

**WEIDNER  
& ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
3002 SOUTH OAK WAY  
LAKEWOOD, CO 80227



The Board of Directors and Members  
Heritage Place Homeowner's Association  
C/O Association Management Agency, Inc.  
558 East Castle Pines Parkway, Suite 409  
Castle Rock, Colorado 80108

June 25, 2010

Dear Board and Members,

Enclosed are three copies of the Association's audited financial statements for the two year period ended December 31, 2009 (two bound copies and an unbound copy). The unbound copy will be useful if you wish to reproduce the report. Enclosed with each report is a copy of our letter of comments.

If the Association or its agent reproduces these financial statements (in hardcopy or electronically) we request that all pages of the financial statements, including our report on the statements and the footnotes, be included in such reproduction. Readers of the financial statements are better informed when they are provided with all of the pages of the financial statements. Our letter of comments is not part of the financial statements and there is no need to include that letter in such reproduction.

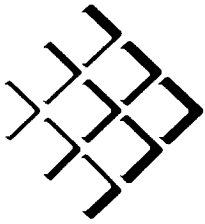
Sincerely,

Weidner & Associates, P.C.

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The Board of Directors and Members  
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Association Management Agency, Inc.  
558 East Castle Pines Parkway, Suite 409  
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April 20, 2010

Dear Board and Members,

We recently completed our audit of the Association's financial statements for the two year period ended December 31, 2009. During our procedures we noted the following matters to bring to the attention of the Board and Members.

**Books and Records**

The books and records were in good condition. For the two years ended December 31, 2009 all of the adjusting entries were standard audit adjustments. The Board and Members use the monthly statements for analysis and decision-making. When the books are in good condition (as was the case here) the Board and Members have a very good ongoing basis for their decisions and analysis.

**Outstanding Checks**

The Association's December 31, 2009 reconciliation for the Compass Bank checking account included an outstanding check for \$35.00. That check was dated August 19, 2009. If it is in the current reconciliation, it should be reviewed, voided, and if appropriate, reissued.

This letter is intended solely for the use of the Board and Members of the Association to assist in management and is not to be used by third parties for any other purposes. We considered the foregoing in our procedures, and this report does not affect the report on the financial statements. We would be pleased to discuss the above paragraphs with the Board, and to answer any other questions concerning the financial statements.

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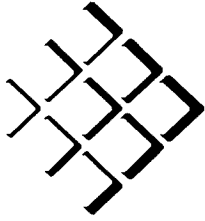
**HERITAGE PLACE  
HOMEOWNER'S ASSOCIATION**

**FINANCIAL STATEMENTS**

**And**

**INDEPENDENT AUDITORS' REPORT**

**For The Two Years Ended December 31, 2009**



**WEIDNER  
& ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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### Independent Auditors' Report

To the Board of Directors and Members  
Heritage Place Homeowner's Association

We have audited the accompanying balance sheet of Heritage Place Homeowner's Association as of December 31, 2009, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Place Homeowner's Association as of December 31, 2009, 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.

Certified Public Accountants  
Lakewood, Colorado  
April 19, 2010

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**Heritage Place Homeowner's Association**  
**Balance Sheet**  
**December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>ASSETS:</b>			
Checking and money market accounts	\$61,506	\$99,774	\$161,280
Accounts receivable - members, net of an allowance for doubtful accounts of \$1,500	6,843		6,843
Prepaid insurance	807		807
Interfund receivable (payable)	5,147	(5,147)	0
	<u>\$74,303</u>	<u>\$94,627</u>	<u>\$168,930</u>
<b>LIABILITIES:</b>			
Accounts payable	\$4,343		\$4,343
Deferred revenue - prepaid assessments	66,654		66,654
	<u>70,997</u>	<u>0</u>	<u>70,997</u>
<b>MEMBERS' EQUITY:</b>			
Fund balances	3,306	94,627	97,933
	<u>\$74,303</u>	<u>\$94,627</u>	<u>\$168,930</u>

