

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2021
(With Comparative Totals For 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Cash and cash equivalents	\$ 125,336	455,180	580,516	657,764
Assessments receivable, net	71,815	-	71,815	82,407
Other receivables, net	12,262	-	12,262	6,085
Prepaid expenses	5,388	-	5,388	5,333
Inventory	-	34,400	34,400	35,200
Due (to) from other fund	(43,534)	43,534	-	-
Land	100	99,215	99,315	49,315
Total Assets	171,367	632,329	803,696	836,104
Liabilities and Fund Equity:				
Liabilities:				
Accounts payable	25,874	-	25,874	27,497
Other current liabilities	21,672	-	21,672	11,492
Deferred assessment revenue	124,080	-	124,080	119,416
Total Liabilities	171,626	-	171,626	158,405
Fund Equity:				
Fund balances (deficit)	(259)	632,329	632,070	677,699
Total Fund Equity	(259)	632,329	632,070	677,699
Total Liabilities and Fund Equity	\$ 171,367	632,329	803,696	836,104

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

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2021
(With Comparative Totals For 2020)

	<u>2021</u>			<u>2020</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
Revenues:				
Assessments	\$ 906,958	27,800	934,758	928,815
Cable television franchise fee	5,870	-	5,870	6,784
Investment income	21	50	71	4,796
Other	42,303	10,612	52,915	63,720
Total Revenues	<u>955,152</u>	<u>38,462</u>	<u>993,614</u>	<u>1,004,115</u>
Expenses:				
Maintenance	356,006	-	356,006	363,276
Utilities	184,293	-	184,293	182,061
Sprinkler system	192,729	-	192,729	164,984
Management fees	115,000	-	115,000	115,000
Office expense	41,154	-	41,154	31,413
Insurance	14,167	-	14,167	9,639
Professional fees	26,066	-	26,066	47,556
Security	20,000	-	20,000	20,000
Income taxes	-	-	-	1,261
Bad debt expense	4,330	-	4,330	7,449
Miscellaneous	19	-	19	736
Replacement Fund expenses	-	85,479	85,479	1,200
Total Expenses	<u>953,764</u>	<u>85,479</u>	<u>1,039,243</u>	<u>944,575</u>
Excess (Deficiency) of Revenues Over Expenses	1,388	(47,017)	(45,629)	59,540
Fund Balances - Beginning of Year	<u>(1,647)</u>	<u>679,346</u>	<u>677,699</u>	<u>618,159</u>
Fund Balances (Deficit) - End of Year	<u>\$ (259)</u>	<u>632,329</u>	<u>632,070</u>	<u>677,699</u>

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

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals For 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:				
Cash received from owners for assessments	\$ 921,496	27,800	949,296	924,140
Cash received for interest	21	50	71	4,796
Cash received from other sources	44,584	5,012	49,596	68,390
Cash (paid) to vendors	(941,332)	(84,679)	(1,026,011)	(966,405)
Income taxes paid	(200)	-	(200)	(496)
Net Cash Provided (Used) by Operating Activities	<u>24,569</u>	<u>(51,817)</u>	<u>(27,248)</u>	<u>30,425</u>
Cash Flows From Investing Activities:				
Cash paid to purchase fixed assets	-	(50,000)	(50,000)	-
Cash received from matured investments	-	-	-	293,000
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>293,000</u>
Net Increase (Decrease) In Cash	24,569	(101,817)	(77,248)	323,425
Cash at Beginning of Period	100,767	556,997	657,764	334,339
Cash at End of Period	<u>125,336</u>	<u>455,180</u>	<u>580,516</u>	<u>657,764</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:				
Excess (Deficiency) of revenues over expenses	1,388	(47,017)	(45,629)	59,540
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Decrease (increase) in assessments receivable, net	10,992	-	10,992	(19,108)
Decrease (increase) in other accounts receivable	(6,577)	-	(6,577)	(8,676)
Decrease (increase) in prepaid expenses	(55)	-	(55)	(5,333)
Decrease (increase) in inventory	-	800	800	1,200
Increase (decrease) in accounts payable	(1,623)	-	(1,623)	(16,613)
Increase (decrease) in deferred assessment revenue	4,664	-	4,664	21,882
Increase (decrease) in accrued expenses	10,180	-	10,180	(2,467)
Net change in interfund balances	5,600	(5,600)	-	-
Total Adjustments	<u>23,181</u>	<u>(4,800)</u>	<u>18,381</u>	<u>(29,115)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 24,569</u>	<u>(51,817)</u>	<u>(27,248)</u>	<u>30,425</u>

