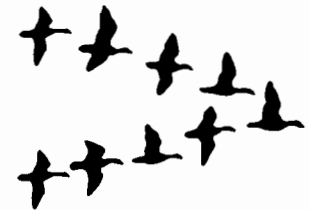


# DIX BARRETT & STILTNER P.C.

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## **Independent Auditor's Report**

To the Board of Directors  
Three Fountains Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Three Fountains Corporation, which comprise the balance sheet as of December 31, 2014, and the related statements of revenues, expenses and changes in fund balances 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 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 judgement, 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors  
Three Fountains Corporation

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 Three Fountains Corporation as of December 31, 2014 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Fund Expenses - Comparison of Actual to Budget is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on page 13 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 the 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 this information.

To the Board of Directors  
Three Fountains Corporation

### **Report on Summarized Comparative Information**

We have previously audited the Three Fountains Corporation's December 31, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Dix Barrett & Stiltner P.C.*

Dix Barrett & Stiltner, P.C.

June 11, 2015

THREE FOUNTAINS CORPORATION

Balance Sheets  
December 31, 2014  
(With Comparative Totals for 2013)

	Operating Fund	General Reserve Fund	Roof Reserve Fund	2014 Total	Summarized 2013 Total
<b>Assets</b>					
Cash and cash equivalents	\$ 85,957	\$ 136,786	\$ 192,531	\$ 415,274	\$ 266,586
Investments	-	-	623,632	623,632	732,555
Assessments receivable, net of allowance for doubtful accounts of \$0 in 2014 and \$2,900 in 2013	2,243	-	-	2,243	19,632
Due from general reserve fund	-	-	6,500	6,500	-
Prepaid expenses	89,945	-	-	89,945	70,563
Prepaid income taxes	-	-	-	-	1,226
Property and equipment, net of accumulated depreciation of \$343,679 in 2014 and \$355,547 in 2013	271,774	-	-	271,774	245,394
<b>Total assets</b>	<b>\$ 449,919</b>	<b>\$ 136,786</b>	<b>\$ 822,663</b>	<b>\$ 1,409,368</b>	<b>\$ 1,335,956</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 10,830	\$ -	\$ -	\$ 10,830	\$ 10,253
Due to roof reserve fund	-	6,500	-	6,500	-
Income tax payable	6,405	-	-	6,405	-
Line of credit	-	100,000	-	100,000	-
Prepaid assessments	27,166	-	-	27,166	20,853
<b>Total liabilities</b>	<b>44,401</b>	<b>106,500</b>	<b>-</b>	<b>150,901</b>	<b>31,106</b>
Unrealized gain on investments	-	-	70,827	70,827	81,087
<b>Fund balances</b>	<b>405,518</b>	<b>30,286</b>	<b>751,836</b>	<b>1,187,640</b>	<b>1,223,763</b>
<b>Total liabilities and fund balances</b>	<b>\$ 449,919</b>	<b>\$ 136,786</b>	<b>\$ 822,663</b>	<b>\$ 1,409,368</b>	<b>\$ 1,335,956</b>

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

THREE FOUNTAINS CORPORATION

Statements of Revenues, Expenses and Changes in Fund Balances  
For the Years Ended December 31, 2014  
(With Comparative Totals for 2013)