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

**Heritage Place Homeowner's Association**  
**Statement of Revenues and Expenditures and Changes in Fund Balances**  
**For the Two Years Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>REVENUES:</b>			
Assessments - members (Note 3)	\$269,543		\$269,543
Allocation of assessments to reserve fund (Note 4)	(32,919)	\$32,919	0
Late and legal fees charged to members	15,578		15,578
Other income	28,108		28,108
Interest		5,366	5,366
	<u>280,310</u>	<u>38,285</u>	<u>318,595</u>
<b>EXPENDITURES:</b>			
<b>Administrative</b>			
Management fees	\$33,768		\$33,768
Legal and audit fees	33,642		33,642
Insurance	7,853		7,853
Income tax	414		414
Other administrative costs	7,985	\$155	8,140
<b>Grounds</b>			
Landscape contract	75,216		75,216
Sprinkler repairs	17,669		17,669
Snow removal	6,152		6,152
Other grounds expenses	22,127		22,127
<b>Utilities</b>			
Water and sewer	49,693		49,693
Gas and electric	6,513		6,513
<b>Reserve</b>			
Concrete		83,963	83,963
Landscape		32,030	32,030
Trees		11,740	11,740
Wall		9,420	9,420
Reserve study		870	870
	<u>261,032</u>	<u>138,178</u>	<u>399,210</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>19,278</b>	<b>(99,893)</b>	<b>(80,615)</b>
Fund balances - beginning of period	<u>(15,972)</u>	<u>194,520</u>	<u>178,548</u>
<b>Fund balances - end of period</b>	<b><u>\$3,306</u></b>	<b><u>\$94,627</u></b>	<b><u>\$97,933</u></b>

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

**Heritage Place Homeowner's Association  
Statement of Cash Flows  
For the Two Years Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (deficiency) of revenues over expenditures	\$19,278	(\$99,893)	(\$80,615)
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	2,179		2,179
Change in interfund receivable (payable)	(5,147)	5,147	0
Increase (decrease) in accounts payable	(6,064)		(6,064)
Increase (decrease) in income tax payable	(455)		(455)
Increase (decrease) in prepaid assessments	1,324		1,324
Total adjustments	<u>(8,163)</u>	<u>5,147</u>	<u>(3,016)</u>
Net cash provided by (used in) operating activities	<u>11,115</u>	<u>(94,746)</u>	<u>(83,631)</u>
Cash at beginning of period	<u>50,391</u>	<u>194,520</u>	<u>244,911</u>
<b>Cash at end of period</b>	<b><u>\$61,506</u></b>	<b><u>\$99,774</u></b>	<b><u>\$161,280</u></b>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the period	<u>\$869</u>	<u>\$0</u>	<u>\$869</u>
Interest paid during the period	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**Heritage Place Homeowner's Association**  
**Notes to Financial Statements**  
**December 31, 2009**

**NOTE 1. ORGANIZATION**

Heritage Place Homeowners Association ("The Association") is a residential management association incorporated on October 22, 1971 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Denver, Colorado and consists of the owners of 446 residences. The Members elect the Association's Board of Directors. The Board volunteers its time to manage the affairs of the Association.

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

**BASIS OF ACCOUNTING**

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

**FUND ACCOUNTING**

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

**DELINQUENT ASSESSMENTS**

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

**COMMON PROPERTY**

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

**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, liabilities, revenues and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Heritage Place Homeowner's Association  
Notes to Financial Statements  
December 31, 2009**

**NOTE 3. ASSESSMENTS**

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners were \$298.54 for 2008 and \$307.19 for 2009. Assessments for the period included amounts transferred to the reserve fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

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

The Association's governing documents require that a reserve fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of reserve fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the reserve fund and of the periodic costs to repair and replace the common property. The Association's reserve study can be viewed by going to [www.HeritagePlaceHOA.com](http://www.HeritagePlaceHOA.com).

The Association calculated a reserve fund equity balance of \$94,627 as of December 31, 2009 utilizing the formula: total cash less prepaid assessments received. The difference between that calculated equity amount and the cash in the reserve fund is \$5,147 and resulted in the interfund balance as of December 31, 2009. The Association allocated \$32,919 of assessment revenues to the reserve fund during the two years ended December 31, 2009. Future allocations of assessment revenues to the reserve fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual reserve fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

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

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had net taxable income for 2008 which was taxed at a 30% rate on the federal return and at a 4.63% rate on the Colorado return. The Association's federal income taxes for 2008 were \$356; Colorado income taxes were \$58. The Association had no net taxable income for 2009.

