



**Riverwalk Master Association
Financial Statements
For the years ended
July 31, 2011 and 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Riverwalk Master Association:

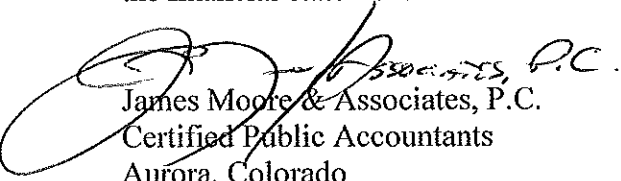
We have audited the accompanying balance sheet of Riverwalk Master Association as of July 31, 2011, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the association's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverwalk Master Association as of July 31, 2011, 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.

The July 31, 2010 financial statements were reviewed by us, and our report thereon, dated 10/5/2010, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.


James Moore & Associates, P.C.
Certified Public Accountants
Aurora, Colorado
October 10, 2011

Riverwalk Master Association
Balance Sheets
July 31, 2011 and 2010

	<u>July 31, 2011</u>			<u>July</u>
	<u>Operating</u>	<u>Reserve</u>	<u>Total</u>	<u>2010</u>
	<u>Fund</u>	<u>Fund</u>		<u>Total</u>
				(Unaudited)
ASSETS				
Cash and cash equivalents	\$11,787	\$129,090	\$140,877	\$152,436
Accounts receivable, net of Allowance for uncollectible accounts of \$13,500 and \$9,379 on 2011 and 2010 respectively				
Homeowners	2,774	0	2,774	4,717
Due to/from replacement/operating fund	10	(10)	0	0
Prepaid expenses	8,293	0	8,293	8,416
Property and equipment, net of Accumulated depreciation of \$438,286 and \$412,423 in 2011 and 2010, respectively	1,085,464	0	1,085,464	1,111,327
Total Assets	<u>\$1,108,328</u>	<u>\$129,080</u>	<u>\$1,237,408</u>	<u>\$1,276,896</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$8,160	\$0	\$8,160	\$11,287
Prepaid assessments	15,863	0	15,863	15,623
Other payable	761	0	761	2,675
Deposits	6,125	0	6,125	7,925
Total Liabilities	\$30,909	\$0	\$30,909	\$37,510
Working capital	55,444	0	55,444	53,694
Fund balances	1,021,975	129,080	1,151,055	1,185,692
Total Liabilities and Fund Balances	<u>\$1,108,328</u>	<u>\$129,080</u>	<u>\$1,237,408</u>	<u>\$1,276,896</u>

See accompanying notes and auditor's report.

Riverwalk Master Association
Statements of Revenues, Expenses, and Changes in Fund Balances
Year Ended July 31, 2011 and 2010

	<u>July 31, 2011</u>			<u>July</u>
	<u>Operating</u>	<u>Reserve</u>	<u>Total</u>	<u>2010</u>
	<u>Fund</u>	<u>Fund</u>		<u>Total</u>
				(Unaudited)
REVENUES				
Regular assessments	\$337,824	\$0	\$337,824	\$337,824
Interest income	105	502	607	1,788
Late charges and fines	1,684	0	1,684	2,210
Other	7,560	1,221	8,781	10,486
Collection cost recovery	2,579	0	2,579	4,175
Recreation center income	31,018	0	31,018	33,118
	<u>\$380,770</u>	<u>\$1,723</u>	<u>\$382,493</u>	<u>\$389,601</u>
EXPENSES				
Repairs and maintenance	\$142,063	\$0	\$142,063	\$127,337
Utilities	48,457	0	48,457	47,238
Administration	165,040	0	165,040	157,520
Taxes and insurance	22,708	0	22,708	21,522
Reserve expenses	0	38,862	38,862	50,137
	<u>\$378,268</u>	<u>\$38,862</u>	<u>\$417,130</u>	<u>\$403,754</u>
Excess of revenues over expenses	\$2,502	(\$37,139)	(\$34,637)	(\$14,153)
Beginning fund balances	1,050,312	135,380	1,185,692	1,199,845
Transfer between funds	(30,839)	30,839	0	0
Ending fund balances	<u>\$1,021,975</u>	<u>\$129,080</u>	<u>\$1,151,055</u>	<u>\$1,185,692</u>

See accompanying notes and auditor's report.

