front desk	175,000	181,991	(6,991)
Housekeeping	460,000	495,422	(35,422)
Maintenance personnel	105,000	107,556	(2,556)
Employee benefits and payroll taxes	129,000	124,205	4,795
Recruiting	2,000	2,650	(650)
Uniforms	1,000	518	482
Total - Employee expenses	<u>938,000</u>	<u>990,095</u>	<u>(52,095)</u>
General and administrative expenses:			
Computer expense	25,000	25,155	(155)
Office supplies	8,600	7,127	1,473
Telephone and internet	7,000	8,649	(1,649)
Board expenses	4,000	3,671	329
Credit card discount	30,000	39,471	(9,471)
Marketing and promotion	5,000	1,551	3,449
Property Insurance	30,000	33,368	(3,368)
Real property tax	136,000	154,074	(18,074)
Travel agent commissions	86,000	114,135	(28,135)
Other administrative	700	4,225	(3,525)
Total - General and administrative expenses	<u>332,300</u>	<u>391,426</u>	<u>(59,126)</u>

(continued)

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

Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund - Budget to Actual Comparison
For the Year Ended November 30, 2017
(Continued)

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Expenses (continued):			
General Maintenance:			
Elevator	10,000	21,557	(11,557)
GCE repairs and maintenance	140,000	145,263	(5,263)
Landscaping	500	98	402
Snow removal	5,000	9,395	(4,395)
Total - General Maintenance	<u>155,500</u>	<u>176,313</u>	<u>(20,813)</u>
Limited common elements:			
Cable television	43,000	35,222	7,778
Cleaning supplies	18,000	14,453	3,547
Continental breakfast	47,000	49,195	(2,195)
Contract cleaning	15,000	19,396	(4,396)
Firewood	4,000	4,820	(820)
Laundry supplies	12,000	11,788	212
Linen	12,000	8,988	3,012
Pool and spa maintenance	10,000	11,668	(1,668)
Residential repair and maintenance	45,000	41,225	3,775
Residential replacement items	28,000	26,128	1,872
Room amenities	20,000	18,812	1,188
Total - Limited common elements	<u>254,000</u>	<u>241,695</u>	<u>12,305</u>
Professional Fees:			
Legal	5,000	11,316	(6,316)
Other accounting	41,000	42,381	(1,381)
Payroll accounting fees	3,400	3,384	16
Total - Professional fees	<u>49,400</u>	<u>57,081</u>	<u>(7,681)</u>
Utilities:			
Electricity	55,000	45,025	9,975
Fire, life and safety	10,000	11,251	(1,251)
Natural gas	43,000	49,204	(6,204)
Trash removal	8,000	5,083	2,917
Water and sewer	53,000	52,213	787
Total - Utilities	<u>169,000</u>	<u>162,776</u>	<u>6,224</u>
Replacement Expenses			
Replacement Expenses	511,000	588,673	(77,673)
Total Expenses	<u>2,409,200</u>	<u>2,608,059</u>	<u>(198,859)</u>
Excess (Deficiency) of Revenues over Expenses	<u>(133,198)</u>	<u>(327,229)</u>	<u>(194,031)</u>

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

Park Plaza Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Replacement Funds -
Revenues and Expenses
For the Year Ended November 30, 2017

Revenues:	
Assessments	<u>511,000</u>
Expenses:	
General common elements:	
Elevator	119,111
Makeup air systems	102,652
Boilers and expansion tanks	74,602
Exterior building painting	48,675
Lighting	7,500
Roof and gutters	40,788
Limited common elements:	
Pool and spa	5,942
Master bathroom remodel	<u>189,402</u>
Total Expenses	<u><u>588,673</u></u>

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