

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

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ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheet of the Crested Butte South Property Owners Association, Inc. as of December 31, 2009, and the related statement of revenues, expenses, and changes in fund balances and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Crested Butte South Property Owners Association, Inc.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2009 financial statements in order for them to be in conformity with generally accepted accounting principles.

Information for the year ended December 31, 2008 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year. These financial statements were audited by another firm and their opinion dated June 30, 2009 expressed an unqualified opinion, but we have not performed any auditing procedures since that date.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The schedules of revenues and expenses—budget versus actual is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management without auditor review. Accordingly we do not express an opinion or any other form of assurance on it.

Crested Butte South Property Owners Association, Inc. has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the supplemental information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

McNurlin & Associates, P.C.

McNurlin & Associates, P.C.
Lakewood, Colorado
July 30, 2010

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009 Reviewed			2008 Audited
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash	\$ 147,516	\$ -	\$ 147,516	\$ 47,810
Performance deposits	43,975	-	43,975	179,018
Assessments receivable, net	1,462	-	1,462	6,022
Prepaid expenses	2,000	-	2,000	2,000
Property and equipment, net	404,948	-	404,948	420,147
TOTAL ASSETS	<u>\$ 599,901</u>	<u>\$ -</u>	<u>\$ 599,901</u>	<u>\$ 654,997</u>
LIABILITIES				
Accounts payable	\$ 253	\$ -	\$ 253	\$ 1,376
Accrued expenses	4,302	-	4,302	4,438
Compensated absences	3,868	-	3,868	8,503
Prepaid assessments	-	-	-	1,542
Note payable	125,788	-	125,788	132,025
Performance deposits	43,947	-	43,947	77,581
TOTAL LIABILITIES	<u>178,158</u>	<u>-</u>	<u>178,158</u>	<u>225,465</u>
FUND BALANCES	<u>421,743</u>	<u>-</u>	<u>421,743</u>	<u>429,532</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 599,901</u>	<u>\$ -</u>	<u>\$ 599,901</u>	<u>\$ 654,997</u>

See accompanying notes to the financial statements and the accountants' review report.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009 Reviewed			2008 Audited
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member assessments	\$ 189,029	\$ -	\$ 189,029	\$ 171,925
Architectural and closing statement fees	3,550	-	3,550	14,440
Hockey rink	15,358	-	15,358	14,030
Interest on deposits	4,353	-	4,353	13,352
Donations and grants	380	-	380	10,200
Forfeited performance deposits	6,463	-	6,463	6,557
Other	19,458	-	19,458	12,185
TOTAL REVENUES	238,591	-	238,591	242,689
EXPENSES				
General and administrative	171,842	-	171,842	166,524
Maintenance	31,897	-	31,897	65,210
Depreciation and amortization	33,471	-	33,471	31,851
Interest and closing expenses	9,170	-	9,170	9,622
TOTAL EXPENSES	246,380	-	246,380	273,207
Net revenues over (under) expenses	(7,789)	-	(7,789)	(30,518)
Fund balances, beginning of year	429,532	-	429,532	460,050
Fund balances, end of year	<u>\$ 421,743</u>	<u>\$ -</u>	<u>\$ 421,743</u>	<u>\$ 429,532</u>

See accompanying notes to the financial statements and the accountants' review report.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009 Reviewed		2008 Audited	
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net revenues over (under) expenses	\$ (7,789)	\$ -	\$ (7,789)	\$ (30,518)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities				
Depreciation and amortization	33,471	-	33,471	31,851
(Increase) decrease				
Assessments receivable	4,560	-	4,560	(3,236)
Increase (decrease)				
Accounts payable	(1,123)	-	(1,123)	(863)
Accrued expenses	(136)	-	(136)	1,415
Compensated absences	(4,635)	-	(4,635)	4,629
Prepaid assessments	(1,542)	-	(1,542)	1,542
Performance deposits	-	-	-	(65,276)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>22,806</u>	<u>-</u>	<u>22,806</u>	<u>(60,456)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Collection on note receivable				1,000
Purchase of fixed assets	(18,272)	-	(18,272)	(72,110)
Principal payment on notes payable	(6,237)	-	(6,237)	(5,784)
Redemption of performance deposit funds	(33,634)	-	(33,634)	64,750
Purchase of certificates of deposit	-	-	-	(28,587)
Redemption of certificates of deposit	135,043	-	135,043	106,131
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>76,900</u>	<u>-</u>	<u>76,900</u>	<u>65,400</u>
Net increase in cash	99,706	-	99,706	4,944
Cash at beginning of year	47,810	-	47,810	42,866
Cash at end of year	<u>\$ 147,516</u>	<u>\$ -</u>	<u>\$ 147,516</u>	<u>\$ 47,810</u>
Cash paid for interest			<u>\$ 9,170</u>	<u>\$ 9,622</u>
Cash paid for income taxes			<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements and the accountants' review report.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 1 NATURE OF ORGANIZATION

The Crested Butte South Property Owners Association, Inc. (the "Association") is a statutory property owner association organized as a non-profit corporation incorporated in the State of Colorado in June, 1979. The Association is responsible for the operation and maintenance of the common property of Crested Butte South, a 460+ acre residential and parks space in Crested Butte, Colorado.

Note 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 30, 2010, the date that the financial statements were available to be issued.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

In accordance with generally accepted accounting principles (GAAP), the Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement funds generally may be made for designated purposes. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operation of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements and acquisitions.

