

**Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)**

Financial Statements

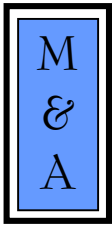
December 31, 2016 and 2015

**Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)**

**Financial Statements
December 31, 2016 and 2015**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Golden Eagle Elderly Housing Corporation
Eagle, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Eagle Elderly Housing Corporation (the "Corporation"), a Colorado non-profit corporation and a component unit of Eagle County, Colorado, which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 judgment, 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 appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Golden Eagle Elderly Housing Corporation
Eagle, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Eagle Elderly Housing Corporation as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the Corporation's basic financial statements taken as a whole. The supplemental Schedule of Changes in Net Assets – Budget and Actual on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedules on page 12 are presented for the purpose of additional analysis, as required by the *United States Department of Agriculture RD Handbook HB-2-3560*, and is not a required part of the financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information on pages 11 – 12, except for that 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 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 supplemental information on pages 11 – 12 is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
March 6, 2017

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents - Unrestricted	21,378	3,596
Accounts receivable - Rentals	471	230
Accounts receivable - Other	11,379	10,127
Investment	100	100
Total Current Assets	33,328	14,053
Restricted Assets:		
Cash and cash equivalents - Restricted	119,804	104,672
Fixed Assets, Net of Accumulated Depreciation	1,537,545	1,620,462
Total Assets	1,690,677	1,739,187
Liabilities and Net Assets:		
Liabilities:		
Current Liabilities:		
Accounts payable	8,117	5,052
Due to Eagle County	5,940	106
Accrued interest payable on long-term debt	2,208	2,259
Tenant security deposits	17,430	16,930
Current portion of long term debt	10,118	9,533
Total Current Liabilities	43,813	33,880
Long-term debt, net of current portion	1,328,491	1,338,609
Total Liabilities	1,372,304	1,372,489
Net Assets - Unrestricted	318,373	366,698
Total Liabilities and Net Assets	1,690,677	1,739,187

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

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Activities
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues:		
Tenant rents	111,013	111,981
Tenant assistance payments	133,339	129,607
Total - Rental Revenues	<u>244,352</u>	<u>241,588</u>
Miscellaneous	1,145	718
Total Revenues	<u>245,497</u>	<u>242,306</u>
Expenses:		
Repairs and maintenance	51,771	83,520
Utilities	42,179	44,855
General and administration	72,108	65,051
Management fees	8,076	8,076
Insurance	6,000	4,083
Total Operating Expenses	<u>180,134</u>	<u>205,585</u>
Income (Loss) from Operations	65,363	36,721
Other Revenue (Expense):		
Interest income	95	120
Grant awards and contributions	-	25,000
Depreciation	(82,916)	(82,068)
Interest subsidy	51,612	48,417
Interest expense	<u>(82,479)</u>	<u>(80,822)</u>
Change in Net Assets	(48,325)	(52,632)
Unrestricted Net Assets - Beginning	<u>366,698</u>	<u>419,330</u>
Unrestricted Net Assets - Ending	<u><u>318,373</u></u>	<u><u>366,698</u></u>

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

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash received for rent	244,614	242,497
Other cash receipts	1,145	718
Cash paid for staffing	(62,097)	(55,487)
Cash paid for goods and services	(110,392)	(142,277)
Net Cash Provided (Used) By Operating Activities	73,270	45,451
Cash Flows From Financing Activities:		
Cash received from grants and contributions	-	25,000
Cash received from interest subsidy	51,612	48,417
Principal repaid on long-term debt	(9,533)	(8,982)
Interest paid	(82,530)	(80,867)
Net Cash Provided (Used) By Financing Activities	(40,451)	(16,432)
Cash Flows From Investing Activities:		
Interest income received	95	118
Cash paid to purchase capital assets	-	(33,923)
Net Cash Provided (Used) By Investing Activities	95	(33,805)
Net Increase (Decrease) in Cash and Cash Equivalents	32,914	(4,786)
Cash and Cash Equivalents - Beginning	108,268	113,054
Cash and Cash Equivalents - Ending	141,182	108,268
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	21,378	3,596
Cash and cash equivalents - Restricted	119,804	104,672
	141,182	108,268
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	65,363	36,721
Adjustments to reconcile:		
(Increase) decrease in accounts receivable - Rentals	(241)	336
(Increase) decrease in accounts receivable - Other	(1,252)	4,934
Increase (decrease) in accounts payable	3,066	3,375
Increase (decrease) in due to Eagle County	5,834	(485)
Increase (decrease) in tenant security deposits	500	570
Total Adjustments	7,907	8,730
Net Cash Provided (Used) By Operating Activities	73,270	45,451

