CHATEAU ROARING FORK
CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Chateau Roaring Fork Condominium Association, Inc.
Aspen, Colorado

Management is responsible for the accompanying financial statements of Chateau Roaring Fork Condominium Association, Inc., which comprise the balance sheet as of June 30, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted supplementary information about future major repairs and replacements of common property 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
January 5, 2017

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CHATEAU ROARING FORK CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

June 30, 2016

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and Cash Equivalents	$ 11,516	$ 278,557	$ 290,073
Assessments Receivable	1,789	214	2,003
Prepaid Insurance	17,330	-	17,330
Interfund Receivable/Payable	(102,180)	102,180	-
Fixed Assets, net of			
$88,334 accumulated depreciation	200,569	-	200,569
Working Capital Deposits	2,000	-	2,000
TOTAL ASSETS	**$ 131,024**	**$ 380,951**	**$ 511,975**

	Operating Fund	Replacement Fund	Total
LIABILITIES AND FUND BALANCES			
Accounts Payable and Accrued Expenses	$ 19,791	$ -	$ 19,791
TOTAL LIABILITIES	**19,791**	**-**	**19,791**
FUND BALANCES	**111,233**	**380,951**	**492,184**
TOTAL LIABILITIES AND FUND BALANCES	**$ 131,024**	**$ 380,951**	**$ 511,975**

See accompanying notes and Independent Accountant's Compilation Report.

CHATEAU ROARING FORK CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2016

	Operating Fund	Replacement Fund	Total
REVENUES			
Member Assessments	$ 496,000	$ 64,000	$ 560,000
Interest Income	-	32	32
Finance Charges	1,014	-	1,014
Rental Income	720	-	720
TOTAL REVENUES	**497,734**	**64,032**	**561,766**
EXPENSES			
Maintenance	178,301	-	178,301
Administrative	154,910	-	154,910
Utilities	84,405	-	84,405
Recreation Area Expenses	98,471	-	98,471
Contributions	7,000	-	7,000
Depreciation	7,185	-	7,185
Capital Reserve Expenses	-	76,196	76,196
TOTAL EXPENSES	**530,272**	**76,196**	**606,468**
NET INCOME (LOSS)	**(32,538)**	**(12,164)**	**(44,702)**
FUND BALANCES, July 1, 2015	**143,771**	**393,115**	**536,886**
FUND BALANCES, June 30, 2016	**$ 111,233**	**$ 380,951**	**$ 492,184**

See accompanying notes and Independent Accountant’s Compilation Report.

CHATEAU ROARING FORK CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

	Operating Fund	Replacement Fund	Total
Net Income (Loss)	$ (32,538)	$ (12,164)	$ (44,702)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	7,185	-	7,185
(Increase) Decrease in Assessments Receivable	5,161	535	5,696
(Increase) Decrease in Prepaid Insurance	(1,834)	-	(1,834)
Increase (Decrease) in Accounts Payable	(10,749)	-	(10,749)
Increase (Decrease) in Deferred Revenue	(3,587)	(306)	(3,893)
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	**(36,362)**	**(11,935)**	**(48,297)**
CASH FLOW FROM FINANCING ACTIVITIES			
Interfund Transfers	35,469	(35,469)	-
NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES	**35,469**	**(35,469)**	**-**
NET INCREASE (DECREASE) IN CASH	**(893)**	**(47,404)**	**(48,297)**
CASH AND CASH EQUIVALENTS, July 1, 2015	**12,409**	**325,961**	**338,370**
CASH AND CASH EQUIVALENTS, June 30, 2016	**$ 11,516**	**$ 278,557**	**$ 290,073**

See accompanying notes and Independent Accountant's Compilation Report.

CHATEAU ROARING FORK CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

1. NATURE OF ORGANIZATION

ORGANIZATION AND PURPOSE
Chateau Roaring Fork Condominium Association, Inc. was incorporated in December 1969 under the laws of the State of Colorado as a nonprofit corporation. The Association's responsibility is to manage, preserve, and maintain the common property owned by the condominium owners of the Association, which consists of 47 separately owned residential units in the resort community of Aspen, Colorado. Primary use of the property is for personal, or guest of owner use, although most owners participate in a rental program. The Association contracts for management services with Frias Properties of Aspen, LLC. **The rental program financial activity is not a part of these financial statements.**

2. DATE OF MANAGEMENTS'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 5, 2017, the date that the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING
The Association uses the fund method of accounting on the accrual basis. Owner assessments are charged to provide necessary funds for administrative, maintenance, and common costs, as well as capital expenditures. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund	This fund is used to account for financial resources available for general operations of the Association.
Replacement Fund	This fund is used to accumulate financial resources designated for future major repairs and replacements. The disbursements from the replacement fund may only be utilized in accordance with the purpose established. See Note 8.

