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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2008 and 2007

Table of Contents

	Page
Independent Auditor's Report	1
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balance	4
Statements of Cash Flows	5
Notes to Financial Statements	7
Supplemental Information	
Schedules 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 sheets of Crested Butte South Property Owners Association, Inc. (a nonprofit corporation) as of December 31, 2008 and 2007, 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, 2008 and 2007, 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

June 30, 2009

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CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS

	December 31,	
	<u>2008</u>	<u>2007</u>
Assets		
Cash - operating.....	\$ 47,810	\$ 42,866
CDs - performance deposits	78,108	142,858
Certificates of deposit.....	100,910	178,454
Accounts receivable, net of allowance for uncollectible accounts	6,022	2,786
Note receivable.....	2,000	3,000
Property and equipment, net of accumulated depreciation.....	<u>420,147</u>	<u>379,889</u>
Total Assets	<u>\$ 654,997</u>	<u>\$ 749,853</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable.....	\$ 1,376	\$ 2,239
Accrued expenses	4,438	3,023
Compensated absences	8,503	3,874
Advance dues paid.....	1,542	-
Note payable.....	132,025	137,809
Performance deposits.....	<u>77,581</u>	<u>142,858</u>
Total Liabilities	225,465	289,803
Fund Balance	<u>429,532</u>	<u>460,050</u>
Total Liabilities and Fund Balance	<u>\$ 654,997</u>	<u>\$ 749,853</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>2008</u>	<u>2007</u>
Revenues		
Member dues	\$ 171,925	\$ 152,224
Architectural and closing statement fees	14,440	13,800
Hockey rink	14,030	7,195
Interest on deposits	13,352	23,122
Donations and grants	10,200	1,100
Forfeited performance deposits	6,557	32,094
Other	<u>12,185</u>	<u>6,880</u>
	Total Revenues	
	<u>242,689</u>	<u>236,415</u>
Expenses		
General and administrative	166,524	148,139
Maintenance:		
Property	13,108	12,412
Parks and recreational facilities	52,102	37,470
Depreciation and amortization	31,851	27,582
Interest and closing expenses	<u>9,622</u>	<u>11,147</u>
	Total Expenses	
	<u>273,207</u>	<u>236,750</u>
	Excess of Expenses over Revenues	
	(30,518)	(335)
Fund Balance - January 1	<u>460,050</u>	<u>460,385</u>
Fund Balance - December 31	<u>\$ 429,532</u>	<u>\$ 460,050</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>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Excess of expenses over revenues	\$ (30,518)	\$ (335)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	31,851	27,582
Loss on disposal of assets	-	-
(Increase) decrease in accounts receivable.....	(3,236)	330
Increase (decrease) in accounts payable.....	(863)	(5,851)
Increase (decrease) in accrued expenses	1,415	480
Increase (decrease) in compensated absences payable.....	4,629	759
Increase (decrease) in advance dues paid.....	1,542	(2,174)
Increase (decrease) in deposits held	<u>(65,276)</u>	<u>(70,869)</u>
Net Cash Provided by Operating Activities	<u>(60,456)</u>	<u>(50,078)</u>
Cash Flows from Financing Activities		
Payment on note receivable	<u>1,000</u>	<u>(3,000)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of property, improvements and equipment.....	(72,110)	(49,895)
Principal payment on notes payable	(5,784)	(146,421)
Proceeds from note payable.....	-	141,900
Redemption of performance deposit funds.....	64,750	-
Purchase of certificate of deposit.....	(28,587)	-
Redemption of certificates of deposit	<u>106,131</u>	<u>57,022</u>
Net Cash Used by Capital and Related Financing Activities	<u>64,400</u>	<u>2,606</u>
Increase (Decrease) in Cash	4,944	(50,742)
Cash - January 1	<u>42,866</u>	<u>93,338</u>
Cash - December 31	<u>\$ 47,810</u>	<u>\$ 42,866</u>
Supplemental Disclosures		
Interest paid	\$ 9,622	\$ 9,730

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, 2008 and 2007

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 \$1,480 and \$1,500 at December 31, 2008 and 2007, 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.

Note 2 - Cash Deposits

At December 31, 2007, the Association's deposits exceeded federal depository insurance coverage by \$167,752. The deposits were fully insured as of December 31, 2008.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 91,332	\$ 91,332
Building	172,058	168,135
Vehicles	22,126	22,126
Property improvements.....	252,950	196,550
Furniture and equipment.....	<u>67,909</u>	<u>56,123</u>
	606,376	534,266
Less accumulated depreciation	<u>(186,229)</u>	<u>(154,377)</u>
	<u>\$ 420,147</u>	<u>\$ 379,889</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, 2008, expires December 31, 2008.

Note 4 - Note Payable

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>
2009	\$ 6,167
2010	6,630
2011	7,127
2012	7,761
2013	8,235
Years thereafter.....	<u>96,105</u>
Total.....	<u>\$ 132,025</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>2008</u>	<u>2007</u>
Salaries and wages.....	\$ 93,568	\$ 87,646
Legal and consulting	9,685	9,168
Insurance	8,321	7,689
Office supplies.....	2,748	496
Repairs and Maintenance	1,035	1,375
Payroll taxes	8,960	8,510
Electricity	3,834	2,747
Legal notices.....	1,590	2,295
Newsletter.....	2,002	-
Miscellaneous	2,175	4,022
Fundraising	1,399	-
Incorporation study.....	9,600	-
Telephone and internet	1,734	1,577
Website	2,199	5,430
Employee benefits	6,543	7,490
Trash, water and sewer	1,444	793
Postage.....	535	459
Cleaning.....	1,487	2,368
Meetings and picnics	4,401	3,062
Audit and accounting.....	3,264	3,011
	<u>\$ 166,524</u>	<u>\$ 148,139</u>

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