The accompanying notes are an integral part of these financial statements

**Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2016 and 2015**

1. Organization

Golden Eagle Elderly Housing Corporation (the "Corporation") was incorporated on May 3, 2002 as a Colorado non-profit corporation for the operation, maintenance, and development of decent, safe and sanitary housing for the handicapped, aged, and individuals who meet certain living requirements in Eagle County, Colorado (the "County"). The Corporation owns and operates, exclusively on behalf of and for the benefit of the County, a 36-unit elderly housing project in Eagle, Colorado known as Golden Eagle Apartments (the "Project").

The formation of the Corporation was approved by the County, and its operations are governed by a Board of Directors (the "Board") appointed by the County's Board of County Commissioners. The Corporation is considered to be a component unit of the County, and its financial position, activities, and cash flow are included in the County's separate 2016 and 2015 financial statements.

The Corporation began operations in 2003. The acquisition of the Project was financed by a promissory note from Rural Housing Service ("RHS"); a division of the U.S. Department of Agriculture. The note is secured by a pledge of revenues and assets from the Project. The County has no financial obligation for the debt or the operations of the Corporation.

Rents of qualified tenants within the Project are subsidized by RHS, pursuant to a Rental Assistance Agreement.

2. Summary of Significant Accounting Policies

A. Reporting Entity

The Corporation was formed under the laws of the State of Colorado and operates under the direction of the Board. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Corporation. No additional separate governmental units, agencies, or non-profit corporations are included in the financial statements of the Corporation since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The Corporation does not exercise oversight responsibility over any other entity. However, the Corporation is a component unit of the County.

B. Basis of Accounting

The Corporation utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

C. Cash Equivalents

For the purposes of the Statement of Cash Flows, the Corporation defines cash equivalents as all cash, money market, and savings accounts, plus all investments with original maturities of three months or less.

D. Restricted Assets

Certain of the Corporation's assets are classified as restricted assets because their use is restricted to specific purposes by RHS or other legally binding commitments.

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2016 and 2015
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. Allowance for Uncollectible Accounts

The Corporation uses the allowance method to recognize the potential uncollectibility of receivables. No allowance for uncollectible accounts was recorded at December 31, 2016 and 2015, since all such amounts were considered collectible.

F. Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives of the underlying assets:

	Years
Buildings and improvements	20 - 30
Furniture and equipment	3 - 5

Land is reported at cost and is not subject to depreciation.

G. Income Taxes

The Corporation was formed in accordance with Internal Revenue Service Revenue Procedure 95-48, which provides that an "affiliate of a governmental unit" is exempt from federal income tax filing requirements. As a result, the Corporation is also exempt from Colorado state income tax.

H. Subsequent Events

Management has evaluated subsequent events through March 6, 2017; the date these financial statements were available to be issued.

I. Use of 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

	2016	2015
Cash and Cash Equivalents - Unrestricted:		
Cash in bank - Checking	\$ 21,378	\$ 3,596
Cash and Cash Equivalents - Restricted:		
Tenant security deposits - Checking	\$ 17,430	\$ 16,907
Reserve account - Checking	102,374	87,765
Total - Cash and Cash Equivalents - Restricted	\$ 119,804	\$ 104,672

Under the terms of the financing from RHS, the Corporation is required to make annual transfers to a Reserve account, until the account balance reaches \$142,647. Funds in the Reserve account may only be expended upon approval of RHS for specified purposes.

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2016 and 2015
(Continued)

4. Investment

The Corporation is the sole member of Seniors on Broadway LLC (the "LLC"), which is the general partner (0.01% interest) in Seniors on Broadway LP (the "LP"). The LP developed and operates a senior housing facility adjacent to the Project. The Corporation's investment in the LLC is carried at cost, which approximates its consolidated value at year-end. The Corporation has provided an unconditional guaranty to the LP's limited partners with respect to the LLC's obligations under the LP's Partnership Agreement, including guaranty of certain tax credits anticipated by the LP's limited partners. However, the Corporation has no financial obligation for the debt of the LP.

