

No. 25 Downing Condominium Association, Inc.

Audited Financial Statements
December 31, 2022



No. 25 Downing Condominium Association, Inc.
December 31, 2022

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Independent Auditor's Report

To the 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, 2022, and the related statements of revenues, expenses, and changes in members' equity and cash flows for the period 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 auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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., on December 31, 2022, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule of Future Major Repairs and Replacements 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.

Griffin Group, CPA

Denver, Colorado
March 16, 2023

No. 25 Downing Condominium Association, Inc.
December 31, 2022

Balance Sheet

	Operating Fund	Replacement Fund	Total
Assets:			
Cash and cash equivalents	\$ 73,817	\$ 920,311	\$ 994,128
Accounts receivable	8,521	-	8,521
Payroll deposit	6,500	-	6,500
Prepaid expenses	3,686	-	3,686
Prepaid insurance	4,711	-	4,711
Property and equipment	4,217	-	4,217
Interfund due from (to)	(5,481)	5,481	-
Total assets	\$ 95,971	\$ 925,792	\$ 1,021,763
Liabilities:			
Accounts payable	\$ 88,480	\$ -	\$ 88,480
Deferred revenue	-	406,840	406,840
Insurance claim overpayment	2,324	-	2,324
Prepaid assessments	21,499	-	21,499
Total liabilities	112,303	406,840	519,143
Members' equity:			
Fund balance (deficit)	(16,332)	518,952	502,620
Total members' equity	(16,332)	518,952	502,620
Total liabilities and members' equity	\$ 95,971	\$ 925,792	\$ 1,021,763

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

No. 25 Downing Condominium Association, Inc.
December 31, 2022

Statement of Revenues, Expenses, and Changes in Members' Equity

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 486,812	\$ 196,000	\$ 682,812
Special assessments - elevator and security projects	-	273,160	273,160
Special assessments - reserve enhancement	-	50,000	50,000
Change in fair value	-	782	782
Insurance claim proceeds	30,683	-	30,683
Interest income	-	14,308	14,308
Late fees and other income	6,320	-	6,320
Total revenues	523,815	534,250	1,058,065
Expenses:			
Administrative	16,899	-	16,899
Building maintenance	167,515	-	167,515
Depreciation	622	-	622
Electricity and gas	111,549	-	111,549
Grounds maintenance	20,703	-	20,703
Insurance	31,542	-	31,542
Insurance claim expenses	35,683	-	35,683
Major repairs and replacements - special assessments	-	273,160	273,160
Major repairs and replacements - other	-	45,712	45,712
Management	27,720	-	27,720
Payroll and related	104,330	-	104,330
Professional	23,230	-	23,230
Security	3,235	-	3,235
Snow removal	5,366	-	5,366
Social	4,583	-	4,583
Trash removal	10,219	-	10,219
Water and sewer	25,602	-	25,602
Total expenses	588,798	318,872	907,670
Excess (deficit) of revenues over expenses	(64,983)	215,378	150,395
Members' equity:			
Beginning of year	(64,449)	416,674	352,225
Interfund transfer in (out)	113,100	(113,100)	-
End of Year	\$ (16,332)	\$ 518,952	\$ 502,620

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

No. 25 Downing Condominium Association, Inc.
December 31, 2022

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
Operating activities:			
Excess (deficit) of revenues over expenses	\$ (64,983)	\$ 215,378	\$ 150,395
Interfund transfer in (out) - forgiven	113,100	(113,100)	-
Depreciation	622	-	622
Decrease (increase) in operating assets:			
Accounts receivable	(7,977)	-	(7,977)
Accrued interest	-	105	105
Payroll deposit	(6,500)	-	(6,500)
Prepaid expenses	(2,389)	-	(2,389)
Prepaid income tax	704	-	704
Prepaid insurance	887	-	887
Interfund due from (to)	(48,135)	48,135	-
Increase (decrease) in operating liabilities:			
Accounts payable	57,755	-	57,755
Deferred revenue	-	406,840	406,840
Insurance claim overpayment	2,324	-	2,324
Prepaid assessments	18,163	-	18,163
Cash provided by (used from) operating	<u>63,571</u>	<u>557,358</u>	<u>620,929</u>
Investing activities:			
Net purchase and sales of investments	-	30,879	30,879
Cash provided by (used from) investing	<u>-</u>	<u>30,879</u>	<u>30,879</u>
Net change in cash and cash equivalents	63,571	588,237	651,808
Cash and cash equivalents:			
Beginning of year	<u>10,246</u>	<u>332,074</u>	<u>342,320</u>
End of year	<u>\$ 73,817</u>	<u>\$ 920,311</u>	<u>\$ 994,128</u>
Supplemental Information:			
Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest	\$ -	\$ -	\$ -

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

(1) Nature of the Organization

No. 25 Downing Condominium Association, Inc. (the "Association") is a nonprofit corporation organized pursuant to the laws of Colorado on February 11, 2000. The Association was formed to maintain all common property and to govern the community in accordance with the governing documents. The community consists of 72 residential units within a condominium located in Denver, Colorado.

