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Independent Auditor's Report

To the Board of Managers
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, 2016, 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 Managers
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, 2016 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 Managers
Three Fountains Corporation

Report on Summarized Comparative Information

We have previously audited the Three Fountains Corporation's December 31, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 1, 2017

THREE FOUNTAINS CORPORATION

Balance Sheets
December 31, 2016
(With Comparative Totals for 2015)

	Operating Fund	General Reserve Fund	Capital Reserve Fund	2016 Total	Summarized 2015 Total
Assets					
Cash and cash equivalents	\$ 169,474	\$ 330,395	\$ 43,474	\$ 543,343	\$ 233,562
Investments	-	-	836,568	836,568	799,497
Assessments receivable, net of allowance for doubtful accounts of \$2,000 in 2016 and 2015	54,735	-	-	54,735	5,820
Prepaid expenses	10,722	-	-	10,722	95,221
Prepaid income taxes	5,481	-	-	5,481	8,167
Property and equipment, net of accumulated depreciation of \$392,211 in 2016 and \$369,866 in 2015	<u>223,242</u>	<u>-</u>	<u>-</u>	<u>223,242</u>	<u>245,587</u>
Total assets	<u>\$ 463,654</u>	<u>\$ 330,395</u>	<u>\$ 880,042</u>	<u>\$ 1,674,091</u>	<u>\$ 1,387,854</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 33,891	\$ 269,105	\$ -	\$ 302,996	\$ 8,732
Prepaid assessments	<u>25,377</u>	<u>-</u>	<u>-</u>	<u>25,377</u>	<u>22,289</u>
Total liabilities	59,268	269,105	-	328,373	31,021
Unrealized gain on investments	-	-	14,050	14,050	25,902
Fund balances	<u>404,386</u>	<u>61,290</u>	<u>865,992</u>	<u>1,331,668</u>	<u>1,330,931</u>
Total liabilities and fund balances	<u>\$ 463,654</u>	<u>\$ 330,395</u>	<u>\$ 880,042</u>	<u>\$ 1,674,091</u>	<u>\$ 1,387,854</u>

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, 2016
(With Comparative Totals for 2015)

	Operating Fund	General Reserve Fund	Capital Reserve Fund	2016 Total	Summarized 2015 Total
Revenues					
Member assessments	\$ 710,342	\$ 285,957	\$ 20,000	\$ 1,016,299	\$ 952,780
Investment income	-	-	15,435	15,435	17,600
Realized gain on investments	-	-	36,154	36,154	18,912
Other income	5,341	5,400	-	10,741	5,144
Total revenues	<u>715,683</u>	<u>291,357</u>	<u>71,589</u>	<u>1,078,629</u>	<u>994,436</u>
Expenses					
Bad debt expense	-	-	-	-	2,000
Building maintenance	23,483	309,619	-	333,102	229,377
Depreciation	22,345	-	-	22,345	26,187
Gas and electricity	15,101	-	-	15,101	17,655
Grounds maintenance	103,482	-	-	103,482	77,634
Insurance	85,051	-	-	85,051	74,763
Income taxes	7,182	-	-	7,182	3,334
Loan interest	-	-	-	-	1,136
Management fees	22,155	-	-	22,155	22,155
Office and administrative	12,279	1,461	5,677	19,417	20,970
Professional fees	8,021	-	-	8,021	6,751
Recreation facilities expense	10,887	-	-	10,887	9,681
Special projects expense	27,644	21,650	-	49,294	20,770
Taxes, property	908	-	-	908	891
Telephone and communications	5,169	-	-	5,169	5,518
Trash removal	9,012	-	-	9,012	8,391
Wages and related benefits	269,766	-	-	269,766	238,168
Water and sewer	117,000	-	-	117,000	85,764
Total expenses	<u>739,485</u>	<u>332,730</u>	<u>5,677</u>	<u>1,077,892</u>	<u>851,145</u>
Excess (deficiency) of revenues over expenses	(23,802)	(41,373)	65,912	737	143,291
Fund balances - beginning of year	428,642	102,663	799,626	1,330,931	1,187,640
Interfund transfers	(454)	-	454	-	-
Fund balances - end of year	<u>\$ 404,386</u>	<u>\$ 61,290</u>	<u>\$ 865,992</u>	<u>\$ 1,331,668</u>	<u>\$ 1,330,931</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, 2016
(With Comparative Totals for 2015)

	Operating Fund	General Reserve Fund	Capital Reserve Fund	2016 Total	Summarized 2015 Total
Cash flows from operating activities:					
Excess (deficiency) of revenues over expenses	\$ (23,802)	\$ (41,373)	\$ 65,912	\$ 737	\$ 143,291
Adjustments to reconcile to cash provided by operating activities:					
Depreciation	22,345	-	-	22,345	26,187
Decrease (increase) in:					
Assessments receivable	(48,915)	-	-	(48,915)	(3,577)
Due from general reserve fund	-	-	-	-	6,500
Prepaid expenses	84,499	-	-	84,499	(5,276)
Prepaid income tax	2,686	-	-	2,686	(8,167)
Increase (decrease) in:					
Accounts payable	25,159	269,105	-	294,264	(2,098)
Due to roof reserve fund	-	-	-	-	(6,500)
Income tax payable	-	-	-	-	(6,405)
Prepaid assessments	3,088	-	-	3,088	(4,877)
Cash provided by operating activities	<u>65,060</u>	<u>227,732</u>	<u>65,912</u>	<u>358,704</u>	<u>139,078</u>
Cash flows from investing activities					
Net change in investments	-	-	(37,071)	(37,071)	(175,865)
Unrealized gain on investments	-	-	(11,852)	(11,852)	(44,925)
Cash used by investing activities	<u>-</u>	<u>-</u>	<u>(48,923)</u>	<u>(48,923)</u>	<u>(220,790)</u>
Cash used by financing activities					
Payments on line of credit	-	-	-	-	(100,000)
Interfund transfers	(454)	-	454	-	-
Cash provided (used) by financing activities	<u>(454)</u>	<u>-</u>	<u>454</u>	<u>-</u>	<u>(100,000)</u>
Increase (decrease) in cash and equivalents	64,606	227,732	17,443	309,781	(181,712)
Cash and cash equivalents - beginning	<u>104,868</u>	<u>102,663</u>	<u>26,031</u>	<u>233,562</u>	<u>415,274</u>
Cash and cash equivalents - ending	<u>\$ 169,474</u>	<u>\$ 330,395</u>	<u>\$ 43,474</u>	<u>\$ 543,343</u>	<u>\$ 233,562</u>

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