

**Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Eagle County, Colorado**

**Financial Statements
December 31, 2002**

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Financial Statements
December 31, 2002

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Cordillera Valley Club Property Owners Association, Inc.**

We have audited the accompanying balance sheets of Cordillera Valley Club Property Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, as of December 31, 2002, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial 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 U.S. generally accepted auditing standards. 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 that 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 Cordillera Valley Club Property Owners Association, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Budget Comparison - Operating Fund on page eight is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, 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.

The Schedule of Future Major Repairs and Replacements on page nine is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

McMahan and Associates, LLC.

**McMahan and Associates, L.L.C.
May 1, 2003**

Performing services for resort communities throughout Colorado

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Hospitality Financial & Technology Professionals/Community Associations Institute

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2002
(With Comparative Totals for 2001)

	2002			2001 Total
	Operating Fund	Replacement Fund	Total	
Assets:				
Cash	169,396	56,773	226,169	355,281
Cash - restricted	125,000	-	125,000	95,000
Prepaid expenses	8,371	-	8,371	1,688
Accounts receivable - CVCMD	34,652	-	34,652	-
Accounts receivable - owners	3,000	-	3,000	6,750
Accounts receivable - developer	30,000	-	30,000	500
Due from Operating Fund	-	21,632	21,632	-
Due from Replacement Fund	-	-	-	70,830
Total Assets	<u>370,419</u>	<u>78,405</u>	<u>448,824</u>	<u>530,049</u>
Liabilities and Equity:				
Liabilities:				
Accounts payable - SCMD	88,738	-	88,738	115,136
Accounts payable - other	34,354	-	34,354	102,012
Interest payable	5,253	-	5,253	5,435
Deferred assessment revenue	4,500	-	4,500	2,870
Deposits	125,000	-	125,000	95,000
Due to Operating Fund	-	-	-	70,830
Due to Replacement Fund	21,632	-	21,632	-
Total Liabilities	<u>279,477</u>	<u>-</u>	<u>279,477</u>	<u>391,283</u>
Equity:				
Working capital	87,825	-	87,825	87,450
Fund balances	3,117	78,405	81,522	51,316
Total Equity	<u>90,942</u>	<u>78,405</u>	<u>169,347</u>	<u>138,766</u>
Total Liabilities and Equity	<u>370,419</u>	<u>78,405</u>	<u>448,824</u>	<u>530,049</u>

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

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2002
(With Comparative Totals for 2001)

	2002			2001 Total
	Operating Fund	Replacement Fund	Total	
Revenues:				
Assessments:				
Common	384,000	-	384,000	384,000
Special assessment	-	96,000	96,000	-
Real estate transfer assessment	-	66,617	66,617	-
Design Review Board income	9,500	-	9,500	24,750
Design Review Board fines revenue	950	-	950	2,061
Club impact fee	44,730	-	44,730	43,057
Interest income	6,730	2,134	8,864	15,397
Other income	-	30,000	30,000	185
Total Revenues	445,910	194,751	640,661	469,450
Expenses:				
Administration:				
Management services	26,305	-	26,305	21,926
Bank charges	4,256	-	4,256	2,967
Board meeting expenses	3,665	-	3,665	3,402
Holiday decorations	1,492	-	1,492	3,092
Income tax	1,970	-	1,970	3,585
Insurance	-	-	-	1,680
Homeowner relations	42	-	42	1,606
Legal fees - general	10,467	-	10,467	10,637
Legal fees - club conversion	-	-	-	3,368
Accounting	22,318	-	22,318	23,713
Office supplies	3,932	-	3,932	889
Recreation	1,500	-	1,500	1,500
Miscellaneous	-	-	-	322
Design Review Board:				
Management services	21,247	-	21,247	19,947
Professional fees	2,083	-	2,083	6,594
Meeting expenses	2,950	-	2,950	4,304
Office rent	2,596	-	2,596	1,477
Interest expense	1,299	-	1,299	1,961
Miscellaneous	1,124	-	1,124	666
Operating:				
Fire and public safety	193,707	-	193,707	179,876
Landscaping	48,539	-	48,539	35,089
Lights and signage	9,988	-	9,988	6,599
Roads	22,880	-	22,880	35,010
Snow removal	3,070	-	3,070	19,679
Weed and pest control	9,650	-	9,650	8,320
Wildlife mitigation	-	-	-	22,062
Community operations	50,220	-	50,220	-
Replacement:				
Nottingham project	-	9,400	9,400	-
West entrance upgrade	-	17,862	17,862	103,532
Drainage improvements	-	3,210	3,210	-
West gate project	-	12,451	12,451	-
East gate project	-	8,575	8,575	-
Berm study	-	5,399	5,399	-
Streetscape improvements	-	106,125	106,125	-
Infrastructure analysis	-	2,133	2,133	-
Total Expenses	445,300	165,155	610,455	523,803
Excess (Deficiency) of Revenues Over Expenses	610	29,596	30,206	(54,353)
Beginning Fund Balances	2,507	48,809	51,316	105,669
Ending Fund Balances	3,117	78,405	81,522	51,316

