



**CORDILLERA VALLEY CLUB PROPERTY
OWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2010

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

August 23, 2011

Board of Directors
Cordillera Valley Club Property Owners Association, Inc.
Edwards, CO

We have audited the accompanying balance sheet of Cordillera Valley Club Property Owners Association, Inc. (the Association) as of December 31, 2010, and the related statement of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These statements are the responsibility of the Association's management. 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 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. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association at December 31, 2010 and the revenues, expenses and changes in fund balance and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Budget Comparison on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chadwick, Steinbichner, Davis & Co., P.C.

Cordillera Valley Club Property Owners Association, Inc.

BALANCE SHEET

December 31, 2010

	<u>Operating Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 199,288
Accounts receivable from property owners	1,250
Prepaid expenses	2,403
Total current assets	<u>202,941</u>
Total assets	<u><u>\$ 202,941</u></u>
LIABILITIES AND FUND BALANCES	
CURRENT LIABILITIES	
Accounts payable	\$ 24,081
Deferred revenues	20,500
Total current liabilities	<u>44,581</u>
Total liabilities	44,581
FUND BALANCES	
Reserved for Working Capital	63,300
Unreserved	95,060
Total fund balances	<u>158,360</u>
Total liabilities and fund balances	<u><u>\$ 202,941</u></u>

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

Cordillera Valley Club Property Owners Association, Inc.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

For the year ended December 31, 2010

	<u>Operating Fund</u>
REVENUES	
Assessment income	\$ 514,908
Other income	92,478
Interest income	<u>1,047</u>
Total revenues	608,433
EXPENSES	
Water tank	100,550
Public safety	203,324
Design Review Board expenses	38,442
Management fee and accounting	34,500
Recreation expenses	2,724
Insurance	2,403
Legal and accounting	5,468
Other administrative and operating expenses	45,805
Tax expense	5,409
Transfer to Metro District	<u>57,000</u>
Total expenses	<u>495,625</u>
Excess (deficiency) of revenues over expenses	112,808
Fund balance at beginning of year	<u>45,552</u>
Fund balance at end of year	<u><u>\$ 158,360</u></u>

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

Cordillera Valley Club Property Owners Association, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	<u>Operating Fund</u>
Cash flows from operating activities	
Excess revenues over expenses	\$ 112,808
Items to reconcile excess revenues over expenses to net cash provided (used) by operating activities	
(Increase) decrease in current assets and liabilities	<u>(26,836)</u>
Net cash provided (used) by operating activities	85,972
Cash, beginning of year	<u>113,316</u>
Cash, end of year	<u><u>\$ 199,288</u></u>

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

Cordillera Valley Club Property Owners Association, Inc.

NOTES TO FINANCIAL STATEMENTS

December, 31, 2010

NOTE A – NATURE OF ORGANIZATION

Cordillera Valley Club Property Owners Association, Inc. (the Association) was incorporated in the State of Colorado on August 15, 1995 as a non-profit corporation. The Association is responsible for the care, upkeep, and supervision of the real property and improvements within the Association. As of December 31, 2010, the Association consisted of one hundred twenty-seven residential home lots located in Eagle County, Colorado. The Association's Declarations, dated August 15, 1995, allow for the addition of future lots by supplemental amendments to the Declarations.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting which recognizes revenues when earned or assessed, and expenditures when incurred.

2. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all cash on deposit and highly liquid investment instruments with an original maturity of three months or less to be cash equivalents.

3. Allowance for Uncollectible Accounts

The Association utilizes the allowance method of recognizing the future potential uncollectability of assessments receivable from owners and others. No allowance for bad debt was recorded at December 31, 2010 since all receivables were considered collectible.

4. Prepaid Expenses

Prepaid expenses consist of expenses paid which will provide benefits in subsequent years.

5. Common Assessments

Common assessments are the primary source of revenue for the Association. The Board, with the assistance of its managing agent, prepared an annual budget to estimate the annual expenses of operating the Association and maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated (budgeted) expenses in accordance with the provisions of the Declarations.

Cordillera Valley Club Property Owners Association, Inc.

NOTES TO FINANCIAL STATEMENTS

December, 31, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Common Assessments - Continued

The Association is designed only to operate as a conduit to collect assessments and other fees and pay operating expenses on behalf of members. Any excess or deficiency of revenues over expenses is repaid to, or recovered from, the members in a subsequent year by reducing or increasing assessments.

6. Real Estate Transfer Assessment

The Association adopted a real estate transfer assessment in the amount of two percent (2%) of the fair market value of any transfers of ownership of any lot, including the improvements thereon. The assessment is levied in order to provide funds for future operating expenses, capital improvements and any other purpose of the Association as determined by the Executive Board in accordance with the Association's Declaration. During 2010, the amount generated by the real estate transfer assessment was \$324,408.

7. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-exempt sources.

