

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

FINANCIAL STATEMENTS

AUGUST 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to the Financial Statements	5
Supplemental Information	
Independent Auditors' Report on Supplemental Information.....	10
Statement of Revenues and Expenses- Budget Versus Actual (Non-GAAP)	11
Supplemental Information on Future Major Repairs and Replacements (Compiled)	12

McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

2535 South Wadsworth Boulevard
Lakewood, Colorado 80227
303-988-5648 FAX: 303-988-5919
don@mcnurlincpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors

Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association
Mt. Crested Butte, Colorado

We have audited the accompanying financial statements of Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association, which comprise the balance sheet as of August 31, 2015, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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 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 from 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 by management, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association at August 31, 2015, 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.

McNurlin & Associates, P.C.
McNurlin & Associates, P.C.
Lakewood, Colorado
October 6, 2015

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Balance Sheet
August 31, 2015

	Operating Fund	Capital Replacement Fund	Special Projects Fund	(Memo only) Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 144,482	\$ 99,838	\$ 89,427	\$ 333,747
Assessments receivable	2,402	-	-	2,402
Deposits	-	-	1,553	1,553
Prepaid expenses	6,321	-	-	6,321
Total Current Assets	<u>153,205</u>	<u>99,838</u>	<u>90,980</u>	<u>344,023</u>
Property and Equipment				
Furniture and equipment	27,645	-	-	27,645
Less accumulated depreciation	<u>(26,573)</u>	<u>-</u>	<u>-</u>	<u>(26,573)</u>
Property and Equipment, net	<u>1,072</u>	<u>-</u>	<u>-</u>	<u>1,072</u>
TOTAL ASSETS	<u><u>\$ 154,277</u></u>	<u><u>\$ 99,838</u></u>	<u><u>\$ 90,980</u></u>	<u><u>\$ 345,095</u></u>
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable	\$ 9,320	\$ -	\$ -	\$ 9,320
Prepaid assessments	7,140	-	-	7,140
Total Current Liabilities	<u>16,460</u>	<u>-</u>	<u>-</u>	<u>16,460</u>
Fund Balances	<u>137,817</u>	<u>99,838</u>	<u>90,980</u>	<u>328,635</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 154,277</u></u>	<u><u>\$ 99,838</u></u>	<u><u>\$ 90,980</u></u>	<u><u>\$ 345,095</u></u>

See accompanying notes to the financial statements and independent auditors' report.

EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended August 31, 2015

	Operating Fund	Capital Replacement Fund	Special Projects Fund	(Memo only) Total
REVENUES				
Assessment income	\$ 248,400	\$ 39,600	\$ -	\$ 288,000
Rental income	14,372	-	-	14,372
Interest income	-	62	707	769
Other income	932	-	-	932
Late fees	268	-	-	268
TOTAL REVENUES	263,972	39,662	707	304,341
EXPENSES				
Audit and tax return	3,400	-	-	3,400
Board of directors	174	-	-	174
Cable television	15,518	-	-	15,518
Chimney cleaning	2,867	-	-	2,867
Common area cleaning	10,221	-	-	10,221
Contract labor	11,197	-	-	11,197
Depreciation	411	-	-	411
Electricity	19,810	-	-	19,810
Fire protection	1,054	-	-	1,054
Hot tub maintenance and supplies	10,922	-	-	10,922
Insurance	14,714	-	-	14,714
Internet	111	-	-	111
Landscaping	3,551	-	-	3,551
Legal	2,308	-	-	2,308
Maintenance labor and supplies	14,956	-	-	14,956
Management fees	25,200	-	-	25,200
Miscellaneous expense	430	-	-	430
Postage and office supplies	231	-	-	231
Property taxes	455	-	-	455
Roof repairs	4,577	-	-	4,577
Snow removal	44,448	-	-	44,448
Trash	4,234	-	-	4,234
Water and sanitation	36,802	-	-	36,802
Water damage	837	-	-	837
Capital repairs	-	-	341,343	341,343
TOTAL EXPENSES	228,428	-	341,343	569,771
EXCESS OF REVENUES OVER				
(UNDER) EXPENSES	35,544	39,662	(340,636)	(265,430)
BEGINNING FUND BALANCES	102,273	60,176	431,616	594,065
ENDING FUND BALANCES	\$ 137,817	\$ 99,838	\$ 90,980	\$ 328,635

See accompanying notes to the financial statements and independent auditors' report.

EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION
Statement of Cash Flows
For the Year Ended August 31, 2015

	Operating Fund	Capital Replacement Fund	Special Projects Fund	(Memo only) Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess of revenues over (under) expenses	\$ 35,544	\$ 39,662	\$ (340,636)	\$ (265,430)
Adjustment to reconcile excess of revenues over (under) expenses to cash provided by (used in) operating activities:				
Depreciation	411	-	-	411
Change in:				
Due to/from other funds	(237)	(28)	265	-
Assessments receivable	(464)	-	-	(464)
Deposits	-	-	1,612	1,612
Prepaid expenses	(4,602)	-	-	(4,602)
Accounts payable	1,035	-	-	1,035
Prepaid assessments	(2,376)	-	-	(2,376)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	29,311	39,634	(338,759)	(269,814)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of equipment	(815)	-	-	(815)
NET INCREASE (DECREASE) IN CASH	28,496	39,634	(338,759)	(270,629)
CASH AT BEGINNING OF THE YEAR	115,986	60,204	428,186	604,376
CASH AT END OF THE YEAR	\$ 144,482	\$ 99,838	\$ 89,427	\$ 333,747
Supplemental Information:				
Cash paid for interest				\$ -
Cash paid for income taxes				\$ -

See accompanying notes to the financial statements and independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**
Notes to the Financial Statements
August 31, 2015

Note 1 NATURE OF ORGANIZATION

The Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association (the "Association") is a statutory condominium association organized as a non-profit corporation incorporated in the State of Colorado in March 1981. The Association is responsible for the operation and maintenance of the common property of the Eagle's Nest Townhouses, a 40-unit residential townhome complex located in Mt. Crested Butte, Colorado. In addition, two small studio units are owned in common by the members and are rented to Crested Butte Lodging & Property Management, Inc.

Note 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 6, 2015, the date that the financial statements were available to be issued.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred

Fund Accounting

In accordance with generally accepted accounting principles (GAAP), the Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the board of directors and property manager. Disbursements from the Capital Replacement Fund or Special Projects Fund generally may be made for designated purposes. 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 the general operation of the Association.

Capital Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements and acquisitions.

Special Projects Fund – This fund is used to accumulate financial resources designated for future special projects.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2015

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalent.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are owned by the individual unit owners in common and not by the Association. Accordingly, these assets are not recorded on the Association's financial statements. Common property includes interior common areas, building exteriors, hot tub, landscaping, rental units, parking, etc. The Association capitalizes personal property at cost. The personal property is depreciated over an estimated useful life ranging from five to ten years using tax depreciation methods which approximate the straight-line method.

Depreciation expense for the year ended August 31, 2015 was \$411.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisition, and major repairs and replacement. The Board of Directors determines the annual budget and the assessment of owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Assessments receivable at the balance sheet date represent fees due from unit owners. The Association has the right to enforce the collection of assessments by placing a lien on the underlying title to the property. Given this leverage afforded the Association, and the past collection history of the Association, an allowance for uncollectible assessments is not considered necessary.

Assessments received in advance of the period earned are presented as prepaid assessments on the Balance Sheet. Prepaid assessments as of August 31, 2015 total \$7,140 and represent September through December 2015 assessments.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2015

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Delinquent Member Assessments

Members are subject to monthly assessments, which become delinquent if they are not paid by the last day of the month. Delinquent assessments bear interest at the rate of eighteen percent (18%) per annum. When an assessment becomes thirty (30) days delinquent, a courtesy reminder is mailed to the member. At sixty (60) days, the member will receive a letter from the Association advising of the consequences on non-payment, which includes foreclosure, additional interest, and the accrual of legal fees. At ninety (90) days, the member will receive a letter from the Association demanding payment within fourteen (14) days. If payment is not received in the stated time, the Association reserves the right to act on any legal action available. All reasonable attorney and collection fees are the responsibility of the member.

