WILLOWS AT VAIL CONDOMINIUM OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

WILLOWS AT VAIL CONDOMINIUM OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Willows at Vail Condominium Owners Association, Inc.
Vail, Colorado

Opinion

We have audited the accompanying financial statements of Willows at Vail Condominium Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, which comprise the balance sheet as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willows at Vail Condominium Owners Association, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the supplementary information on future repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Reese Henry & Company, Inc.

Reese Henry & Company, Inc.
Aspen, Colorado
July 20, 2023

WILLOWS AT VAIL CONDOMINIUM OWNERS ASSOCIATION, INC.
Balance Sheet
December 31, 2022

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and Cash Equivalents	$ 10,087	$ 250,767	$ 260,854
Assessments Receivable	25,757	-	25,757
Owner Receivable	10,118	-	10,118
Due from WMLP	93	-	93
Interfund Receivable / Payable	52	(52)	-
TOTAL ASSETS	$ 46,107	$ 250,715	$ 296,822
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 1,574	$ -	$ 1,574
Contract Liability - Replacement Fund	-	250,000	250,000
TOTAL LIABILITIES	1,574	250,000	251,574
FUND BALANCES	44,533	715	45,248
TOTAL LIABILITIES AND FUND BALANCES	$ 46,107	$ 250,715	$ 296,822

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

WILLOWS AT VAIL CONDOMINIUM OWNERS ASSOCIATION, INC.
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessment Income	$ 400,000	$ -	$ 400,000
Interest Income	-	715	715
TOTAL REVENUES	400,000	715	400,715
EXPENSES			
Administrative Expenses	2,840	-	2,840
Building Expenses	269,043	-	269,043
Management Fees	126,800	-	126,800
TOTAL EXPENSES	398,683	-	395,843
Excess of Revenues over Expenses	1,317	715	2,032
Fund Balances - Beginning of Year	43,216	-	43,216
Fund Balances - End of Year	$ 44,533	$ 715	$ 45,248

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

WILLOWS AT VAIL CONDOMINIUM OWNERS ASSOCIATION, INC.
Statements of Cash Flows
For the Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
CASH FROM OPERATING ACTIVITIES			
Excess of Revenues over Expenses	$ 1,316	$ 715	$ 2,031
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash from Operating Activities:			
(Increase) Decrease in Operating Assets:			
Assessments Receivable	(15,392)	-	(15,392)
Owner Receivable	(10,118)	-	(10,118)
Prepaid Expenses	60	-	60
Decrease in Operating Liabilities:			
Accounts Payable	(1,038)	-	(1,038)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(25,172)	715	(24,457)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,172)	715	(24,457)
CASH AND CASH EQUIVALENTS, Beginning	35,259	250,052	285,311
CASH AND CASH EQUIVALENTS, Ending	$ 10,087	$ 250,767	$ 260,854

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

WILLOWS AT VAIL CONDOMINIUM OWNERS ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2022

1. Organization

Willows at Vail Condominium Owners Association, Inc. (the “Association”) was incorporated on January 2, 2008 in the state of Colorado. The purpose of the Association is to operate and maintain, on behalf of its owners, the facilities of Willows at Vail Condominiums. The Association consists of 18 units located in Vail, Colorado.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Fund Accounting
The Association uses the fund method of accounting, which requires that funds, such as operating funds and replacement funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Directors (the "Board") and the Association's management. Disbursements from the Replacement Funds may be made only for designated purposes.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP 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 that reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
The Association considers all checking, money market, and savings accounts to be cash equivalents since all such funds are highly liquid. Instruments that have maturities of three months or more are generally invested and classified as investments.

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") per institution. At December 31, 2022, there were no deposits in excess of FDIC limits.

Allowance for Uncollectible Accounts
The Association uses the allowance method to recognize potential future collectability of delinquent assessments due from owners. As of December 31, 2022, the Association determined no allowance for uncollectible accounts to be necessary.

Recognition of Assets

Ownership of commonly owned assets is vested directly or indirectly in the interest owners, and those assets are not titled in the Association's name. As a result, commonly owned assets are not presented in the Association's financial statements.

Replacements and improvements to real and personal common property acquired from the developer are not recorded by the Association as capitalized fixed assets because their disposition is restricted. Rather, such replacements and improvements are expensed in the period in which they are incurred.

Revenue Recognition

The annual budget is approved by the Board of Directors and ratified by the Association ownership. The Association receives dues from the owners to provide funds for operating expenses and future major repairs and replacements. Assessments are recognized as revenue on a pro rata basis over the period covered by the billing as performance obligations are satisfied. Operating fund dues received prior to performance obligations being satisfied are designated as deferred revenue. All other operating revenue is recognized when performance obligations are satisfied.

The Association recognizes revenue from owners as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement fund. Replacement fund revenues consist of assessments from the general common and limited common reserve funds. Revenue from replacement fund assessments is recognized when replacement fund expenses are incurred.

The Association's collection policy for owners' interest with delinquent dues is to apply late fee and interest charges. If continued delinquency occurs, the Association will place liens on the owner's interests in a unit.

Adoption Of Accounting Standard

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of December 31, 2022, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of December 31, 2022. Adoption of the new guidance resulted in changes to our accounting policies for assessments revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the Association recording a contract liability for the replacement fund of $250,00.

Income Taxes
The Association files its income tax return as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association.

Date of Management's Evaluation
Management has evaluated subsequent events through July 20, 2023, the date these financial statements were available to be issued.

3. Management Agreement

The Association entered into a management agreement with The Willows Management, L.P. on October 10, 2013 for an initial term of five years, with automatic renewals for successive periods of two years thereafter,unless at the end of any such five-year or two-year period the Association elects to terminate the contract.

Management fees are determined annually by the Association. Management fees paid to the management company for the year ended December 31, 2022 included $33,000 for common area cleaning, $66,000 for front desk personnel, $20,000 for management services, and $7,800 for the phone system.

4. Replacement Funds and Reserve for Future Major Repairs and Replacements

The Association 's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. Reserve funds are held in a separate account and are generally not available for operating purposes.

5. Concentrations

For the year ended December 31, 2022, one owner's assessments were 51% of total assessment income.