

No. 25 Downing Condominium Association, Inc.  
Closing Entry  
12/31/2020

Description	Unadjusted TB		Adjusted TB		Closing Entry	
	DR	CR	DR	CR	DR	CR
11150 Market Adjustment		6,404.87		6,240.91	163.96	
12300 Due to Reserve	283.21			9,716.79		10,000.00
13100 Prepaid Insurance	5,503.00		5,114.00			389.00
13300 Other Prepays	0.00		3,257.72		3,257.72	
19500 Accumulated Depreciation		3,243.00		3,865.00		622.00
20000 Accounts Payable		25,375.73		30,107.07		4,731.34
20200 A/P - Reserve		7,000.06		15,534.67		8,534.61
21000 Payroll Liabilities		5,235.75		5,533.23		297.48
24400 Due From Operating		283.21	9,716.79		10,000.00	
32100 Reserve R/E		289,231.26		290,860.61		1,629.35
31100 Operating R/E	19,007.46		31,789.56		12,782.10	
		<u>                    </u>	<u>                    </u>		<u>12,782.10</u>	
		TO CLOSE 2020			<u>26,203.78</u>	<u>26,203.78</u>

Reversing Entries

50400 Sewer					1,257.72	
61100 HVAC Maintenance					2,000.00	
13300 Other Prepays						3,257.72
					<u>3,257.72</u>	<u>3,257.72</u>
				To Reverse Other Prepays at 12/31/2020		

20000 Accounts Payable					4,731.34	
50300 Water						232.00
50400 Sewer						350.90
50100 Electricity						517.74
61150 HVAC Repairs & Supplies						3,630.70
20200 A/P - Reserve					8,534.61	
99100 Reserve Expenses						8,534.61
					<u>13,265.95</u>	<u>13,265.95</u>
				To Reverse Accounts Payable at 12/31/2020		

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2020

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

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**EFS & ASSOCIATES, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

6698 SOUTH IRIS STREET, #621908 • LITTLETON, COLORADO 80123-3180  
PHONE (303) 798-6406

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
COMMUNITY ASSOCIATIONS INSTITUTE

July 14, 2021

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
No. 25 Downing Condominium Association, Inc.

We have audited the accompanying financial statements of No. 25 Downing Condominium Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*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 No. 25 Downing Condominium Association, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Disclaimer of Opinion on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the supplementary information about future major repairs and replacements on pages ten and eleven 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.

*EFS Associates, CPA, P.C.*

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET  
DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 16,714	\$ 147,842	\$ 164,556
Certificates of Deposit		100,000	100,000
Mortgage Backed Securities		48,520	48,520
Accrued Interest		317	317
Assessments Receivable - Homeowners	544		544
Prepaid Insurance	5,114		5,114
Prepaid Income Tax	704		704
Other Prepaid Expenses	3,257		3,257
Machinery and Equipment	9,326		
Less Accumulated Depreciation	( 3,865 )		
	5,461		5,461
Due From Operating Fund		9,718	9,718
Due To Replacement Fund	( 9,718 )		( 9,718 )
<u>Total Assets</u>	<u>\$ 22,076</u>	<u>\$ 306,397</u>	<u>\$ 328,473</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 30,110	\$ 15,535	\$ 45,645
Assessments Received in Advance	17,028		17,028
Payroll Taxes Payable	5,534		5,534
Other Liabilities	1,200		1,200
<u>Total Liabilities</u>	53,872	15,535	69,407
<u>Fund Balances (Deficit)</u>	( 31,796 )	290,862	259,066
<u>Total Liabilities and Fund Balances</u>	<u>\$ 22,076</u>	<u>\$ 306,397</u>	<u>\$ 328,473</u>