5. Capital Assets

For 2016, the Corporation had the following activity related to capital assets:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/16</u>
Capital assets not being depreciated:				
Land	\$ 126,000	\$ -	\$ -	\$ 126,000
Total capital assets not being depreciated	<u>126,000</u>	<u>-</u>	<u>-</u>	<u>126,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,344,405	-	-	2,344,405
Furniture and equipment	<u>21,765</u>	<u>-</u>	<u>-</u>	<u>21,765</u>
Total capital assets being depreciated	<u>2,366,170</u>	<u>-</u>	<u>-</u>	<u>2,366,170</u>
Less accumulated depreciation for:				
Buildings and improvements	(849,943)	(82,917)	-	(932,860)
Furniture and equipment	<u>(21,765)</u>	<u>-</u>	<u>-</u>	<u>(21,765)</u>
Total accumulated depreciation	<u>(871,708)</u>	<u>(82,917)</u>	<u>-</u>	<u>(954,625)</u>
Total capital assets being depreciated, net	<u>1,494,462</u>	<u>(82,917)</u>	<u>-</u>	<u>1,411,545</u>
Total Capital Assets, Net	<u>\$ 1,620,462</u>	<u>\$ (82,917)</u>	<u>\$ -</u>	<u>\$ 1,537,545</u>

6. Long-term Debt

In connection with the Corporation's acquisition of the Project on March 14, 2003, the Corporation assumed \$1,063,478 of promissory notes payable to RHS (the "2003 Note"). The 2003 Note is secured by the Project, and other assets and revenues of the Corporation. The 2003 Note bears interest at 6% per annum and is due in monthly blended installments of \$5,600. The Corporation receives varying monthly interest subsidies from RHS. During 2016, these subsidies totaled \$38,274 (2015 – \$35,079). The 2003 Note is amortized over 50 years, with a balloon payment of unpaid principal and accrued interest due March 14, 2033. The outstanding principal balance on the 2003 Note at December 31, 2016 was \$992,011 (2015 – \$999,443).

On December 8, 2006, the Corporation executed another promissory note for \$362,870 with RHS (the "2006 Note"); the proceeds of which were used to fund capital improvements. The 2006 Note is secured by the Project, and other assets and revenues of the Corporation. The 2006 Note bears interest at 5.875% per annum and is due in monthly blended installments of \$773. The Corporation receives a monthly interest subsidy of \$1,111 from the RHS. During 2016, these subsidies totaled \$13,337 (2015 – \$13,337). Monthly payments are due beginning February 1, 2007, with a balloon payment of unpaid principal and accrued interest due January 1, 2037. The outstanding principal balance on the 2006 Note at December 31, 2016 was \$346,598 (2015 – \$348,699).

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2016 and 2015
(Continued)

6. Long-term Debt (continued)

For 2016, the Corporation had the following activity related to long-term debt:

	Balance 12/31/15	Principal Payments	Balance 12/31/16	Due Within One Year
2003 USDA promissory note	\$ 999,443	\$ (7,432)	\$ 992,011	\$ 7,890
2006 USDA promissory note	348,699	(2,101)	346,598	2,228
	<u>\$ 1,348,142</u>	<u>\$ (9,533)</u>	<u>\$ 1,338,609</u>	<u>\$ 10,118</u>

The following is a schedule of the Corporation's aggregate future debt service requirements at December 31, 2016 to maturity:

	Principal	Interest	Total
2017	\$ 10,118	\$ 66,349	\$ 76,467
2018	10,739	65,728	76,467
2019	11,399	65,068	76,467
2020	12,098	64,369	76,467
2021	12,841	63,626	76,467
2022 - 2026	77,042	305,289	382,331
2027 - 2031	103,780	278,554	382,334
2032 - 2036	836,262	75,686	911,948
2037 - 2039	264,330	189	264,519
	<u>\$ 1,338,609</u>	<u>\$ 984,858</u>	<u>\$ 2,323,467</u>

7. Related Party Transactions

Effective January 1, 2010, the Corporation entered into a three-year agreement with Eagle County Housing and Development Authority ("ECHDA"; a component unit of the County), pursuant to which ECHDA is to provide management of the day-to-day operations of the Project. This agreement was extended, by amendment, to June 30, 2015. A new three-year agreement was executed July 1, 2015 with ECHDA. As with the original agreement, ECHDA is to be reimbursed for all charges, including staffing, incurred on behalf of the Corporation in managing the Project. Additionally, ECHDA is to be paid an initial management fee of \$673 per unit, with annual increases as allowed.

