

**MICHIGAN HILL OWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

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# Sotiros & Sotiros, LLC

*Certified Public Accountants*

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Michigan Hill Owners Association, Inc.

We have reviewed the accompanying balance sheets of Michigan Hill Owners Association, Inc., a Colorado non-profit corporation, as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information included in the accompanying Schedules I and II is presented only for purposes of additional analysis and has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

  
Sotiros & Sotiros, LLC

October 1, 2013

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 46,371	\$ 38,583
Investments	13,348	15,811
Member assessments receivable, net of allowance for doubtful accounts of \$215 and \$175	1,061	1,410
Income taxes receivable	97	41
Prepaid expenses	709	683
<b>TOTAL CURRENT ASSETS</b>	<b>61,586</b>	<b>56,528</b>
<b>EQUIPMENT</b>		
Less accumulated depreciation	26,710	26,710
	(9,349)	(6,678)
	<b>17,361</b>	<b>20,032</b>
<b>TOTAL ASSETS</b>	<b>\$ 78,947</b>	<b>\$ 76,560</b>
<u>LIABILITIES AND FUND BALANCES</u>		
<b>LIABILITIES (ALL CURRENT)</b>		
Accounts payable	\$ 1,845	\$ -
Deferred assessment revenue	10	175
<b>TOTAL LIABILITIES</b>	<b>1,855</b>	<b>175</b>
<b>FUND BALANCES</b>	<b>77,092</b>	<b>76,385</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 78,947</b>	<b>\$ 76,560</b>

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Assessments	\$ 47,425	\$ 47,600
Late fees and miscellaneous income	65	890
Interest income	245	146
Total Revenues	<u>47,735</u>	<u>48,636</u>
<b>EXPENSES</b>		
Annual meeting expenses	180	451
Auditor	-	300
Auto travel reimbursement	50	-
Bad debt expense	40	-
Bank fees	652	38
Board meetings	85	87
Bookkeeper	500	993
Burn pit expense	1,225	83
Classified advertising	20	-
Culvert and ditches	1,275	-
Depreciation	2,671	2,671
General road maintenance	1,850	4,469
Grader fuel	1,514	1,759
Grader repairs	3,194	7,150
Gravel	7,436	5,487
Insurance	1,864	1,821
Lawyer	12,803	4,935
Licenses, registrations, etc.	55	19
Office supplies	610	144
Pond expenses	645	700
Postage and delivery	511	128
Printing	173	55
Real estate taxes	1,977	2,137
Recording fees	55	121
Snow plowing	6,115	11,785
Surveyor	1,200	-
Website	229	230
Weed control	99	169
Work day	-	187
Total Expenses	<u>47,028</u>	<u>45,919</u>
Excess of Revenues Over Expenses	707	2,717
<b>BEGINNING FUND BALANCES</b>	<u>76,385</u>	<u>73,668</u>
<b>ENDING FUND BALANCES</b>	<u>\$ 77,092</u>	<u>\$ 76,385</u>

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 707	\$ 2,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,671	2,671
(Increase) decrease in:		
Member assessments receivable, net of allowance for	349	(1,060)
Income taxes receivable	(56)	(41)
Prepaid expenses	(26)	-
Increase (decrease) in:		
Accounts payable	1,845	-
Customer prepayments	(165)	(50)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>5,325</u>	<u>4,237</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	-	(6,627)
Sale/redemption of certificate of deposit	2,463	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>2,463</u>	<u>(6,627)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	7,788	(2,390)
<b>CASH AT BEGINNING OF YEAR</b>	<u>38,583</u>	<u>40,973</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 46,371</u>	<u>\$ 38,583</u>

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1 – NATURE OF OPERATIONS

Michigan Hill Owners Association, Inc. (the Association) was incorporated January 15, 1980 as a Colorado nonprofit corporation. Located in Park County, near Jefferson, Colorado, the purpose of the Association is to organize and operate recreational and social facilities and activities, and to maintain roads within Michigan Hill Subdivision exclusively for members of the MHOA, their families and guests.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association uses the accrual method of accounting.

Cash and Cash Equivalents

All checking and savings accounts are considered cash equivalents by the Association for the purpose of the Statements of Cash Flows since all funds are highly liquid with no stated maturities.

Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposit are intended to fund expenditures and may provide a ready source of cash when required, these investments are classified as trading. Accordingly, these investments are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current period earnings.

Member Assessments

Association members are subject to annual 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 more than six months delinquent.

The Association utilizes the allowance method of recognizing the future potential uncollectibility of member assessments receivable. This reserve is calculated based on the identified uncollectible accounts at year end.