See Accompanying Notes to Financial Statements

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Replacement Fund	Total
<u>REVENUES:</u>			
Member Assessments	\$ 466,932	\$ 135,000	\$ 601,932
Special Assessments		359,996	359,996
Late Fees and Other Income	5,304		5,304
Interest and Dividend Income		3,298	3,298
Realized Loss on Investments		( 294 )	( 294 )
<u>Total Revenues</u>	472,236	498,000	970,236
<u>EXPENSES:</u>			
Repairs and Maintenance:			
HVAC and Plumbing Repairs	53,016		53,016
Janitorial Expenses	25,866		25,866
Grounds Maintenance	23,926		23,926
Security and Fire System	13,702	15,500	29,202
Building Repairs and Maintenance	12,416	1,007	13,423
Trash and Snow Removal	11,601		11,601
Elevator Repair and Maintenance	10,577		10,577
Pest Control	9,199		9,199
Garage Maintenance	4,186	4,637	8,823
Electrical Repairs and Supplies	2,286		2,286
Window and Door Installation		220,573	220,573
Concrete		57,980	57,980
Elevator Modernization and Repairs		56,400	56,400
Major HVAC and Plumbing Repairs		28,635	28,635
Stucco (EFIS) Repairs		11,550	11,550
EVC Charging Station		8,535	8,535
Utilities:			
Gas and Electric	91,884		91,884
Water and Sewer	26,773		26,773
Telephone and Internet	5,478		5,478
Payroll and Related Expenses	138,561		138,561
Insurance	30,875		30,875
Management Fees	11,965		11,965
Office and Administration	5,469		5,469
Professional Services	3,590	2,550	6,140
Depreciation	622		622
Social Events	150		150
<u>Total Expenses</u>	482,142	407,367	889,509
<u>Revenues (Under) Over Expenses</u>	( 9,906 )	90,633	80,727
Fund Balances (Deficit), December 31, 2019	( 21,890 )	200,229	178,339
<u>Fund Balances (Deficit), December 31, 2020</u>	(\$ 31,796 )	\$ 290,862	\$ 259,066

See Accompanying Notes to Financial Statements

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Cash Flows From Operating Activities:</u>			
<u>Revenues (Under) Over Expenses</u>	(\$ 9,906 )	\$ 90,633	\$ 80,727
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	622		622
Realized Loss on Investments		294	294
Changes in Assets and Liabilities:			
Decrease in Assessments Receivable - Homeowner	372		372
Decrease in Accrued Interest		1,010	1,010
Decrease in Prepaid Insurance	58		58
Increase in Prepaid Income Tax	( 500 )		( 500 )
Increase in Other Prepaid Expenses	( 3,257 )		( 3,257 )
Increase (Decrease) in Accounts Payable	8,944	( 7,175 )	1,769
Increase in Assessments Received in Advance	105		105
Increase in Payroll Taxes Payable	1,464		1,464
Decrease in Deferred Special Assessment		( 55,766 )	( 55,766 )
<u>Net Cash (Used) Provided By Operating Activities</u>	<u>( 2,098 )</u>	<u>28,996</u>	<u>26,898</u>
<u>Cash Flows Provided By Investing Activities:</u>			
Decrease in Certificates of Deposit (Net)		40,000	40,000
Decrease in Mortgage Backed Securities		21,975	21,975
<u>Net Cash Provided By Investing Activities</u>		<u>61,975</u>	<u>61,975</u>
<u>Cash Flows Provided (Used) By Financing Activities:</u>			
Change in Interfund Liability	<u>9,689</u>	( <u>9,689</u> )	
Net Increase in Cash and Cash Equivalents	7,591	81,282	88,873
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>9,123</u>	<u>66,560</u>	<u>75,683</u>
<u>Cash and Cash Equivalents at December 31, 2020</u>	<u>\$ 16,714</u>	<u>\$ 147,842</u>	<u>\$ 164,556</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Income Taxes	\$500
Interest Expense	-0-

Disclosure of Accounting Policy:

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See Accompanying Notes to Financial Statements



NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1: ORGANIZATION:

No. 25 Downing Condominium Association, Inc. was incorporated as a nonprofit corporation in the state of Colorado on February 11, 2000. The Association is responsible for the operating and maintenance of the common property of No. 25 Downing Condominium Association, Inc. No. 25 Downing Condominium Association, Inc. consists of 72 residential units located on approximately one acre in Denver, Colorado.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 purposes.