Riverwalk Master Association
Statements of Cash Flows
Year Ended July 31, 2011 and 2010

	July 31, 2011			July
	Operating Fund	Reserve Fund	Total	2010 Total (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess / (Deficit) of revenues over expenses	\$2,502	(\$37,139)	(\$34,637)	(\$14,153)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided / (used) by operating activities:				
Depreciation expense	25,863	0	25,863	12,571
(Increase) decrease in:				
Accounts receivable				
Homeowners	1,943	0	1,943	(1,929)
Due to/from replacement/operating fund	(10)	10	0	0
Prepaid expenses	123	0	123	(642)
Increase (decrease) in:				
Accounts payable	(3,127)	0	(3,127)	5,319
Prepaid assessments	240	0	240	235
Other payable	(1,914)	0	(1,914)	(1,388)
Deposits	(1,800)	0	(1,800)	1,400
Net Cash Provided / (Used) by Operating Activities	<u>23,820</u>	<u>(37,129)</u>	<u>(13,309)</u>	<u>1,413</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Property and equipment	0	0	0	(855)
Net Cash Provided / (Used) by Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(855)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Working capital	1,750	0	1,750	3,512
Interfund transfers	(30,839)	30,839	0	0
Net Cash Provided / (Used) by Financing Activities	<u>(29,089)</u>	<u>30,839</u>	<u>1,750</u>	<u>3,512</u>
NET INCREASE (DECREASE) IN CASH	(5,269)	(6,290)	(11,559)	4,070
CASH AT BEGINNING OF YEAR	<u>17,056</u>	<u>135,380</u>	<u>152,436</u>	<u>148,366</u>
CASH AT END OF YEAR	<u>\$11,787</u>	<u>\$129,090</u>	<u>\$140,877</u>	<u>\$152,436</u>

See accompanying notes and auditor's report.

Riverwalk Master Association

Notes to Financial Statements

July 31, 2011

Note 1 - Nature of Organization

Riverwalk Master Association (the Association) was incorporated on July 25, 1985, in Arapahoe County, State of Colorado. The Association owns and is responsible for the operation, management, and maintenance of the Riverwalk Clubhouse (the Clubhouse), and surrounding Clubhouse grounds and facilities. It is also responsible for the operation, management, and maintenance of the entire access road, Riverwalk Circle. The Association's income consists mainly of monthly assessments from 552 residential units owned by nine surrounding HOAs. Some income is derived from the rental of the Clubhouse facilities.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

Both the accompanying financial statements and related income tax returns have been prepared in accordance with the accrual method of accounting.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. 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 operations of the Association.

Reserve fund- This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Assessments Receivable

Assessments are stated on the balance sheet at face value. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

Recognition of Assets and Depreciation Policy

Real and personal common property acquired by the original unit owners from the developer, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association's Board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

Riverwalk Master Association

Notes to Financial Statements

July 31, 2011

Depreciation

In 1998 the Declarant donated the clubhouse, furniture and land to the Association. An appraisal was completed in 2001 and the contribution was recorded at the appraised amount. Purchased property and equipment have been added to these values. Replacements and improvements to other common property are not recognized as assets because their disposition is restricted. The Association depreciates the building on a straight line basis over 40 years. The furniture and fixtures are depreciated on a straight line basis over 5 and 10 years.

Working Capital Reserves

Working capital deposits collected from homeowners at the initial closing of each lot, as required by the Declarations, have been recorded as contributed capital of the operating fund.

Member Assessments

Association members are subject to regular assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Owners' assessments are determined by an annual budget approved by the board to meet operating costs and contribute to the reserve fund. Assessments receivable at the balance sheet date represent fees due from unit owners.