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful life of the depreciable asset is:

	<u>Years</u>
Equipment	10

Income Taxes

Homeowners' associations may be taxed either as homeowner's associations or regular corporations. For the years ended December 31, 2012 and 2011, the Association was taxed as a homeowners' association. By filing as a homeowners' association, taxes may be due on non-exempt function income such as interest earnings at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is primarily composed of payments received in advance for the billing of the next fiscal year.

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.

Subsequent Events

The Association evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through October 1, 2013, the date on which the financial statements were available to be issued.



MICHIGAN HILL OWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 3 – INVESTMENTS

The Association's investments were comprised of the following certificates of deposit:

	<u>12/31/12</u>	<u>12/31/11</u>
Certificate of deposit, matured July 10, 2012 bearing interest at .35% - .4% per annum	\$ -	\$ 2,632
Certificate of deposit, maturing on January 6, 2013 bearing interest at 3% per annum	6,770	6,627
Certificate of deposit, maturing on January 8, 2013 bearing interest at .4% per annum	<u>6,578</u>	<u>6,552</u>
Total Investments	\$ <u>13,348</u>	\$ <u>15,811</u>

**SUPPLEMENTARY INFORMATION**

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
 BUDGET (NON-GAAP BASIS) TO ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE I

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Assessments	\$ 47,250	\$ 47,425	\$ 175
Late fees and miscellaneous income	-	65	65
Interest income	-	245	245
Total Revenues	<u>47,250</u>	<u>47,735</u>	<u>485</u>
<b>EXPENSES</b>			
Annual meeting expenses	350	180	170
Auto travel reimbursement	100	50	50
Bad debt expense	-	40	(40)
Bank fees	-	652	(652)
Board meetings	50	85	(35)
Bookkeeper	-	500	(500)
Burn pit expense	750	1,225	(475)
Classified advertising	-	20	(20)
Culvert and ditches	-	1,275	(1,275)
Depreciation	-	2,671	(2,671)
General road maintenance	7,000	1,850	5,150
Grader fuel	1,800	1,514	286
Grader repairs	4,240	3,194	1,046
Gravel	5,500	7,436	(1,936)
Insurance	1,821	1,864	(43)
Lawyer	6,000	12,803	(6,803)
Licenses, registrations, etc.	40	55	(15)
Office supplies	100	610	(510)
Pond expenses	800	645	155
Postage and delivery	200	511	(311)
Printing	60	173	(113)
Real estate taxes	2,200	1,977	223
Recording fees	110	55	55
Snow plowing	12,900	6,115	6,785
Surveyor	-	1,200	(1,200)
Website	100	229	(129)
Weed control	200	99	101
Work day	150	-	150
Total Expenses	<u>44,471</u>	<u>47,028</u>	<u>(2,557)</u>
Excess of Revenues Over Expenses	<u>2,779</u>	<u>707</u>	<u>(2,072)</u>

MICHIGAN HILL OWNERS ASSOCIATION, INC.  
 BUDGET (NON-GAAP BASIS) TO ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2011

SCHEDULE II

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Assessments	\$ 47,600	\$ 47,600	\$ -
Late fees and miscellaneous income	-	890	890
Interest income	-	146	146
Total Revenues	<u>47,600</u>	<u>48,636</u>	<u>1,036</u>
<b>EXPENSES</b>			
Annual meeting expenses	300	451	(151)
Auditor	-	300	(300)
Bank fees	-	38	(38)
Board meetings	90	87	3
Bookkeeper	595	993	(398)
Burn pit expense	1,500	83	1,417
Depreciation	-	2,671	(2,671)
General road maintenance	15,000	4,469	10,531
Grader fuel	650	1,759	(1,109)
Grader repairs	3,000	7,150	(4,150)
Gravel	-	5,487	(5,487)
Insurance	1,821	1,821	-
Lawyer	2,000	4,935	(2,935)
Licenses, registrations, etc.	20	19	1
Office supplies	250	144	106
Pond expenses	700	700	-
Postage and delivery	150	128	22
Printing	-	55	(55)
Real estate taxes	2,150	2,137	13
Recording fees	200	121	79
Snow plowing	15,500	11,785	3,715
Website	80	230	(150)
Weed control	300	169	131
Work day	-	187	(187)
Total Expenses	<u>44,306</u>	<u>45,919</u>	<u>(1,613)</u>
Excess of Revenues Over Expenses	<u>3,294</u>	<u>2,717</u>	<u>(577)</u>