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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2007 and 2006

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

Independent Auditor's Report

I have audited the accompanying balance sheets of Crested Butte South Property Owners Association, Inc. (a nonprofit corporation) as of December 31, 2007 and 2006, and the related statements of revenues, expenses and changes in fund balance and cash flows for the years 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 audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 audits 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, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Mary Brenes, CPA

April 2, 2008

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CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS

	December 31,	
	<u>2007</u>	<u>2006</u>
Assets		
Cash - operating.....	\$ 42,866	\$ 93,338
CDs - performance deposits	142,858	213,727
Certificates of deposit.....	178,454	164,607
Accounts receivable, net of allowance for uncollectible accounts	2,786	3,116
Property and equipment, net of accumulated depreciation.....	379,889	356,881
Loan fees, net of accumulated amortization		695
	<u> </u>	<u> </u>
Total Assets	<u>\$ 749,853</u>	<u>\$ 832,364</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable.....	\$ 2,239	\$ 8,090
Accrued expenses	3,023	2,543
Compensated absences	3,874	3,115
Advance dues paid.....		2,174
Note payable	137,809	142,330
Performance deposits.....	142,858	213,727
	<u> </u>	<u> </u>
Total Liabilities	289,803	371,979
Fund Balance	<u>460,050</u>	<u>460,385</u>
	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 749,853</u>	<u>\$ 832,364</u>

The accompanying notes are an integral part of these statements.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Revenues		
Member dues	\$ 152,224	\$ 141,742
Architectural and closing statement fees	13,800	27,665
Hockey rink	7,195	7,807
Interest on deposits	23,122	21,742
Donations and grants	1,100	4,800
Forfeited performance deposits	32,094	
Other	<u>6,880</u>	<u>5,993</u>
	Total Revenues	
	<u>236,415</u>	<u>209,749</u>
Expenses		
General and administrative	148,139	164,838
Maintenance:		
Property	12,412	5,798
Parks and recreational facilities	37,470	11,442
Depreciation and amortization	27,582	21,204
Loss on disposal of assets		14,877
Interest and closing expense	<u>11,147</u>	<u>6,417</u>
	Total Expenses	
	<u>236,750</u>	<u>224,576</u>
	Excess of Expenses over Revenues	
	(335)	(14,827)
Fund Balance - January 1	<u>460,385</u>	<u>475,212</u>
Fund Balance - December 31	<u>\$ 460,050</u>	<u>\$ 460,385</u>

The accompanying notes are an integral part of these statements.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Excess of expenses over revenues	\$ (335)	\$ (14,827)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	27,582	21,093
Loss on disposal of assets	-	14,877
(Increase) decrease in accounts receivable.....	330	(1,696)
Increase (decrease) in accounts payable.....	(5,851)	4,799
Increase (decrease) in accrued expenses	480	(72)
Increase (decrease) in compensated absences payable.....	759	3,115
Increase (decrease) in advance dues paid.....	(2,174)	927
Increase (decrease) in deposits held.....	<u>(70,869)</u>	<u>7,807</u>
Net Cash Provided by Operating Activities	<u>(50,078)</u>	<u>36,023</u>
Cash Flows from Financing Activities		
Issuance of note receivable	<u>(3,000)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of property, improvements and equipment.....	(49,895)	(38,022)
Principal payment on notes payable	(146,421)	(3,365)
Proceeds from note payable.....	141,900	-
Purchase of certificate of deposit.....	-	(115,500)
Redemption of certificates of deposit.....	<u>57,022</u>	<u>104,988</u>
Net Cash Used by Capital and Related Financing Activities	<u>2,606</u>	<u>(51,899)</u>
Increase (Decrease) in Cash	(50,742)	(15,876)
Cash - January 1	<u>93,338</u>	<u>109,214</u>
Cash - December 31	<u>\$ 42,866</u>	<u>\$ 93,338</u>
Supplemental Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 9,730	\$ 6,417

The accompanying notes are an integral part of these statements.

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CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 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, 2007 and 2006, respectively.

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.

2006 Comparative Amounts

Fund balance as of December 31, 2006 was increased from the amount previously reported by \$7,329 due to correcting 2006 depreciation expense

Note 2 - Cash Deposits

At December 31, 2007 and 2006, the Association's deposits exceeded federal depository insurance coverage by \$167,752 and \$358,004, respectively.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 91,332	\$ 91,332
Building	168,135	168,135
Vehicles	22,126	-
Property improvements.....	196,550	172,905
Furniture and equipment.....	<u>56,123</u>	<u>54,303</u>
	534,266	486,675
Less accumulated depreciation	<u>(154,377)</u>	<u>(129,794)</u>
	<u>\$ 379,889</u>	<u>\$ 354,829</u>

The Association leases office space to the Gunnison County Sheriff's Department for an annual rental of \$1,800. The lease, dated January 1, 2007, expires January 1, 2008.

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, 2006 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. The loan was paid off in March of 2007.

The Association obtained a promissory note on March 2007 is for \$141,900 with an interest rate of 7.25%. The note is to be repaid in 180 monthly installments of \$1,304. The loan is collateralized by the real property located at 61 Teocalli, Crested Butte, Colorado. The note matures March 2022.

Estimated maturities:

<u>Year</u>	<u>Amount</u>
2008	\$ 5,737
2009	6,167
2010	6,630
2011	7,127
2012	7,761
Years thereafter.....	<u>104,387</u>
Total.....	<u>\$ 137,809</u>

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Supplemental Information

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CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Salaries and wages.....	\$ 87,646	\$ 88,932
Legal and consulting	9,168	17,755
Insurance	7,689	6,398
Office supplies.....	496	3,717
Repairs and Maintenance	1,375	-
Payroll taxes	8,510	7,175
Electricity	2,747	2,278
Legal notices.....	2,295	2,090
Miscellaneous	4,022	8,401
Design review committee	-	2,140
Telephone and internet	1,577	1,640
Website	5,430	1,225
Employee benefits	7,490	10,582
Trash, water and sewer	793	855
Postage.....	459	860
Cleaning.....	2,368	700
Meetings and picnics	3,062	1,100
Audit and accounting.....	3,011	8,990
	<u>\$ 148,139</u>	<u>\$ 164,838</u>

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