	Operating Fund	General Reserve Fund	Roof Reserve Fund	2014 Total	Summarized 2013 Total
<b>Revenues</b>					
Member assessments	\$ 610,780	\$ 322,500	\$ 19,500	\$ 952,780	\$ 952,780
Investment income	-	-	23,898	23,898	21,940
Realized gain (loss) on investments	-	-	48,863	48,863	14,358
Bad debt recovery	1,194	-	-	1,194	10,100
Other income	3,527	3,600	-	7,127	7,480
Total revenues	<u>615,501</u>	<u>326,100</u>	<u>92,261</u>	<u>1,033,862</u>	<u>1,006,658</u>
<b>Expenses</b>					
Building maintenance	16,648	441,486	-	458,134	388,875
Depreciation	19,088	-	-	19,088	18,925
Gas and electricity	19,784	-	-	19,784	17,420
Grounds maintenance	60,184	-	-	60,184	95,533
Insurance	64,190	-	-	64,190	16,649
Income taxes	11,106	-	-	11,106	2,121
Management fees	22,455	-	-	22,455	22,455
Office and administrative	12,350	-	4,433	16,783	14,794
Professional fees	4,932	-	-	4,932	4,412
Recreation facilities expense	5,392	3,896	-	9,288	12,040
Special projects expense	37,172	-	-	37,172	29,039
Taxes, property	850	-	-	850	851
Telephone and communications	5,181	-	-	5,181	5,033
Trash removal	7,500	-	-	7,500	6,821
Wages and related benefits	236,455	-	-	236,455	231,378
Water and sewer	96,883	-	-	96,883	91,694
Total expenses	<u>620,170</u>	<u>445,382</u>	<u>4,433</u>	<u>1,069,985</u>	<u>958,040</u>
Excess (deficiency) of revenues over expenses	(4,669)	(119,282)	87,828	(36,123)	48,618
Fund balances - beginning of year	371,476	128,551	723,736	1,223,763	1,175,145
Interfund transfers	38,711	21,017	(59,728)	-	-
Fund balances - end of year	<u>\$ 405,518</u>	<u>\$ 30,286</u>	<u>\$ 751,836</u>	<u>\$ 1,187,640</u>	<u>\$ 1,223,763</u>

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

THREE FOUNTAINS CORPORATION

Statements of Cash Flows  
For the Years Ended December 31, 2014  
(With Comparative Totals for 2013)

	Operating Fund	General Reserve Fund	Roof Reserve Fund	2014 Total	Summarized 2013 Total
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$ (4,669)	\$ (119,282)	\$ 87,828	\$ (36,123)	\$ 48,618
Adjustments to reconcile to cash provided (used) by operating activities:					
Depreciation	19,088	-	-	19,088	18,925
Decrease (increase) in:					
Assessments receivable	17,389	-	-	17,389	(10,610)
Other receivable	-	-	-	-	231
Due from general reserve fund	-	-	(6,500)	(6,500)	7,814
Prepaid expenses	(19,382)	-	-	(19,382)	(45,447)
Prepaid income tax	1,226	-	-	1,226	(1,143)
Increase (decrease) in:					
Accounts payable	577	-	-	577	(7,829)
Due to roof reserve fund	-	6,500	-	6,500	(7,814)
Income tax payable	6,405	-	-	6,405	-
Prepaid assessments	6,313	-	-	6,313	(10,431)
Cash provided (used) by operating activities	<u>26,947</u>	<u>(112,782)</u>	<u>81,328</u>	<u>(4,507)</u>	<u>(7,686)</u>
Cash flows from investing activities					
Purchase of fixed assets	(45,468)	-	-	(45,468)	-
Net change in investments	-	-	108,923	108,923	(50,805)
Unrealized gain on investments	-	-	(10,260)	(10,260)	65,424
Cash provided (used) by investing activities	<u>(45,468)</u>	<u>-</u>	<u>98,663</u>	<u>53,195</u>	<u>14,619</u>
Cash used by financing activities					
Borrowings on line of credit	-	100,000	-	100,000	-
Interfund transfers	38,711	21,017	(59,728)	-	-
Cash provided (used) by financing activities	<u>38,711</u>	<u>121,017</u>	<u>(59,728)</u>	<u>100,000</u>	<u>-</u>
Increase in cash and equivalents	20,190	8,235	120,263	148,688	6,933
Cash and cash equivalents - beginning	<u>65,767</u>	<u>128,551</u>	<u>72,268</u>	<u>266,586</u>	<u>259,653</u>
Cash and cash equivalents - ending	<u>\$ 85,957</u>	<u>\$ 136,786</u>	<u>\$ 192,531</u>	<u>\$ 415,274</u>	<u>\$ 266,586</u>

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