

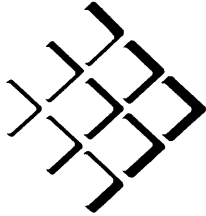
**HERITAGE PLACE
HOMEOWNER'S ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITORS' REPORT

For The Four Years Ended December 31, 2013



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

MEMBER



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Heritage Place Homeowner's Association, which comprise the balance sheet as of December 31, 2013, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the four years 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 responsibility 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Association'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, 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 opinion.

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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, 2013, and the results of its operations and its cash flows for the four years then ended, in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements be presented to supplement the basic financial statements. The Association's reserve study, incorporated herein by reference, provides that information and can be viewed by going to www.HeritagePlaceHOA.com. 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 do not express an opinion or provide any assurance on the information.

Weidner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
July 9, 2014

**Heritage Place Homeowners Association
Statement of Assets and Members' Equity
Arising From Cash Transactions
December 31, 2013**

ASSETS:

Cash:

Checking account - Compass Bank	\$72,588
Savings account (money market) - Compass Bank	122,435

\$195,023

MEMBERS' EQUITY

\$195,023

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

Heritage Place Homeowners Association
Statement of Revenue Collected, Expenses Paid and
Changes in Members' Equity
For the Four Years Ended December 31, 2013

REVENUE COLLECTED:

Assessments - members (Note 3)	\$591,277
Legal fees, late fees and other member charges	10,546
Other income	525
Interest	1,214
	<u>603,562</u>

EXPENSES PAID:

Administrative

Management fees	\$60,797
Insurance	18,520
Legal and audit	12,124
Social	8,728
Other administrative	9,391

Grounds

Fence	87,381
Sprinkler	44,042
Rock walls	39,957
Trees & shrubs	39,366
Stormwater control	29,508
Other grounds maintenance	144,039

Utilities

Water and sewer	59,290
Electricity	14,597
SEMSWA	2,079
	<u>569,819</u>

EXCESS (DEFICIENCY) OF REVENUE

COLLECTED OVER EXPENSES PAID **33,743**

Members' equity - beginning of period	161,280
Members' equity - end of year	<u><u>\$195,023</u></u>

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

**Heritage Place Homeowners Association
Statement of Cash Flows
For the Four Years Ended December 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from homeowners	\$601,823
Cash received from other sources	525
Interest received	1,214
	<u>603,562</u>
Cash paid to suppliers	(569,819)
Net cash provided by (used in) operating activities	<u>33,743</u>
Cash at beginning of period	<u>161,280</u>
Cash at end of period	<u><u>\$195,023</u></u>

Supplemental Disclosure of Cash Flows Information:

Income taxes paid during the period	<u><u>\$0</u></u>
Interest paid during the period	<u><u>\$0</u></u>

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

**Heritage Place Homeowners Association
Notes to Financial Statements
December 31, 2013**

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 have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the cash basis, the only assets recognized are cash accounts, no liabilities are recognized, revenues are recognized when received, and expenses are recognized when paid.

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 the Association's cash basis of accounting the Association's property, including common areas, is not capitalized in these financial statements.

ESTIMATES

The preparation of financial statements in conformity with the cash receipts and disbursements basis of accounting may require management to make estimates and assumptions that affect reported amounts. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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 \$316.41 per month during 2010, \$325.90 per month during 2011, \$335.68 per month during 2012, and \$345.75 per month during 2013. The Association may levy special assessments to cover costs of capital improvements to the common area or to fund operating deficits.

**Heritage Place Homeowners Association
Notes to Financial Statements
December 31, 2013**

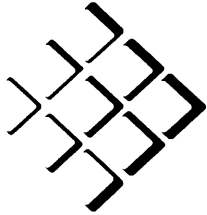
NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has adopted an approach to asset management called Partial Asset Replacement Preventive Maintenance (PARPM). The concept of PARPM is to not only do required repairs, but to go a step further and partially replace part of the asset that may have been contributory to the needed repair. When done on a consistent basis, PARPM results in assets that generally will never need total replacement because they are fractionally replaced on an ongoing basis. As a result, the Association is able to maintain considerably smaller cash savings. Further explanation and details of the PARPM plan can be viewed by going to www.HeritagePlaceHOA.com.

The timing and amount of actual replacement fund expenditures may vary from the PARPM estimates. These variations may be material. Therefore, the replacement 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 no net taxable income for federal or Colorado purposes for any year between 2010 and 2013.



**WEIDNER
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CERTIFIED PUBLIC ACCOUNTANTS
3002 SOUTH OAK WAY
LAKEWOOD, CO 80227

MEMBER



To the Board and Management of
Heritage Place Homeowner's Association
C/O Association Management Agency, Inc.
558 Castle Pines Parkway, #409
Castle Rock, Colorado 80108

May 23, 2014

Dear Board and Management,

We recently completed our audit of the Association's financial statements for the four years ended December 31, 2013. During our procedures we noted the following matters to bring to the attention of the Board and management.

Write-off of Accounts Receivable

We noted several instances where receivables were written off during the audit period, due to the one-time waiver on late fees, forgiveness of fines, foreclosures and other bad debt. However, we did not see reference to these write-offs in the minutes of Board meetings. We understand that write off are regularly discussed in executive session where minutes are not taken. Nevertheless, we suggest that as a matter of procedure and to improve accounting control, all write-offs be documented in the minutes of Board meetings. Boards can document such decisions in their minutes using no-name, no address authorizations, whereby the minutes just reference the dollar amount of the write offs.

Additionally, professional standards require that we provide you with the following information related to our audit:

Qualitative Aspects of Accounting Practices

The Board and management are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used within the audited financial statements are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the four years ended December 31, 2013. We noted no transactions entered into by the Association during the period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period after audit adjustments proposed by us. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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May 23, 2014

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have provided management with schedules supporting the correction of misstatements identified in the audit. Those adjustments are shown at workpaper B-1 which is attached to the Management Representation Letter. The Board and management should review these adjustments. By signing the Management Representation Letter the Board and management expressly indicate an understanding and approval of these adjustments. Our expectation is that those corrections will be posted to the financial statements as appropriate.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

This letter is intended solely for the use of the Board and management of the Association 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 and tax returns.

Sincerely,

A handwritten signature in black ink that reads "Weidner & Associates, P.C." with a stylized flourish at the end.

Weidner & Associates, P.C.