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

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2002
(With Comparative Totals for 2001)

	2002			2001 Total
	Operating Fund	Replacement Fund	Total	
Cash Flows From Operating Activities:				
Cash received from common assessments	389,380	-	389,380	452,331
Cash received from special assessments	-	96,000	96,000	-
Cash received from real estate transfer assessment	-	66,617	66,617	-
Cash received from Design Review Board fees	9,500	-	9,500	24,750
Cash received from Design Review Board fines	950	-	950	2,061
Cash received from club impact fee	44,730	-	44,730	43,057
Cash received from Design Review Board deposits	40,000	-	40,000	40,000
Cash refunded for Design Review Board deposits	(10,000)	-	(10,000)	(80,000)
Cash received from interest income	6,730	2,134	8,864	15,397
Other cash received	-	-	-	185
Cash paid for Design Review Board deposit interest	(1,481)	-	(1,481)	(2,724)
Cash payments to wildlife fund	-	-	-	(22,062)
Cash paid to vendors	(578,892)	(165,155)	(744,047)	(369,054)
Net transfers (to) from other funds	62,462	(62,462)	-	-
Net Cash Provided (Used) by Operating Activities	<u>(36,621)</u>	<u>(62,866)</u>	<u>(99,487)</u>	<u>103,941</u>
Cash Flows from Financing Activities:				
Working capital contributions received	375	-	375	3,750
Net Cash Provided by Financing Activities	<u>375</u>	<u>-</u>	<u>375</u>	<u>3,750</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(36,246)	(62,866)	(99,112)	107,691
Beginning Cash and Cash Equivalents	<u>330,642</u>	<u>119,639</u>	<u>450,281</u>	<u>342,590</u>
Ending Cash and Cash Equivalents	<u><u>294,396</u></u>	<u><u>56,773</u></u>	<u><u>351,169</u></u>	<u><u>450,281</u></u>
Financial Statement Captions:				
Cash	169,396	56,773	226,169	355,281
Cash - restricted	125,000	-	125,000	95,000
Cash and Cash Equivalents at End of Period	<u><u>294,396</u></u>	<u><u>56,773</u></u>	<u><u>351,169</u></u>	<u><u>450,281</u></u>
Reconciliation of Net Cash Provided (Used) by Operating Activities:				
Excess (deficiency) of revenues over expenses	610	29,596	30,206	(54,353)
Adjustments:				
(Increase) decrease in accounts receivable	(60,902)	-	(60,902)	69,961
(Increase) decrease in prepaid expenses	(6,683)	-	(6,683)	1,687
Increase (decrease) in accounts payable	(94,056)	-	(94,056)	129,039
Increase (decrease) in deferred revenue	1,630	-	1,630	(1,630)
Increase (decrease) in interest payable	(182)	-	(182)	(763)
Increase (decrease) in deposits held	30,000	-	30,000	(40,000)
Increase (decrease) in due (to) from other funds	92,462	(92,462)	-	-
Write-off of prior year account receivable	500	-	500	-
Total Adjustments	<u>(37,231)</u>	<u>(92,462)</u>	<u>(129,693)</u>	<u>158,294</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(36,621)</u></u>	<u><u>(62,866)</u></u>	<u><u>(99,487)</u></u>	<u><u>103,941</u></u>

The accompanying notes are an integral part of these financial statements

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2002

1. 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, 2002, the Association consisted of one hundred twenty-eight 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. Supplemental amendments to the Declarations can be filed by the Cordillera Valley Club Investors (the "Declarant") or any of its successors and may expand the property up to one hundred seventy-three lots.

The Association's Declarations allow for a period of Declarant control of the Association's Board of Directors (the "Board") dependent upon the number of lots the Declarant owns. As of year-end, the Declarant was in control of the Association's Board.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The Association's records are maintained using the accrual method of accounting.

B. Common Assessments

Common assessments are one of the primary sources of revenue for the Association. The Association's Board of Directors, together with the Association's Managing Agent, prepares an annual budget to estimate the annual expenses of operating the Association and maintaining the Association's common elements. The Association's members are charged an annual assessment based upon the budget. For 2001 and 2002, each member of the Association was levied an annual assessment of \$3,000, payable in equal quarterly installments.

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, or, with the approval of the membership, retained in the Operating Fund.

C. Special Assessment

On December 17, 2001, the Association's Executive Board adopted a resolution to special assess \$750 to each property owner in 2002. This assessment raised \$96,000 to fund certain landscaping and common area improvements within the Association.