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.

BASIS OF ACCOUNTING

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

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.

PROPERTY AND EQUIPMENT

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method over fifteen years.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 3: FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance, ASC 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an Association expects to be entitled in exchange for those goods or services.

The Association adopted this new guidance in its Operating Fund, effective for annual reporting periods beginning January 1, 2019.

Similar to the completed contract method, assessment revenues are recognized as the related performance obligations are satisfied based on the annual budget. There have been no adjustments to budgeted membership assessments on the Statement of Revenues and Expenses, as all amounts are expected to be collected from homeowners.

Assessments Receivable were \$544 as of December 31, 2020. The current year balance, as shown on the Balance Sheet, is expected to be fully collected.

The Association has determined that the performance obligations as defined in ASC 606 do not describe the activity of the Replacement Fund. Therefore, the guidance described in ASC 606 has not been applied to the Replacement Fund.

ASC 606 will be applied to deferred special assessments and deferred insurance proceeds, should these events occur in the future.

NOTE 4: INVESTMENTS

Investments consist of various mortgages backed by the Federal National Mortgage Association, Government National Mortgage Association and Freddie Mac. The interest rates on these mortgages, which mature from 2040 to 2044, range from 3.0% to 5.0%. Interim market values fluctuate with prevailing interest rates. The market value for these securities at December 31, 2020, was \$54,761.

Investments in a Certificate of Deposit matures in June 2021 with an interest rate of .25%. The aggregate market value of the Certificate of Deposit was \$100,000 at December 31, 2020.

The Board intends to hold these investments until maturity. Accordingly, the investments are recorded at cost.

NOTE 5: MEMBER ASSESSMENTS:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Members' assessments are based on their undivided interest in all common elements as prescribed in Exhibit B of the Condominium Declarations. Assessments receivable at the balance sheet date represents fees due from owners. The Association's policy is to enforce collection of assessments by retaining legal counsel and placing liens on the properties of delinquent members.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 6: WORKING CAPITAL FUND:

At the time of purchase, each initial condominium owner was required to make a contribution to the Association in the amount equal to two times the normal monthly assessment to establish a working capital fund. Funds in the working capital account are to be maintained in a segregated account for the use and benefit by the Association including, without limitation, to meet unforeseen expenditures or to purchase additional equipment, property, or services. These funds have been transferred into the replacement fund.

NOTE 7: INCOME TAXES:

The Association qualified as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2020. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 4.55% by the State of Colorado.

As of December 31, 2020, the tax years that remain subject to examination by taxing authorities begin with December 31, 2017 for federal tax purposes and December 31, 2016 for state tax purposes.

NOTE 8: FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$296,679, should be held in separate accounts and are generally not available for normal operations.

McCaffery Reserve Consulting conducted a study in June 2020 to estimate the remaining useful lives and the replacement costs of the common property 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 9: SIMPLIFIED EMPLOYEE PENSION PLAN

The Association has a Simplified Employee Pension Plan (SEP) for its employee. Employer contributions are discretionary. The Association did make a contribution to the SEP for 2020.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 10: SPECIAL ASSESSMENTS

The Association passed a special assessment effective January 1, 2020, as part of the 2020 budget, in accordance with Section 7.7 of the Association's Declarations. The special assessment totaled approximately \$360,000 and each owner's responsibility was based upon their allocated interest as stated in Exhibit B of the Declarations. The purpose of the special assessment was to fund the initial storage and installation of windows and doors received from Pella under warranty. Homeowners had the option to pay the special assessment in full by January 2, 2020 or in six monthly installments from January through June 2020.

The window and door installation process began during 2019 and was substantially complete by July 2020. Total costs associated with this project during 2019 and 2020 were approximately \$377,595.

NOTE 11: ELECTRONIC VEHICLE CHARGING STATION

During 2020, the Association applied for a grant from the Regional Air Quality Council located in Denver, as a partial offset to the costs of installing an electric vehicle charging station. The total cost of approximately \$17,535 was offset by a \$9,000 grant, resulting in a net cost of \$8,535, which is included in Replacement Fund Accounts Payable on the Balance Sheet as of December 31, 2020.