## **Standard Audit Representation Letter From Management and Board (Required by Auditing Standards)**

To: Weidner & Associates, P.C.:

We understand that you have audited the financial statements of:

### **Heritage Place Homeowner's Association**

as of December 31, 2009 and for the two years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and results of operations of the Association in accordance with auditing standards generally accepted in the United States of America. We confirm to you, to the best of our knowledge and belief, the following representations made to you during your examination



1. We have read and understand your draft management letter which is attached to this representation letter.
2. The Board and management recognize their duties and responsibilities regarding the maintenance of detailed, full and accurate financial books and records, as more fully described in the Association's governing legal documents. We have reviewed the draft of the financial statements compiled and audited by you from the Association's records, and believe that they are a reasonably accurate and complete representation of the financial position, results of operations, and changes in fund balances of the Association for the period audited.
3. We have made available to you all:
  - a. financial records and related data,
  - b. minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared, which reflect all such meetings during the period examined and through the date of this letter.
4. Except as disclosed in the financial statements, we have no knowledge of:
  - a. irregularities involving management or employees who had significant roles in the system of internal accounting control,
  - b. irregularities involving other employees that could materially affect the financial statements,
  - c. violations or possible violations of laws, regulations, or the Association's governing legal documents (Declarations and by-laws) whose effects should be considered for disclosure in the financial statements or as bases for recording loss contingencies,
  - d. other material liabilities or gain or loss contingencies (including lawsuits filed against the Association).
  - e. any environmental conditions which may result in damages or reclamation / correction actions by the EPA or other governmental entities which may have significant monetary effect on the Association.
  - f. any structural damages or conditions that will require significant repair or replacement costs.
5. There are no unasserted claims or assessments against the Association that our attorney has advised us are probable of assertion and that must therefore be disclosed.
6. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

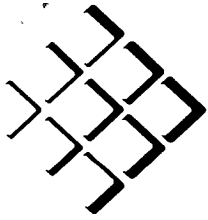
7. We have complied with all aspects of contractual agreements whose noncompliance would materially affect the financial statements.
8. We have responded fully to all of your inquiries during your examination.
9. No events have occurred subsequent to the balance sheet date that would require adjustment to or disclosure in the financial statements.
10. The Board has approved the Association's reserve study, if any, and represents that the study is its best estimate of future reserve requirements.
11. Related party transactions (such as transactions between the Association and a member, or a member controlled company) and related amounts receivable or payable, if any, have been properly recorded or disclosed in the financial statements. Other than as disclosed in the financial statements, the management company / property manager, if any, have no financial, family or other relationships with any vendor supplying services or goods to the Association which could give rise to a conflict of interest.
12. Insurance coverage is currently in force, and is in accordance with the requirements of the Association's governing documents and with applicable Colorado law.
13. The Board and The Management Company, if any, are responsible for the presentation of the supplementary information regarding future major repairs and replacements.
14. The Association's annual budget for the year of your audit was approved by the Board and was delivered timely to unit owners. The unit owners were given the opportunity to consider the budget at a meeting (annual or other) of owners.
15. You have hereby informed us that all material adjustments are reflected in the draft financial statements. We therefore understand that there are no unposted material adjustments for us to evaluate in connection with the financial statements

We understand that your audit, made in accordance with generally accepted auditing principles, included the use of tests and sampling procedures that would not necessarily detect all errors, irregularities, or illegal acts, should any exist or have occurred.

For the Board of Directors:

For the Management Company:

<u></u>	Name	<u></u>	Name
<u>Treasurer</u>	Title	<u>Agent</u>	Title
<u>6/17/10</u>	Dated	<u>6/17/10</u>	Dated



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April 20, 2010

**TENTATIVE DRAFT  
SUBJECT TO CHANGE  
FOR MANAGEMENT DISCUSSION ONLY**

Dear Board and Members,

We recently completed our audit of the Association's financial statements for the two year period ended December 31, 2009. During our procedures we noted the following matters to bring to the attention of the Board and Members.

#### **Books and Records**

The books and records were in good condition. For the two years ended December 31, 2009 all of the adjusting entries were standard audit adjustments. The Board and Members use the monthly statements for analysis and decision-making. When the books are in good condition (as was the case here) the Board and Members have a very good ongoing basis for their decisions and analysis.

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