Note 4 MANAGEMENT CONTRACTS/RELATED PARTY

The Association contracted with Crested Butte Lodging & Property Management, Inc. to manage its daily operations for the year ended August 31, 2015. The management fee paid to Crested Butte Lodging & Property Management, Inc. was \$25,200. Significant portions of the expenses incurred by the Association are paid directly to Crested Butte Lodging & Property Management, Inc. for current operations, and maintenance fees, and capital improvements. The amount paid for the period ended August 31, 2015 for current operations, and maintenance fees, and capital improvements was \$69,587 and \$12,829, respectively.

The Association owed \$4,984 to Crested Butte Lodging & Property Management, Inc. as of August 31, 2015.

The Association owns two (2) units which it leases to Crested Butte Lodging & Property Management, Inc. at a rate of \$600 per month during the fiscal year ended August 31, 2015. Total rent paid by Crested Butte Lodging & Property Management, Inc. to the Association for the year ended August 31, 2015 was \$14,372.

Note 5 FUTURE MAJOR REPAIRS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. During the year ended August 31, 2015 the Association collected \$39,600 in Capital Replacement Fund dues. The Association expended \$341,343 from the Special Projects Fund, primarily for renovations, radon mitigation, asphalt maintenance, and roof repairs. Accumulated funds, which aggregate \$89,427 in the Special Projects Fund and \$99,838 in the Capital Replacement Fund at August 31, 2015, are held in separate accounts and generally are not available for normal operations.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2015

Note 5 FUTURE MAJOR REPAIRS (Continued)

Funds are being accumulated in the Capital Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the Capital 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 to increase regular assessments, pass special assessments or postpone replacements until funds are available. The effect on future assessments has not been determined at this time.

Note 6 INCOME TAXES

Homeowner associations may be taxed as regular corporations, subject to the provisions of the Internal Revenue Code Section 277, or as homeowner associations subject to Internal Revenue Code Section 528. The Association elected to be taxed as a regular corporation for the year ended August 31, 2015. According to the Internal Revenue Code Section 277 and the Internal Revenue Service regulation, any excess of "common" revenues over "common" expenses can be applied to future assessments. However, any income unrelated to member activities is considered to be taxable income and will be taxed according to Internal Revenue Service regulations.

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include deciding on an allocation of income and expenses between member and nonmember activities and deciding whether to file Form 1120 or Form 1120-H. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Association has assessed its tax positions for all open tax years and has concluded that there are currently no significant unrecognized tax benefits or liabilities to be recognized. As of August 31, 2015, the Association's tax years ending August 31, 2012, 2013, and 2014 are open to examination by taxing authorities.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements
August 31, 2015

Note 6 INCOME TAXES (Continued)

As of August 31, 2015, the Association has federal net operating losses that expire as follows:

<u>Expiration Date</u>	<u>Amount</u>
August 31, 2025	\$ 9,205
August 31, 2026	5,467
August 31, 2029	8,886
August 31, 2032	105
	<u>\$ 23,663</u>

This carry forward creates a deferred tax asset of approximately \$3,500. However, the Association has established a valuation allowance against the deferred tax assets, resulting in no effect on the accompanying financial statements.

Note 7 CONCENTRATION OF RISK

During the year ended August 31, 2015, the Association maintained funds at a local banking institution that were in excess of the \$250,000 FDIC insurance limit per depositor at one insured bank. At August 31, 2015, the Association's exposure to this risk was approximately \$63,000.

Note 8 COMMITMENTS

As of August 31, 2015, the Association has committed \$2,640 in construction contracts to complete Phase V of renovations throughout the Association. Phase V includes general repairs and modernization to various condominium units.

See accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION

McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

2535 South Wadsworth Boulevard
Lakewood, Colorado 80227
303-988-5648 FAX: 303-988-5919
don@mcnurlincpa.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors

Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association
Mt. Crested Butte, Colorado

We have audited the financial statements of Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association as of and for the year ended August 31, 2015, and our report thereon dated October 6, 2015, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The statement of revenues and expenses-budget versus actual, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that supplemental information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McN & Associates, P.C.