8. Recognition of Assets

The Association recognizes at cost, common personal property and real property to which it has title and can dispose of, at the discretion of its Board, for cash. The Association does not currently have any assets meeting these requirements.

9. Working Capital

As provided in the Declaration, all owners are required to make working capital contributions to the Association upon the purchase of their respective residential units, in an amount equal to one-quarter of the annual budgeted assessments in effect at the time of the purchase. As of the period ending December 31, 2010, the Association had working capital of \$63,300.

Cordillera Valley Club Property Owners Association, Inc.

NOTES TO FINANCIAL STATEMENTS



December, 31, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**10. Use of Estimates**

The preparation of financial statements in conformity with U.S. 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 amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

NOTE C – CLUB IMPACT AGREEMENT

The Association reached a contribution agreement with Cordillera Valley Club Investors Limited Partnership to provide an annual impact fee to offset any additional expenses the Association might incur from Golf Club use by Association non-members. The impact fee is to be the smallest of (a) ten percent (10%) of the aggregate annual budget as adopted by the Association, or (b) the prior year's contribution as multiplied by the Denver- Boulder Consumer Price Index. During 2010, the Club impact fee revenue was \$27,938.

NOTE D – RELATED PARTY TRANSACTIONS

VAg, Inc. Architects and Planners (VAg Architects) provided Design Review Board architectural services to the Association in 2010. A principal of VAg Architects is a prior board member of the Association and is more recently a former member of the Cordillera Valley Club Metropolitan District Board which meets jointly with the Association Board. In 2010 the Association incurred costs of \$56,514 payable to VAg Architects for services. The cumulative amount paid during the seven years since the Association first hired VAg Architects in 2003 is \$527,176. At December 31, 2010, \$2,276 was disputed by the Association as payable to VAg Architects. Additionally, Cordillera Valley Club Metropolitan District incurred costs of \$51,088 payable to VAg Architects for berm design and other services in 2010. The cumulative amount paid during the six years since 2004 is \$452,915.

NOTE E – CONCENTRATION OF CREDIT RISK

The total bank balance of deposits held by the Association at December 31, 2010 is \$214,985, as reported by the financial institutions, in banks covered by federal depository insurance.

Cordillera Valley Club Property Owners Association, Inc.

NOTES TO FINANCIAL STATEMENTS

December, 31, 2010

NOTE F – CORDILLERA VALLEY CLUB METROPOLITAN DISTRICT TRANSFERS

On December 9, 2004, the Association entered into an agreement with Cordillera Valley Club Metropolitan District (“CVCMD”) to provide for security services. This agreement is effective until December 31, 2014, unless 30 days written notice of termination is provided by either party.

The Association paid \$255,223 in operating contributions during 2010.

NOTE G – COMMITMENTS AND CONTINGENCIES

The Association joined with Cordillera Property Owners Association in the initial formation of Cordillera Vail Club, a ski club located in Vail Village for Cordillera property owners. The intent is that dues and fees from the members of the Cordillera Vail Club will pay all costs associated with the Club. However, the Association has an unwritten obligation to “backstop” 13% of the Club’s obligations to third parties with Cordillera Property Owners Association having the obligation to “backstop” the remaining 87% of the Club’s obligations. If the Association was called on to fund a “backstop”, it is expected that member dues would be increased in subsequent years to provide repayment. In the opinion of management, the chance that this contingency will become a liability is unlikely and an estimate of the possible range of loss if any, cannot be made.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through August 23, 2011 (date of availability of financial statements for issuance).

**SUPPLEMENTARY
INFORMATION**

Cordillera Valley Club Property Owners Association, Inc.

SCHEDULE OF BUDGET COMPARISON

For the year ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Assessment income	\$ 342,000	\$ 516,408	\$ 514,908	\$ (1,500)
Other income	28,438	99,397	92,478	(6,919)
Interest income	4,000	1,182	1,047	(135)
Total revenues	374,438	616,987	608,433	(8,554)
EXPENSES				
Contractor services	-	100,550	100,550	-
Public safety	202,224	202,224	203,324	(1,100)
Design Review Board expenses	22,550	26,008	38,442	(12,434)
Management fee	34,500	34,500	34,500	-
Recreation expenses	22,000	2,724	2,724	-
Covenant enforcement	6,000	6,000	-	6,000
Insurance	2,625	2,625	2,403	222
Legal and accounting	12,650	8,650	5,468	3,182
Other administrative and operating expenses	27,380	46,072	45,805	267
Tax expense	900	-	5,409	(5,409)
Transfer to Metro District	50,000	57,000	57,000	-
Total expenses	380,829	486,353	495,625	(9,272)
Excess (deficiency) of revenues over expenses	(6,391)	130,634	112,808	718
Fund balance at beginning of year	(4,380)	(17,748)	45,552	63,300
Fund balance at end of year	\$ (10,771)	\$ 112,886	\$ 158,360	\$ 64,018