Member Assessment

Association members are subject to annual assessments based on type of unit to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Vacant land dues were \$123, residential dues were \$245 and commercial dues were \$506 per unit for the year ended December 31, 2009. The Board of Directors determines the annual budget and the assessment of owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association has the right to enforce the collection of assessments by placing a lien on the underlying title to the property.

See accompanying accountants' review report.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on Combined Statement - Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Estimates

The preparation of financial statements to conformity with generally accepted 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are owned by the individual unit owners in common as well as by the Association. Accordingly, these common area assets are recorded on the Association's financial statements. The real property consists of buildings, landscape, parking, etc. The Association recognizes property at cost. The property and improvements are depreciated over estimated useful lives using the straight-line method.

Compensated absences

The Association recognizes a liability for compensated absences under their policy which allows full time employees to carry forward one and one-half times their annual maximum. No carry forward is allowed for unused sick time.

Note 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements. Upon assessment collection, monies are deposited in non-restricted operating accounts. During the year ended December 31, 2009 no transfers were made from the operating fund to the replacement fund.

See accompanying accountants' review report.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association has the option to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available

Note 5 INCOME TAXES

The Association qualifies as a Common Interest Realty Association under Section 277 of the Internal Revenue Code. According to Internal Revenue Service (IRS) regulations, membership activities are generally exempt from income taxes and any excess of "common" revenues over "common" expenses can be applied to future assessments. However, any income and expenses unrelated to membership activities are subject to federal and state corporate taxes. There are no provisions for income taxes in the current financial statements.

As of December 31, 2009, the Association has federal net operating loss carry forwards totaling \$39,698 as follows:

Expiration Date	Loss Remaining
12/31/2011	\$ 20
12/31/2012	360
12/31/2018	1,169
12/31/2022	8,685
12/31/2023	16,160
12/31/2024	10,341
12/31/2025	1,839
12/31/2028	352
12/31/2029	772
TOTAL	<u>\$ 39,698</u>

These carry forwards create a deferred tax asset of approximately \$5,950, however, the Association has established a valuation allowance against the deferred tax assets, resulting in no effect on the accompanying financial statements.

See accompanying accountants' review report.

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2009

Note 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$	91,332
Building		172,058
Vehicles		22,126
Property improvements		262,320
Furniture and equipment		76,812
		624,648
Less: accumulated depreciation		(219,700)
Property and equipment, net of accumulated depreciation	\$	404,948

The Association leases office space to the Gunnison County Sheriff's Department for an annual rental of \$1,800. The lease is currently renewed through December 31, 2010.

Note 7 NOTE PAYABLE

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

<u>Year</u>	<u>Principal Payment</u>
2010	\$ 6,630
2011	7,127
2012	7,661
2013	8,235
2014	8,853
Thereafter	87,282
Total	\$ 125,788

Note 8 SUBSEQUENT EVENT

In June 2010, subsequent to year-end, the Association acquired a twenty acre tract of land adjacent to the current property for approximately \$17,000. This land was acquired for river access and additional passive recreation space and was purchased with funds available in the Association's accounts.

See accompanying accountants' review report.

SUPPLEMENTAL INFORMATION

CRESTED BUTTE SOUTH PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULES OF REVENUES AND EXPENSES - BUDGET VERSUS ACTUAL

YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009		2008
	Budget (Unaudited)	Reviewed Actual	Audited Actual
REVENUES			
Member assessments	\$ 185,063	\$ 189,029	\$ 171,925
Architectural and closing statement fees	3,000	3,550	14,440
Hockey rink	12,800	15,358	14,030
Interest on deposits	9,000	4,353	13,352
Donations and grants	1,000	380	10,200
Forfeited performance deposits	1,000	6,463	6,557
Other	6,875	19,458	12,185
TOTAL REVENUES	218,738	238,591	242,689
EXPENSES			
General and administrative			
Salaries and wages	128,000	123,860	93,568
Legal and consulting	3,000	1,043	9,685
Insurance	8,500	9,196	8,321
Office supplies	2,500	1,747	2,748
Repairs and maintenance	-	1,205	1,035
Payroll taxes	9,115	10,677	8,960
Electricity	3,200	3,856	3,834
Legal notices	1,400	1,277	1,590
Newsletter	2,020	537	2,002
Miscellaneous	2,139	1,499	2,175
Fundraising	-	-	1,399
Incorporation study	-	-	9,600
Telephone and internet	1,700	1,855	1,734
Website	1,600	1,658	2,199
Employee benefits	6,000	5,400	6,543
Trash, water and sewer	1,800	1,270	1,444
Postage	500	294	535
Cleaning	-	119	1,487
Meetings and picnics	4,600	3,407	4,401
Auditing and accounting	3,300	2,942	3,264
	<u>179,374</u>	<u>171,842</u>	<u>166,524</u>
Maintenance			
Property	8,800	8,731	13,108
Parks and recreational facilities	15,007	23,166	52,102
	<u>23,807</u>	<u>31,897</u>	<u>65,210</u>
Other			
Depreciation and amortization	-	33,471	31,851
Interest and closing expenses	9,647	9,170	9,622
	<u>9,647</u>	<u>42,641</u>	<u>41,473</u>
TOTAL EXPENSES	212,828	246,380	273,207
Net revenues over (under) expenses	\$ 5,910	\$ (7,789)	\$ (30,518)

See accompanying accountants' review report.