McNurlin & Associates, P.C.

Lakewood, Colorado

October 6, 2015

EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION
Statement of Revenues and Expenses - Budget Versus Actual (Non-GAAP)
For the Year Ended August 31, 2015

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessment income	\$ 288,000	\$ 288,000	\$ -
Rental income	14,400	14,372	(28)
Interest income	24	769	745
Other income	1,000	932	(68)
Late fees	1,200	268	(932)
TOTAL REVENUES	304,624	304,341	(283)
EXPENSES			
Audit and tax return	3,200	3,400	(200)
Bad debt	6,000	-	6,000
Board of directors	1,200	174	1,026
Cable television	15,204	15,518	(314)
Chimney cleaning	3,000	2,867	133
Common area cleaning	10,800	10,221	579
Contract labor	8,400	11,197	(2,797)
Depreciation	300	411	(111)
Electricity	25,000	19,810	5,190
Fire protection	2,000	1,054	946
Hot tub maintenance and supplies	12,500	10,922	1,578
Insurance	18,552	14,714	3,838
Internet	250	111	139
Landscaping	2,900	3,551	(651)
Legal	1,250	2,308	(1,058)
Maintenance labor and supplies	18,350	14,956	3,394
Management fees	25,200	25,200	-
Miscellaneous expense	1,150	430	720
Postage and office supplies	360	231	129
Property taxes	450	455	(5)
Roof repairs	-	4,577	(4,577)
Snow removal	53,150	44,448	8,702
Trash	4,500	4,234	266
Water and sanitation	37,020	36,802	218
Water damage	4,500	837	3,663
Capital repairs	-	341,343	(341,343)
TOTAL EXPENSES	255,236	569,771	(314,535)
EXCESS OF REVENUES OVER (UNDER) EXPENSES	\$ 49,388	\$ (265,430)	\$ (314,818)

See accompanying independent auditors' report on supplemental information.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Supplemental Information on Future Major Repairs and Replacements (Compiled)

August 31, 2015

An informal study was performed in 2010, and updated in 2014, to assess the condition of the Association's common property and to estimate the remaining useful lives of the components of common property through 2024. The Board estimated replacement costs based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have been periodically revised since that date but do not take into account the effect of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property. (Amounts are rounded to the nearest hundred dollars.)

	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	2016	2017	2018
Mud jack garage slabs	1	\$ 16,000	\$ 8,000	\$ -	\$ 8,000
Add web heat controls	1	9,700	9,700	-	-
Common hall carpet	1	13,000	13,000	-	-
Painting and staining	1	170,000	170,000	-	-
Parking lot maintenance	1	15,000	15,000	-	-
Hall painting and repairs	2	34,500	-	34,500	-
Hall lighting repairs	2	11,700	-	11,700	-
Replace timber retaining walls	3	4,400	-	-	4,400
Stain retaining walls	3	25,000	-	-	25,000
		<u>\$ 299,300</u>	<u>\$ 215,700</u>	<u>\$ 46,200</u>	<u>\$ 37,400</u>

The above information reflects the Association's estimated expenditures based on the study updated in 2014 and does not reflect any expenditures that may occur after the year ending August 31, 2018.

McNURLIN & ASSOCIATES, P.C.

Certified Public Accountants

2535 South Wadsworth Boulevard
Lakewood, Colorado 80227
303-988-5648 FAX: 303-988-5919
don@mcnurlincpa.com

To the Management and Board of Directors of
Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association

We have audited the financial statements of the Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association, for the year ended August 31, 2015, and have issued our report thereon dated October 6, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have discussed the audit with management and have outlined our responsibilities, etc. in our engagement letter dated September 8, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended August 31, 2015. We noted no transactions entered into by the Association during the year 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.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

The cash and short-term investments in the reserve funds total \$189,265. The required reserve was determined based on a study made by the Association's management in 2010 and updated in 2014. Since an impartial reserve study has not been conducted in the past five years, it is not known if this amount is adequate to pay for all repairs and replacements in future periods.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

Note 5 to the financial statements: Funds are being accumulated in the Capital Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material.