For the years ended July 31, 2011 and July 31, 2010 owners were assessed \$51 per month. The Association transfers excess operating funds at the end of the year, if any, to the reserve fund. Effective August 1, 2011 assessments are being increased

Interest Income

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

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. The Association expects to file its July 31, 2011 income tax returns, as a homeowners association.

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.

Riverwalk Master Association
Notes to Financial Statements
July 31, 2011

Note 3 - Property and Equipment

Fixed assets consist of the following:

Land	\$ 443,000
Buildings	912,919
Furniture and equipment	161,305
Electronics	6,526
Accumulated depreciation	<u>(438,286)</u>
	<u>\$ 1,085,464</u>

Note 4 - Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregated \$129,080 at July 31, 2011, are held in separate accounts and are generally not available for operating purposes.

The management of the Association conducted a study to estimate the remaining useful lives and the replacement costs of the common area components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the reserve fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 - Contingencies

The Association is a party to various legal actions normally associated with homeowners associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Note 6 - Supplemental Disclosures

During the year ended July 31, 2011, the Association paid \$0 in interest expense and \$0 in income taxes.

Note 7 - Transactions with Related Parties

During the year, the homeowners paid several members to staff the clubhouse during member and non-member events.

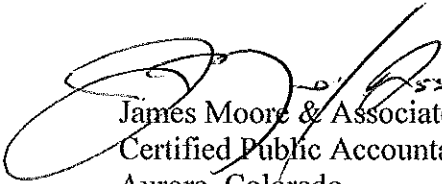


**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Riverwalk Master Association:

Our report on our audit of the basic financial statements of Riverwalk Master Association for July 31, 2011 appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Fund Expenses, Budget and Actual on page eight is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information on future major repairs and replacements on page nine is not a required part of the basic financial statements of Riverwalk Master Association but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.


James Moore & Associates, P.C.
Certified Public Accountants
Aurora, Colorado
October 10, 2011

Riverwalk Master Association
Schedule of Operating Fund Expenses, Budget and Actual
Year Ended July 31, 2011 and 2010

	Year Ended		Year Ended	
	July 2011		July 2010	
	Budget	Actual	Budget	Actual
	(Unaudited)		(Unaudited)	
Repairs and maintenance				
Grounds maintenance	\$20,550	\$20,003	\$17,190	\$18,611
Building repairs and maintenance	35,532	35,998	35,500	35,994
Recreation	27,775	22,698	29,695	23,727
Trash removal	2,747	2,791	1,800	2,212
Snow removal	9,000	7,918	7,200	10,427
Streets and sidewalks	3,700	1,813	2,250	1,170
Maintenance	7,875	8,145	7,500	7,664
Security	8,165	6,913	4,950	6,260
Others	10,000	9,921	9,350	8,701
Depreciation expense	0	25,863	0	12,571
	<u>125,344</u>	<u>142,063</u>	<u>115,435</u>	<u>127,337</u>
Utilities				
Gas & electric	30,175	32,896	29,400	33,778
Water & sewer	6,500	8,066	7,500	7,631
Cable & Web	6,500	7,495	5,300	5,829
	<u>43,175</u>	<u>48,457</u>	<u>42,200</u>	<u>47,238</u>
Administration				
Management fee	0	100	100	0
Legal & accounting	21,880	19,815	24,155	21,601
Administrative	8,800	10,247	8,500	9,125
Office supplies	1,541	1,383	1,300	1,187
Bad debt expense	0	7,246	0	1,000
Community events	500	384	500	494
Clubhouse staff	128,158	121,602	127,465	120,824
Other administrative	3,308	4,263	3,824	3,289
	<u>164,187</u>	<u>165,040</u>	<u>165,844</u>	<u>157,520</u>
Taxes and insurance				
Federal income tax	0	0	500	0
State income tax	0	0	0	0
Insurance	22,017	22,708	21,924	21,522
	<u>22,017</u>	<u>22,708</u>	<u>22,424</u>	<u>21,522</u>
GRAND TOTAL	<u>\$354,723</u>	<u>\$378,268</u>	<u>\$345,903</u>	<u>\$353,617</u>

See accompanying notes and auditor's report.