(2) Summary of Significant Accounting Policies

Fund Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Accounting Standards Codification as produced by the Financial Accounting Standards Board is the sole source of authoritative GAAP for non-governmental entities.

Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities which includes using a system of fund accounting to classify financial resources to their intended purpose.

The Operating Fund is used to account and report for the use of operating resources.

The Replacement Fund is used to account and report for resources designated for future major repairs and replacement.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid instruments available for current use and are carried at historical cost, which approximates market value.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members.

Interest Earned

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

Property

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.

Estimates

The preparation of these financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Management bases their estimates on historical experience and on various other assumptions and factors that are believed to be reasonable. Actual results may vary from these estimates, and such variations may be material.

(3) Concentration of Credit Risk

The Association maintains cash balances at financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") which provides coverage up to \$250,000 per depository institution. If these balances exceed the FDIC limits, the uninsured balances will constitute a credit risk.

(4) Federal Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the period ended December 31, 2022. 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 4.4% by the State of Colorado.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's federal tax filings are subject to examination for three years.

(5) Future Major Repairs and Replacements

The Association's governing documents require that each proposed annual budget includes provisions for future major repairs and replacements. Accumulated replacement reserve funds are held in separate accounts and are generally not available for operating purposes.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on management 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 reserve 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, pass special assessments, obtain loans, or delay major repairs and replacements until funds are available.

(6) Accounts Receivable

The Association governing documents provide for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of experience and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

(7) Deferred Revenue

As of December 31, 2022, the Association passed two special assessments, see note 9. The amount assessed for specific projects is recorded as deferred revenue on the Balance Sheet until the monies are used for their intended purpose. The amount assessed to enhance the replacement fund with no specific project designation is recognized as revenue at the time it is due.

(8) Insurance Claim

March 16, 2022, the Association incurred fire damages. The Association filed an insurance claim in the amount of \$9,352 (\$11,851 less a \$2,500 deductible). By December 31, 2022, the Association received all funds. All work has been completed.

June 11, 2022, the Association incurred water damages. The Association filed an insurance claim in the amount of \$21,331 (\$23,831 less a \$2,500 deductible). By December 31, 2022, the Association received all funds. All work has been completed.

The Association recognizes insurance claim proceeds as the related performance obligations are satisfied. Deferred revenue is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the assessments.

(9) Special Assessment

On December 13, 2021, the Association ratified two 2022 special assessments. The first was for \$108,000, which included \$58,000 to upgrade the building security system and \$50,000 to enhance the replacement reserve fund. The second was for \$622,000 to modernize the elevators in both buildings.

The first special assessment totaled \$108,000 and was required to be paid as a one-time payment on January 15, 2022, by all members proportionally based on unit allocation percentage.

The second special assessment totaled \$622,000 and was required to be paid as a one-time payment on February 28, 2022, by all members proportionally based on unit allocation percentage.

(10) Interfund Due From (To) - Forgiveness

The Association periodically transferred funds from the Replacement Fund to the Operating Fund and did not make all budgeted monthly transfers from the Operating Fund to the Replacement Fund in order to avoid overdrafts in the operating bank account due to shortfalls in the operating budget. A motion was made by the Board at the annual meeting held on December 15, 2022, to forgive the interfund balance due from the Operating Fund to the Replacement Fund in the amount of \$113,100. The forgiveness of the interfund balance is presented on the Statement of Revenues, Expenses, and Changes in Members' Equity as an Interfund transfer in (out).

(11) Commitments

The Association has contracted with various vendors for the administration and maintenance of the common property. These contracts have different expiration dates and renewal terms.

(12) Contingencies

Insurance Deductible

The Association's insurance policy contains a deductible. The Association is responsible for losses up to this amount if common property damage claims occur. Accordingly, if such funds are needed, the Association may increase assessments, pass special assessments, obtain loans, or delay repairs and replacements until funds are available.

Legal

The Association is party to various legal actions normally associated with common interest communities, 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.

(13) Subsequent Events

Management has evaluated subsequent events through March 16, 2023, the date these financial statements were available to be issued. There was no material subsequent event that required recognition or additional disclosure in these financial statements.

Supplemental Information

Schedule of Future Major Repairs and Replacements (Unaudited)

The Association conducted an independent study, dated November 1, 2021, to estimate the remaining useful life and the replacement costs of the significant components of common property. The reserve component detail from that study is presented in the following 2 pages. Actual results may vary from these estimates, and such variations may be material.