Therefore, amounts accumulated in the Capital 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 to increase regular assessments, pass special assessments or postpone replacements until funds are available. The effect on future assessments has not been determined at this time.

Difficulties Encountered in Performing the Audit

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

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. Such adjustments are included as an attachment to this report.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. Furthermore, we have no reason to believe that such a consultation is necessary.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In addition we discussed the following recommendations with management:

Reserve Study

The last replacement fund study was prepared in 2010 and updated in 2014. We recommend a formal independent study be prepared every 3-5 years. The Board should consider updating the study in 2016.

Representation Letter

We are required to obtain written representation from the Association's management prior to issuance of the audited financial statements according to AICPA Professional Standards AU 580, Written Representations. We request that a member of the Board of Directors and the Association's property manager sign the representation letter within 60 days of receipt.

Bank Accounts

The Association's funds are kept at one banking institution and exceed the FDIC insured limit of \$250,000. We recommend the use of multiple banking institutions to limit the risk of uninsured funds due to the FDIC limit.

Adjustments

We have made adjustments to the accounting records in order to complete the audit. These adjustments should be made by the Association at August 31, 2015 in order to reconcile the Association's financial records to the audited financial statements. The approval and recording of these adjustments is the responsibility of the Association.

This information is intended solely for the use of the Board of Directors and Management of the Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McNurlin & Associates, P.C.
McNurlin & Associates, P.C.
Lakewood, Colorado
October 6, 2015

Client: **Eagle's Nest Townhouses of Mt. Crested Butte**
Engagement: **2015 Eagles Nest Townhouses**
Period Ending: **8/31/2015**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		40-09		
To adjust fund balances.				
2740	Operating Fund Balance		4,866.55	
2750	Capital Reserve Fund Balance		27.45	
1100	Prepaid Insurance			4,367.08
1620	Accumulated Depreciation			501.00
2805	Capital Project Fund Balance			25.92
Total			<u><u>4,894.00</u></u>	<u><u>4,894.00</u></u>
Adjusting Journal Entries JE # 2		210-01		
To reclassify credit balances.				
1060	Accounts Receivable		7,140.00	
2080	PREPAID DUES			7,140.00
Total			<u><u>7,140.00</u></u>	<u><u>7,140.00</u></u>
Adjusting Journal Entries JE # 3		250-01		
To record depreciation expense.				
7700	Depreciation		411.00	
1620	Accumulated Depreciation			411.00
Total			<u><u>411.00</u></u>	<u><u>411.00</u></u>
Adjusting Journal Entries JE # 4		600-01		
To reclassify debit miscellaneous income balance to miscellaneous expense.				
7850	Miscellaneous Expenses		172.50	
3100	Miscellaneous Income			172.50
Total			<u><u>172.50</u></u>	<u><u>172.50</u></u>
Adjusting Journal Entries JE # 5				
To adjust GCEA capital credits.				
6450	Electricity		1,864.58	
3080	GCEA Capital Credits			1,864.58
Total			<u><u>1,864.58</u></u>	<u><u>1,864.58</u></u>

Client: **Eagle's Nest Townhouses of Mt. Crested Butte**
 Engagement: **2015 Eagles Nest Townhouses**
 Period Ending: **8/31/2015**
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6		230-01		
To adjust prepaid insurance.				
1100	Prepaid Insurance		4,251.50	
6600	Insurance			4,251.50
Total			<u><u>4,251.50</u></u>	<u><u>4,251.50</u></u>

Eagle's Nest Townhouses of Mt. Crested Butte
08/31/15
Passed AJEs

		Liability	
	Asset	& Equity	P&L
	Incr(decr)	(incr)decr	(Incr)decr
300-02	PAJE #1: to record unrecorded liabilities		
	Capital expenses		240.00
	7150-Maintenance Repair		45.00
	20000 - A/P	(285.00)	