NOTE 12: SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 14, 2021, the date the financial statements were available to be issued.

The World Health Organization declared the novel coronavirus (Covid-19) outbreak a pandemic in March 2020. As of the date the financial statements were available to be issued, the uncertainty of the impact that Covid-19 may have on the Association's financial position, operations and cash flows was not readily determinable. The Association does have the ability to retain legal counsel and place liens on delinquent homeowner accounts. These financial statements do not include any adjustments related to this uncertainty.

SUPPLEMENTARY INFORMATION  
(Unaudited)

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2020  
 (Unaudited)

McCaffery Reserve Consulting conducted a study in June 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

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

<u>Components</u>	<u>Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>
<b>Roofing:</b>		
Flat EPDM	6	\$ 196,000
Tile Roofing	27	160,000
<b>Exterior:</b>		
Stucco Seal/Major Repairs	12	300,000
Stucco Minor Repairs	3	20,000
Metal Balcony Paint	5	40,000
Concrete Replacements	2	25,000
Windows (Partial Replace)	10	60,000
Crank Windows	4	400,000
Balcony Deck Resurface	5	30,000
Flagstone Repairs	2	5,000
Metal Railing Repairs	5	8,000
Balusters/Wall Repairs	5	16,000
<b>Mechanical:</b>		
Garage Door	17	27,000
Garage Door Motor	7	7,000
Stanley Door Opener B1	13	2,400
Stanley Door Opener B2	1	2,400
HVAC Boilers	17	100,000
Tankless Water Heaters (Bldg 2)	10	56,000
Lochinvar Boilers (Bldg 1)	0	90,000
Storage Tanks (Bldg 1)	11	36,000
Storage Tanks (Bldg 2)	6	27,000
Elevator Modernization (Bldg 1)	9	200,000
Elevator Modernization (Bldg 2)	9	120,000
Elevator Cab Remodel	17	40,000
Generator Rebuild	13	60,000
Cooling Tower	15	125,000
Exhaust Fans (Partial Replace)	1	3,600
Make Up Air Units	5	50,000
Snow Melt System	6	18,000
Garage/Stair Space Heaters (Partial)	0	4,500
Electrical Contingency	2	15,000

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2020  
 (Unaudited)

<u>Components</u>	<u>Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>
Domestic Pumpset	13	\$ 60,000
Fire Pump Controls	20	25,000
Fire Alarm Panel	17	45,000
Glycol Pump	13	17,000
Plumbing/Piping	4	25,000
Miscellaneous Repair/Replace	1	10,000
<b>Common Areas:</b>		
Gym Strength Equipment	2	8,000
Gym Cardio Equipment	3	16,000
Gym Rubber Flooring	13	4,000
Party Room/Office	11	24,000
Hall Carpet	2	39,900
Floor Tile	10	15,000
<b>Miscellaneous:</b>		
Mailboxes Bldg 1	23	3,500
Mailboxes Bldg 2	3	3,500
Surveillance	2	8,000
Entry Intercom	1	6,600
FOB Access System	3	15,000
Defibrillators	3	3,200
Lighting Upgrades	18	50,000
Fountain	15	20,000
Electric Vehicle Charger	13	16,000
<u>Total:</u>		<u>\$ 2,658,600</u>

The Association is funding for future repairs and replacements using the "Cash Flow Method". The "Cash Flow Method" does not fund for each component separately; rather, the reserve funds are in a common pool to be used to meet the disbursement requirements of any component as it is forecasted by the remaining life. As of December 31, 2020, the Association had accumulated \$296,679 in its Replacement Fund, and has designated \$170,000 to contribute to the Replacement Fund for 2021.

The study assumes a Replacement Fund balance of \$402,000, which represents 25.3% funded, as of December 31, 2020. The recommended annual contribution to the Replacement Fund for 2021 is \$186,000 per this study.

Funding requirements are based on an inflation rate of 3.0% and the Association will earn 1.5% on its investments before taxes.

Please see the complete study for further details.