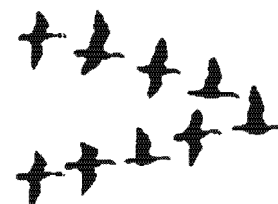


DIX BARRETT & STILTNER P.C.

Certified Public Accountants & Consultants

5670 Greenwood Plaza Blvd., Suite 505 ■ Greenwood Village, CO 80111-2409
303.689.0844 ■ FAX 303.689.0074 ■ dbs@dbs-cpas.com



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, 2015, 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, 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.

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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
Three Fountains Corporation

Report on Summarized Comparative Information

We have previously audited the Three Fountains Corporation's December 31, 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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.
Greenwood Village, Colorado
May 9, 2016

THREE FOUNTAINS CORPORATION

Balance Sheets
December 31, 2015
(With Comparative Totals for 2014)

	Operating Fund	General Reserve Fund	Roof Reserve Fund	2015 Total	Summarized 2014 Total
Assets					
Cash and cash equivalents	\$ 104,868	\$ 102,663	\$ 26,031	\$ 233,562	\$ 415,274
Investments	-	-	799,497	799,497	623,632
Assessments receivable, net of allowance for doubtful accounts of \$2,000 in 2015 and \$0 in 2014	5,820	-	-	5,820	2,243
Due from general reserve fund	-	-	-	-	6,500
Prepaid expenses	95,221	-	-	95,221	89,945
Prepaid income taxes	8,167	-	-	8,167	-
Property and equipment, net of accumulated depreciation of \$369,866 in 2015 and \$343,679 in 2014	245,537	-	-	245,587	271,774
Total assets	\$ 459,653	\$ 102,663	\$ 825,528	\$ 1,387,854	\$ 1,409,368
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 8,732	\$ -	\$ -	\$ 8,732	\$ 10,830
Due to roof reserve fund	-	-	-	-	6,500
Income tax payable	-	-	-	-	6,405
Line of credit	-	-	-	-	100,000
Prepaid assessments	22,289	-	-	22,289	27,166
Total liabilities	31,021	-	-	31,021	150,901
Unrealized gain on investments	-	-	25,902	25,902	70,827
Fund balances	428,642	102,663	799,626	1,330,931	1,187,640
Total liabilities and fund balances	\$ 459,663	\$ 102,663	\$ 825,528	\$ 1,387,854	\$ 1,409,368

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, 2015
(With Comparative Totals for 2014)

	Operating Fund	General Reserve Fund	Roof Reserve Fund	2015 Total	Summarized 2014 Total
Revenues					
Member assessments	\$ 655,171	\$ 278,109	\$ 19,500	\$ 952,780	\$ 952,780
Investment income	-	-	17,600	17,600	23,898
Realized gain on investments	-	-	18,912	18,912	48,863
Bad debt recovery	-	-	-	-	1,194
Other income	2,444	3,000	-	5,144	7,127
Total revenues	<u>657,615</u>	<u>281,109</u>	<u>56,012</u>	<u>994,736</u>	<u>1,033,862</u>
Expenses					
Bad debt expense	2,000	-	-	2,000	-
Building maintenance	15,282	214,095	-	229,377	458,134
Depreciation	26,187	-	-	26,187	19,088
Gas and electricity	17,655	-	-	17,655	19,784
Grounds maintenance	77,634	-	-	77,634	60,184
Insurance	74,763	-	-	74,763	64,190
Income taxes	3,334	-	-	3,334	11,106
Loan interest	-	1,136	-	1,136	-
Management fees	22,155	-	-	22,155	22,455
Office and administrative	12,928	-	8,042	20,970	16,783
Professional fees	6,751	-	-	6,751	4,932
Recreation facilities expense	9,681	-	-	9,681	9,288
Special projects expense	20,770	-	-	20,770	37,172
Taxes, property	891	-	-	891	850
Telephone and communications	5,518	-	-	5,518	5,181
Trash removal	8,391	-	-	8,391	7,500
Wages and related benefits	238,168	-	-	238,168	236,455
Water and sewer	85,764	-	-	85,764	96,883
Total expenses	<u>627,872</u>	<u>215,231</u>	<u>8,042</u>	<u>851,145</u>	<u>1,069,985</u>
Excess (deficiency) of revenues over expenses	29,743	65,878	47,970	143,591	(36,123)
Fund balances - beginning of year	405,518	30,286	751,836	1,187,640	1,223,763
Interfund transfers	(6,319)	6,499	(180)	-	-
Fund balances - end of year	<u>\$ 428,642</u>	<u>\$ 102,663</u>	<u>\$ 799,626</u>	<u>\$ 1,330,931</u>	<u>\$ 1,187,640</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, 2015
(With Comparative Totals for 2014)

	Operating Fund	General Reserve Fund	Roof Reserve Fund	2015 Total	Summarized 2014 Total
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$ 29,443	\$ 65,878	\$ 47,970	\$ 143,291	\$ (36,123)
Adjustments to reconcile to cash provided (used) by operating activities:					
Depreciation	26,187	-	-	26,187	19,088
Decrease (increase) in:					
Assessments receivable	(3,577)	-	-	(3,577)	17,389
Due from general reserve fund	-	-	6,500	6,500	(6,500)
Prepaid expenses	(5,276)	-	-	(5,276)	(19,382)
Prepaid income tax	(8,167)	-	-	(8,167)	1,226
Increase (decrease) in:					
Accounts payable	(2,098)	-	-	(2,098)	577
Due to roof reserve fund	-	(6,500)	-	(6,500)	6,500
Income tax payable	(6,405)	-	-	(6,405)	6,405
Prepaid assessments	(4,877)	-	-	(4,877)	6,313
Cash provided (used) by operating activities	<u>25,230</u>	<u>59,378</u>	<u>54,470</u>	<u>139,078</u>	<u>(4,507)</u>
Cash flows from investing activities					
Purchase of fixed assets	-	-	-	-	(45,468)
Net change in investments	-	-	(175,865)	(175,865)	108,923
Unrealized gain on investments	-	-	(44,925)	(44,925)	(10,260)
Cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>(220,790)</u>	<u>(220,790)</u>	<u>53,195</u>
Cash used by financing activities					
Borrowings (payments) on line of credit	-	(100,000)	-	(100,000)	100,000
Interfund transfers	(6,319)	6,499	(180)	-	-
Cash provided (used) by financing activities	<u>(6,319)</u>	<u>(93,501)</u>	<u>(180)</u>	<u>(100,000)</u>	<u>100,000</u>
Increase (decrease) in cash and equivalents	18,911	(34,123)	(166,500)	(181,712)	148,688
Cash and cash equivalents - beginning	<u>85,957</u>	<u>136,786</u>	<u>192,531</u>	<u>415,274</u>	<u>266,586</u>
Cash and cash equivalents - ending	<u>\$ 104,868</u>	<u>\$ 102,663</u>	<u>\$ 26,031</u>	<u>\$ 233,562</u>	<u>\$ 415,274</u>

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