Total expenses, including reimbursements to ECHDA and the County, incurred for management of the Project in 2016 and 2015 were as follows:

	2016	2015
Salaries and wages - Administration	\$ 62,097	\$ 55,487
Repairs and maintenance	765	1,445
Office and administrative	651	320
Management fees	8,076	8,076
Property insurance	6,000	4,083
Total	<u>\$ 77,589</u>	<u>\$ 69,411</u>

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Notes to the Financial Statements
December 31, 2016 and 2015
(Continued)

7. Related Party Transactions (continued)

The Corporation had a balance of \$5,940 payable to ECHDA and the County at December 31, 2016 (2015 – \$106 payable to ECHDA and the County).

8. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Corporation expects such amounts, if any, to be immaterial.

9. Rental Assistance Agreement

Effective April 1, 2003, the Corporation entered into a Rental Assistance Agreement with RHS that provides subsidy payments for rent on 33 of the 36 units in the Project. The subsidized rent totaled \$133,339 for 2016 (2015 – \$129,607) and represented 54% of the Corporation's operating revenues for the year (2015 – 53%).

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Schedule of Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2016
(With Comparative Actual Amounts for 2015)

	<u>2016</u>		<u>Variance Positive (Negative)</u>	<u>2015</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Tenant rents	111,200	111,013	(187)	111,981
Tenant assistance payments	134,244	133,339	(905)	129,607
Total - Rental revenues	<u>245,444</u>	<u>244,352</u>	<u>(1,092)</u>	<u>241,588</u>
Miscellaneous	2,222	1,145	(1,077)	718
Total Revenues	<u>247,666</u>	<u>245,497</u>	<u>(2,169)</u>	<u>242,306</u>
Expenses:				
Repairs and maintenance:				
Repairs	75,414	32,507	42,907	58,375
Grounds and landscaping	28,882	19,264	9,618	25,145
Total repairs and maintenance	<u>104,296</u>	<u>51,771</u>	<u>52,525</u>	<u>83,520</u>
Utilities:				
Utilities	42,964	42,179	785	44,855
General and administration:				
Salaries and wages	60,863	62,097	(1,234)	55,487
Professional services	7,004	7,000	4	6,800
Travel and training	840	688	152	218
Office expense	2,394	2,323	71	2,545
Other	-	-	-	1
Total general and administration	<u>71,101</u>	<u>72,108</u>	<u>(1,007)</u>	<u>65,051</u>
Management fees:				
Management fees	8,076	8,076	-	8,076
Insurance:				
Insurance	6,000	6,000	-	4,083
Total Operating Expenses	<u>232,437</u>	<u>180,134</u>	<u>52,303</u>	<u>205,585</u>
Income (Loss) from Operations	15,229	65,363	50,134	36,721
Other Income (Expenses):				
Interest income	120	95	(25)	120
Grant awards and contributions	-	-	-	25,000
Depreciation	(80,681)	(82,916)	2,235	(82,068)
Interest subsidy	-	51,612	51,612	48,417
Interest expense	(31,225)	(82,479)	(51,254)	(80,822)
Change in Net Assets	<u>(96,557)</u>	<u>(48,325)</u>	<u>48,232</u>	<u>(52,632)</u>

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

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Schedule of Additional Disclosures
For the Year Ended December 31, 2016

Management Fee Calculation

	Total Qualified Units:	<u>36</u>	@ 12 months	432
	Less: Rent-free unit vacancies			<u>-</u>
	Total Occupied Units			<u><u>432</u></u>
	Fee per unit	effective	July 1, 2015	<u><u>\$18.69</u></u>
	Total Management Fee			<u><u>\$8,076</u></u>

Insurance Disclosure

	<u>Deductible</u>	<u>Coverage</u>
Property Coverage on Buildings	\$500	\$150,000 / occurrence
Comprehensive Building Liability	\$500	\$250,000 / occurrence
Crime	\$500	\$150,000 / occurrence

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