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

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021

1. Organization

Battlement Mesa Service Association (the "Association") was incorporated in the State of Colorado in 1982 as a non-profit corporation. The Association was established to provide for the community, civic, and social welfare of the homeowners and to maintain the fences, pedestrian paths, landscaped common areas and street lighting. As of December 31, 2021, the Association consisted of two thousand four hundred and five (2,405) properties located on approximately one thousand, six hundred acres in Garfield County, Colorado.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The common expenses of the Association are paid by the Association for the members of the Association. The Board of Directors estimates the expenses and the Association's members are assessed for their pro-rata share of the estimated expenses.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds designated for future major repairs, replacements and additions be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the property manager. Disbursements from the Replacement Fund may be made only for designated purposes.

C. Recognition of Assets

The Association recognizes common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto, as an asset on its financial statements. This asset is recorded at cost and is not depreciated.

D. Cash and Cash Equivalents

Cash and cash equivalents for the statement of cash flows consist of cash in bank, cash on hand, and investments with maturities of three months or less.

E. Investments

Certificates of deposit held for investment that are not debt instruments and with original maturities of greater than 90 days when purchased are reported as "Investments – Certificates of Deposit" in these financial statements. Such investments are reported at cost, since the Association intends on holding these investments until maturity.

Investment income is unrestricted unless the earnings are restricted, either as to purpose or time period, by the donor of the original contribution.

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)

2. Summary of Significant Accounting Policies (continued)

F. Interest Allocation

The Board's policy is to record interest earned in the fund that holds the underlying investment.

G. Accounts Receivable

Accounts receivable at the balance sheet date represent assessment fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are in excess of \$500.

The Association uses the allowance method for recognizing potential uncollectible delinquent accounts receivable. At December 31, 2021, the Association has established an allowance for uncollectible owner's assessments receivable of \$14,681.

H. Inventory

Inventory represents street light poles, which are replaced as needed throughout Battlement Mesa. The value of all inventory is stated at cost.

I. Deferred Assessment Revenues

Deferred assessment revenues consist of cash receipts collected in the current year for the subsequent year's assessments.

J. Revenues and Revenue Recognition

Common assessments are the primary source of revenue for the Association. The Board, together with the Association's Managing Agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses, which are payable in quarterly installments.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from cable television franchise fee, street light pole replacement, and various administrative fees and fines as earned upon provision of the underlying goods or service. All such revenues are non-refundable.

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 Replacement Fund.

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)

2. Summary of Significant Accounting Policies (continued)

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 2018 by the Internal Revenue Service and for tax years prior to 2017 by the Colorado Department of Revenue.

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

M. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report.

N. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2020, from which the comparative totals were derived.

3. Future Major Repairs and Replacement Reserve

The Association's governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated funds are held in a separate savings and investment account and generally not available for expenditures for normal operations.

The Association commissioned a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were prepared by reserve study engineers, based upon bids received from similar projects, past expenditures on similar work and cost estimating guides. In 2012, the Board formed a committee that adjusted the reserve study estimates established by the engineers to correspond with the Association's estimates. The table included in the unaudited Supplementary Information - Schedule of Future Major Repairs and Replacements is based on the study and subsequent Board adjustments.

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.

**Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

3. Future Major Repairs and Replacement Reserve (continued)

Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board of Director's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Replacement Fund had a balance of \$632,329 at December 31, 2021.

4. Homeowners' Fees and Economic Dependence

During 2021, 5 members of the Association owned 312, 284, 169, 211, and 216 assessment units; paid \$94,854, \$86,336, \$51,376, \$64,144, and \$65,664, respectively, in assessments for the year ended December 31, 2021; and which represented 10%, 9%, 6%, 7%, and 7%, respectively, of the annual total assessments charged by the Association.

5. Tamarisk Village Contingency Funds

The Association assesses an additional service assessment on residents of the Tamarisk Village area contained within the borders of the Association to pay for accounting fees and for irrigation, water and maintenance of front yard sprinkler systems required in that area. The residents of Tamarisk Village voted at an annual homeowners' meeting for that area to retain any excess funds collected for this purpose to be used as a contingency fund. The funds so designated can be used at the discretion of the Board of Directors to meet funding shortages for the irrigation, water and sprinkler system maintenance of Tamarisk Village. In the current year, expenses exceeded assessments by \$3,657. The net effect resulted in an increase of an excess of the prior year's expenses in excess of assessments from Tamarisk Village. As of December 31, 2021, the contingency fund balance had cumulative expenditures in excess of assessments of \$377.

