
**CRESTED BUTTE SOUTH
PROPERTY OWNERS
ASSOCIATION, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2006

Table of Contents

	Page
Independent Auditor's Report	1
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Fund Balance	4
Statement of Cash Flows	5
Notes to Financial Statements	7
Supplemental Information	
Schedule of General and Administrative Expenses.....	13

Board of Directors
Crested Butte South Property Owners Association, Inc.

Independent Auditor's Report

I have audited the accompanying balance sheet of Crested Butte South Property Owners Association, Inc. (a nonprofit corporation) as of December 31, 2006 and the related statement of revenues, expenses and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crested Butte South Property Owners Association, Inc. at December 31, 2006, 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.

The supplemental schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the audit procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This Page Left Blank Intentionally

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2006

	<u>2006</u>
Assets	
Cash - operating.....	\$ 93,338
CDs - performance deposits	213,727
Certificates of deposit.....	164,607
Accounts receivable, net of allowance for uncollectible accounts	3,116
Property and equipment, net of accumulated depreciation.....	356,881
Loan fees, net of accumulated amortization	<u>695</u>
Total Assets	<u>\$ 832,364</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable.....	\$ 8,090
Accrued expenses	2,543
Compensated absences	3,115
Advance dues paid.....	2,174
Note payable.....	142,330
Performance deposits.....	<u>213,727</u>
Total Liabilities	371,979
Fund Balance	<u>460,385</u>
Total Liabilities and Fund Balance	<u>\$ 832,364</u>

The accompanying notes are an integral part of these statements.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2006

Revenues

Member dues	\$ 141,742
Architectural and closing statement fees	27,665
Hockey rink	7,807
Interest on deposits	21,742
Donations and grants	4,800
Other	<u>5,993</u>

Total Revenues 209,749

Expenses

General and administrative	164,838
Maintenance:	
Property	5,798
Parks and recreational facilities	11,442
Depreciation and amortization	21,204
Loss on disposal of assets	14,877
Interest expense	<u>6,417</u>

Total Expenses 224,576

Excess of Expenses over Revenues (14,827)

Fund Balance - January 1 475,212

Fund Balance - December 31 \$ 460,385

The accompanying notes are an integral part of these statements.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

Cash Flows from Operating Activities

Excess of expenses over revenue.....	\$ (14,827)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation and amortization	21,093
Loss on disposal of assets	14,877
(Increase) decrease in accounts receivable.....	(1,696)
Increase (decrease) in accounts payable.....	4,799
Increase (decrease) in accrued expenses	(72)
Increase (decrease) in compensated absences payable.....	3,115
Increase (decrease) in advance dues paid.....	927
Increase (decrease) in deposits held.....	<u>7,807</u>

Net Cash Provided by Operating Activities 36,023

Cash Flows from Capital and Related Financing Activities

Purchase of property, improvements and equipment.....	- (38,022)
Principal Payment on note payable	(3,365)
Purchase of certificates of deposit	(115,500)
Redemption of certificates of deposit.....	<u>104,988</u>

Net Cash Used by Capital and Related Financing Activities (51,899)

Increase (Decrease) in Cash (15,876)

Cash - January 1..... 109,214

Cash - December 31..... \$ 93,338

Supplemental Disclosures

Income taxes paid	\$ -
Interest paid	\$ 6,417

The accompanying notes are an integral part of these statements.

This Page Left Blank Intentionally

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Note 1 - Organization and Summary of Significant Accounting Policies

The Crested Butte South Property Owners Association, Inc. (the Association) was incorporated in 1979 as a Colorado nonprofit corporation. The Association was formed primarily to assess property owners in Crested Butte South, Gunnison County, Colorado, for the maintenance of the common areas and to enforce certain covenants and restrictions. Each property owner is a member of the Association.

A summary of the Association's significant accounting policies follows:

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash and highly liquid investments purchased with an initial maturity of three months or less.

Property and Equipment

Property and equipment of the Association are stated at cost, except donated assets which are stated at their estimated value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Member dues

Member dues are a lien on the property assessed; however, the Association provides an allowance for uncollectible accounts until the lien is enforced in the Association's favor. The allowance for uncollectible accounts was \$1,500 at December 31, 2006.

Income Taxes

The Association may elect to be taxed as a regular corporation or as a homeowners' association. The Association has elected to be taxed as a regular corporation. Under that election, the Association is generally taxed only on nonmembership income, such as interest earnings, at regular federal and state corporate tax rates. Membership income is exempt from taxation if certain elections are made. Accordingly, these financial statements do not contain a provision for income taxes because nonmembership income was less than nonmembership expense. No deferred tax asset has been recorded for the net operating loss carryforward. Management does not believe that these losses will be used before they expire.

<u>Expiration</u>	<u>Amount of Operating Loss</u>
2011	\$ 3,605
2012	360
2018	1,169
2022	8,685
2023	16,160
2024	<u>10,341</u>
Total Carryforward	<u>\$ 40,320</u>

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash Deposits

At December 31, 2006, the Association's deposits exceeded federal depository insurance coverage by \$358,004.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	<u>12/31/06</u>
Land	\$ 91,332
Building	168,135
Property improvements.....	172,905
Furniture and equipment.....	<u>54,303</u>
	486,675
Less accumulated depreciation	<u>(129,794)</u>
	<u>\$ 354,829</u>

The association reclassified \$13,332 to land from property improvements.

The Association leases office space to the Gunnison County Sheriff's Department for an annual rental of \$1,800. The lease was renewed January 1, 2007 and expires January 1, 2009.

Note 4 - Note Payable

The Association obtained a construction loan, dated September 18, 2003, in the amount of \$151,000 to construct an office building. The loan was converted to a term loan dated March 18, 2004 requiring 107 monthly payments in the amount of \$889, including interest at WSJ Prime plus 3%, 3 year adjustments with a single final payment due March 18, 2013 in the approximate amount of \$117,644. The loan is collateralized by the real property located at 61 Teocalli, Crested Butte, Colorado.

Estimated maturities:

<u>Year</u>	<u>Amount</u>
2007	\$ 3,663
2008	3,850
2009	4,047
2010	4,254
2011	4,472
Years thereafter.....	<u>122,044</u>
Total.....	<u>\$ 142,330</u>

Note 5 – Subsequent Events

On March 2007 the Association refinanced the construction loan reported in Note 4 in the amount of \$141,900 at an interest rate of 7.25%. The note matures in March 2022.

This Page Left Blank Intentionally

Supplemental Information

This Page Left Blank Intentionally

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

Year Ended December 31, 2006

Salaries and wages.....	\$ 88,932
Legal and consulting	17,755
Insurance	6,398
Office supplies.....	3,717
Payroll taxes	7,175
Electricity	2,278
Legal notices.....	2,090
Miscellaneous	8,401
Design review committee	2,140
Telephone and internet	1,640
Website	1,225
Employee benefits	10,582
Trash, water and sewer	855
Postage.....	860
Cleaning.....	700
Meetings and picnic.....	1,100
Audit and accounting.....	<u>8,990</u>
	<u>\$ 164,838</u>