CASH AND CASH EQUIVALENTS
For purposes of the statement of cash flows, the Association considers all cash on deposit and highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2016, the operating fund borrowed $102,180 from the replacement fund to pay for operating expenses as approved by the board.

PROPERTY AND DEPRECIATION

The Association owns two-thirds of the recreation center that is located on the Association's property. The remaining one-third of the recreation center is owned by an adjoining Association. Two-thirds of the cost is included as fixed asset in these financial statements. The building is being depreciated over forty years.

The common elements were completed by the developer of the project and each unit owner owns individually an undivided interest in the common elements, which consists of the recreation center, swimming pool, and sauna. These common elements (except for the recreation center) and the 47 condominium units are not recorded as assets of the Association since they are owned by individual members.

ASSESSMENTS

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent 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 six months or more delinquent. At June 30, 2016, the Association had $2,003 in delinquent assessments. It is the opinion of the board of directors that the Association will prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. Any excess assessments at year end are retained by the Association for use in the succeeding year.

INTEREST INCOME

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

COMPENSATED ABSENCES

A liability for accrued compensated absences is not included in these financial statements, as the Association has no employees.

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 financial statements. Accordingly, actual results could differ from those estimates.

4. INCOME TAXES

All corporations are required to file income tax returns regardless of the tax liability. For the year ended June 30, 2016, the Association will be taxed as a regular corporation and will file form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, the Association is taxed only on interest earned on savings accounts net of related expenses, at normal corporate tax rates. For the year ending June 30, 2016 the Association had net taxable income of $32 which was offset by a net operating loss carryover. The Association has a net operating loss carry over of $4,413 that begins to expire in 2026. Deferred tax asset valuation is evaluated annually.

FASC 740, *Income Taxes*, requires the use of a two-step approach for recognizing and measuring tax positions taken or expected to be taken in a tax return. First, a tax position should only be recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the taxing authority. Second, a tax position that meets the recognition threshold should be measured at the largest amount that has a greater than 50 percent likelihood of being sustained. The Association had no material unrecognized tax benefits for the year ended June 30, 2016.

As of June 30, 2016, the tax years that remain subject to examination by taxing authorities begin with 2012.

5. FIXED ASSETS

Fixed assets consist of the following:

Building	$	149,367
Furniture & Equipment		27,421
Unit 43		112,115
Less Accumulated Depreciation		(88,334)
	$	200,569

6. COMMITMENTS/RELATED PARTY ACTIVITY

On June 1, 2008, the Association entered into a management agreement with Frias Properties of Aspen, LLC to act as the exclusive managing agent of the common elements of the project. This agreement was verbally executed and the formalized management contract was signed. For the year ending June 30, 2016 the Association paid Frias Properties of Aspen, LLC $70,561 and $111,315 respectively for administrative and maintenance services. For the year ending June 30, 2016 the Association had outstanding accounts payable due to Frias Properties of Aspen, LLC in the amount of $14,461.

7. CONCENTRATION OF RISK

The Association maintains deposits in local banks which may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). The organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. At June 30, 2016 there was $40,073 in uninsured cash balances.

8. FUTURE MAJOR REPAIRS AND REPLACMENTS

The Association has a capital replacement funding program for future replacement of selected Association common areas and assets. As of June 30, 2016, the Association has restricted $380,951 of fund balance for the replacement program. Cash surpluses have been specifically identified and set aside to pay for future replacement projects. These cash balances <u>do not</u> represent 100% funding of the current or future estimated replacement requirement. The cash is held in a separate interest-bearing account and is generally not available for normal operating expenditures. It is the Association's policy to allocate interest earned on such funds to the capital reserve fund.

An informal study has been conducted to estimate the remaining useful lives and replacement costs of all components of the common property. The board is funding for major repairs and replacements based on the study and the property management company's recommendations. 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 in the future to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, borrow funds or delay replacement until funds are available.

9. PENDING LITIGATION

In May 2015, the Association filed a lawsuit against Chateau Eau Claire Condominium Association (CEC), who owns a 1/3 interest in the recreation area located on Chateau Roaring Fork's property. The lawsuit seeks to partition the recreation area property. CEC moved to dismiss the lawsuit because it lacked merit due to the fact that both Association's organizing documents contain non-partition ability provisions. Chateau Roaring Fork Condominium Association amended the lawsuit to sue each CEC unit owner individually in addition to the Association. Both Associations agreed to a stay through August 1, 2016. The issue is unresolved at this time and both parties are working on an agreement. Both associations are paying for their own legal defense. No additional gain or loss is expected.