6. Management Contract

In January 2021, the Association entered into a management agreement with the Battlement Mesa Metropolitan District ("BMMD") to manage the day-to-day operations of the Association under the direction of the Association's Board of Directors. The agreement commenced on January 1, 2021 and expired December 31, 2021. In January 2022, the Association entered into another management agreement with BMMD to commence on January 1, 2022 and end on December 31, 2022.

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)

6. Management Contract (continued)

Payments to BMMD for services provided under the management agreement during the year ended December 31, 2021 are included in these financial statements as follows:

Maintenance	\$ 19,012
Irrigation water	173,153
Management and accounting	115,000
Office expense	7,135
Street sweeping	15,000
Litter pickup	6,216
Covenant enforcement	20,000
Replacement expenses	<u>238</u>
Total	<u>\$ 355,754</u>

As of December 31, 2021, the Association owed \$13,427 to BMMD.

7. Designation of Replacement Fund

The Association's Replacement Fund activities are designated between a General Fund Replacement Reserve and a General Fund Capital Reserve.

During the year ended December 31, 2021, activity was recorded in these categories of the Association's Replacement Fund as follows:

	<u>General Fund Replacement</u>	<u>General Fund Capital</u>	<u>Total</u>
Balances - Beginning of Year	\$ 571,131	108,215	679,346
Revenues:			
Assessments	22,240	5,560	27,800
Investment income	40	10	50
Other	10,612	-	10,612
Expenses	<u>(21,107)</u>	<u>(64,372)</u>	<u>(85,479)</u>
Balances - End of Year	<u>\$ 582,916</u>	<u>49,413</u>	<u>632,329</u>

8. Deficit Fund Balance

At December 31, 2021, the Association had a deficit fund balance of \$259 in the Operating Fund.

9. Revenue from Contracts with Customers

For the year ended December 31, 2021, revenue recognized for goods transferred or performance obligations met at a point in time were \$58,785. There were no revenues recognized for goods transferred or performance obligations met over time during 2021. Revenues may be affected by general economic conditions and inflationary pressures. Revenues are primarily collected from members of the Association.

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Operating Fund
Comparison of Budgeted and Actual Revenue and Expenses
For the Year Ended December 31, 2021
(With Comparative Totals For the Year Ended 2020)

	2021			2020
	Budget (Unaudited)	Actual	Variance Positive (Negative)	Actual
Revenues:				
Assessments	\$ 908,700	906,958	(1,742)	914,340
Cable television franchise fee	8,000	5,870	(2,130)	6,784
Investment income	100	21	(79)	22
Other	43,000	42,303	(697)	45,070
Total Revenues	959,800	955,152	(4,648)	966,216
Expenses:				
Maintenance	357,200	356,006	1,194	363,276
Utilities	185,000	184,293	707	182,061
Sprinkler system	176,000	192,729	(16,729)	164,984
Management fees	115,000	115,000	-	115,000
Office expense	40,800	41,154	(354)	31,413
Insurance	11,200	14,167	(2,967)	9,639
Professional fees	46,500	26,066	20,434	47,556
Security	20,000	20,000	-	20,000
Income taxes	3,000	-	3,000	1,261
Bad debt	5,000	4,330	670	7,449
Miscellaneous	100	19	81	736
Total Expenses	\$ 959,800	953,764	6,036	943,375
Excess of Revenues over Expenses	-	1,388	1,388	22,841
Fund Balance - Beginning of Year		(1,647)	-	(24,488)
Fund Balance - End of Year	-	(259)	-	(1,647)

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

Battlement Mesa Service Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2021
(Unaudited)

The Association commissioned a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were prepared by reserve study engineers, based upon bids received from similar projects, past expenditures on similar work and cost estimating guides. In 2012, the Board formed a committee and adjusted the reserve study estimates established by the engineers to correspond with the Association's estimates.

The balance of the Replacement Fund has not been designated by the Board for specific components of common property.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance 2021</u>
Median improvements	0	\$ 30,000	-
Fences	0 - 10	120,000	-
Trails	1 - 10	65,000	-
Other improvements	0 - 10	<u>290,000</u>	-
Totals		<u><u>\$ 505,000</u></u>	<u><u>632,329</u></u>

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