Component Summary
No. 25 Downing

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Roofing							
Flat EPDM	14000	SF	25	6	\$ 14.00	\$ 196,000	1
Tile Roofing	16000	SF	50	27	\$ 10.00	\$ 160,000	1
						\$ 356,000	
Exterior							
Stucco Seal/Major Repairs	1	Allowance	25	12	\$ 300,000	\$ 300,000	1
Stucco Minor Repair	1	Allowance	5	3	\$ 20,000	\$ 20,000	1
Metal Balcony Paint	1	Allowance	5	5	\$ 40,000	\$ 40,000	1
Concrete Replacements	1	Allowance	20	2	\$ 25,000	\$ 25,000	1
Windows (Partial Replace)	1	Allowance	15	10	\$ 60,000	\$ 60,000	1
Crank Windows	1	Allowance	1	0	\$ 40,000	\$ 40,000	3
Balcony Deck Resurface	1	Allowance	10	5	\$ 30,000	\$ 30,000	1
Flagstone Repairs	1	Allowance	6	2	\$ 5,000	\$ 5,000	1
Metal Railing Repairs	1	Allowance	10	5	\$ 8,000	\$ 8,000	1
Balusters/Wall Repairs	1	Allowance	15	5	\$ 16,000	\$ 16,000	1
						\$ 544,000	
Mechanical							
Garage Door	1	Each	20	17	\$ 27,000	\$ 27,000	1
Garage Door Motor	1	Each	10	7	\$ 7,000	\$ 7,000	1
Stanley Door Opener B1	1	Each	14	13	\$ 2,400	\$ 2,400	1
Stanley Door Openers B2	1	Each	14	1	\$ 2,400	\$ 2,400	1
HVAC Boilers	2	Each	20	17	\$ 50,000	\$ 100,000	1
Tankless Water Heaters (Bldg 2)	4	Each	12	10	\$ 14,000	\$ 56,000	1
Lochinvar Boilers (Bldg 1)	2	Each	18	0	\$ 45,000	\$ 90,000	3
Storage Tanks (Bldg 1)	4	Each	15	11	\$ 9,000	\$ 36,000	1
Storage Tanks (Bldg 2)	3	Each	15	6	\$ 9,000	\$ 27,000	1
Elevator Modernization (Bldg 1)	1	Each	30	30	\$ 400,000	\$ 400,000	3
Elevator Modernization (Bldg 2)	1	Each	30	30	\$ 140,000	\$ 140,000	3
Elevator Cab Remodel	2	Each	20	17	\$ 20,000	\$ 40,000	1
Generator Rebuild	1	Each	34	13	\$ 60,000	\$ 60,000	1
Cooling Tower	1	Each	32	15	\$ 125,000	\$ 125,000	1
Exhaust Fans (Partial Replace)	8	Each	3	1	\$ 3,000	\$ 3,600	1
Make Up Air Units	2	Each	26	5	\$ 25,000	\$ 50,000	1
Snow Melt System	1	Allowance	12	6	\$ 18,000	\$ 18,000	1
Garage/Stair Space Heaters (Partial)	15	Each	5	0	\$ 3,000	\$ 4,500	1
Electrical Contingency	1	Allowance	15	2	\$ 15,000	\$ 15,000	1
Domestic Pumpset	1	Allowance	17	13	\$ 60,000	\$ 60,000	1
Fire Pump Controls	1	Allowance	20	20	\$ 25,000	\$ 25,000	1
Fire Alarm Panel	1	Allowance	20	17	\$ 45,000	\$ 45,000	1
Glycol Pump	1	Each	15	13	\$ 17,000	\$ 17,000	1
Plumbing/Piping	1	Allowance	8	4	\$ 25,000	\$ 25,000	1
Miscellaneous Repair/Replace	1	Allowance	3	1	\$ 10,000	\$ 10,000	1
						\$ 1,385,900	
Common Areas							
Hall Painting							Included in Operating Budget 3
Gym Strength Equipment	1	Allowance	14	2	\$ 8,000	\$ 8,000	1
Gym Cardio Equipment	1	Allowance	8	3	\$ 16,000	\$ 16,000	1
Gym Rubber Flooring	1	Allowance	15	13	\$ 4,000	\$ 4,000	1
Party Room/Office	1	Allowance	15	11	\$ 24,000	\$ 24,000	1
Hall Carpet	570	SY	14	2	\$ 70	\$ 39,900	1
Floor Tile	1	Allowance	25	10	\$ 15,000	\$ 15,000	1
						\$ 106,900	
Miscellaneous							
Mailboxes Bldg 1	1	Allowance	24	23	\$ 3,500	\$ 3,500	1
Mailboxes Bldg 2	1	Allowance	24	3	\$ 3,500	\$ 3,500	1
Surveillance	1	Allowance	8	2	\$ 8,000	\$ 8,000	1
Entry Intercom	2	Each	15	1	\$ 3,300	\$ 6,600	1
FOB Access System	1	Allowance	15	3	\$ 15,000	\$ 15,000	1
Defibrillators	2	Each	8	3	\$ 1,600	\$ 3,200	1
Lighting Upgrades	1	Allowance	20	18	\$ 50,000	\$ 50,000	1
Fountain	1	Allowance	20	15	\$ 20,000	\$ 20,000	1
Electric Vehicle Charger	1	Each	15	13	\$ 16,000	\$ 16,000	1
						\$ 125,800	

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Contingency 5%							1
TOTALS						\$ 2,518,600	