D. Real Estate Transfer Assessment

On October 1, 2001, the Association's Executive Board adopted a real estate transfer assessment in the amount of one percent (1%) of the fair market value of any transfers of ownership of any lot, including the improvements thereon, effective January 1, 2002. 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. In 2002, the real estate transfer assessment raised \$66,617.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2002
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. Income Taxes

The Association has filed for and obtained non-profit status from the State of Colorado. However, for Federal and State income tax purposes, the Association is not tax-exempt and is subject to tax on net interest and investment income, as well as net income from Design Review.

F. 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 of Directors, for cash. The Association does not currently have any assets meeting these requirements.

G. Bad Debts

Bad debts are recognized by the allowance method; an allowance for possible uncollectibility of the account receivable is established when the collectibility becomes doubtful. At December 31, 2002, there were no receivables considered uncollectible.

H. Cash and Equivalents

For purposes of the Statements of Cash Flows, the Association defines cash equivalents as all investments that are available upon demand.

I. Working Capital

The Association's Declarations allow for working capital to be collected at a rate of twenty-five (25%) of the annual assessments as determined by the Executive Board. As of fiscal year ending 2002, the Association had working capital of \$87,825 for all lots conveyed to a party other than the Declarant.

J. Prepaid Expenses

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

K. Comparative Information

The financial statements include certain prior year comparative information in total, but not by fund. As such, prior year information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, prior year totals should be read in conjunction with the Association's audited financial statements for the year ended September 30, 2001, from which they were derived.

3. Security Agreement

Effective January 1, 1999, the Association entered into an agreement with Squaw Creek Metropolitan District to provide for management and labor to perform security and public safety on Association property. The agreement had an initial twelve-month term and is renewable annually unless terminated upon mutual agreement. Compensation for such services, including reimbursable expenses, is to be determined annually. This agreement was terminated effective January 1, 2003.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2002
(Continued)

4. Services Agreement

Effective January 1, 1999, the Association entered into an agreement with Squaw Creek Metropolitan District to provide for management and labor to perform the following services; snow removal, landscape and roadway maintenance. The agreement had an initial twelve-month term and is annually renewable unless terminated upon mutual agreement. Compensation for such services, including reimbursable expenses, is to be determined annually. This agreement was terminated effective January 1, 2003.

5. 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 littlest 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. For the year ended December 31, 2002, the Club impact fee was \$44,730.

6. Services Provided by the Declarant

During the year ended December 31, 2002, the Declarant paid the audit fee of \$4,075 as required under the Colorado Common Ownership Interest Act of 1992 ("CCIOA") while the Association is under Declarant control. Additionally, the Declarant has agreed to convey an easement to the Association for property on which the west access gate is currently located. The Declarant has also agreed to provide \$30,000 to the Association for installation of a new gate at that location.

7. Uninsured Deposits

The total cash held by the Association at December 31, 2002, includes \$209,074, as reported by the financial institutions, in banks and money market accounts that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the financial institutions, where such deposits are held, is not a concern at this time.

8. Future Major Repairs and Replacements

The Association, as allowed by the Declarations, maintains a Replacement Fund for major repairs and replacement of common property. Accumulated funds are held in a separate savings account and are generally not available for normal operations.

Management conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund.

Funds are being accumulated in the Replacement Fund based on estimates of future needs for major repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board of Director's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Budget Comparison - Operating Fund
For the Year Ended December 31, 2002
(With Comparative Actual Amounts for 2001)

	<u>2002</u>		Variance Favorable (Unfavorable)	<u>2001 Actual</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		
Revenues:				
Common Assessments	384,000	384,000	-	339,000
Design Review Board income	18,500	9,500	(9,000)	24,750
Design Review Board fines	-	950	950	2,061
Club impact fee	43,057	44,730	1,673	43,057
Interest income	15,000	6,730	(8,270)	12,996
Other income	1,000	-	(1,000)	185
Total Revenues	<u>461,557</u>	<u>445,910</u>	<u>(15,647)</u>	<u>422,049</u>
Expenses:				
Administration:				
Management services	22,240	26,305	(4,065)	21,926
Bank charges	-	4,256	(4,256)	2,967
Board meeting expenses	3,500	3,665	(165)	3,402
Holiday decorations	4,500	1,492	3,008	3,092
Income tax	3,000	1,970	1,030	3,585
Insurance	5,000	-	5,000	1,680
Homeowner relations	1,700	42	1,658	1,606
Legal fees - general	8,500	10,467	(1,967)	10,637
Legal fees - club conversion	-	-	-	3,368
Accounting	20,000	22,318	(2,318)	23,713
Office supplies	4,515	3,932	583	889
Recreation	1,500	1,500	-	1,500
Miscellaneous	-	-	-	322
Design Review Board:				
Management services	17,383	21,247	(3,864)	19,947
Professional fees	10,890	2,083	8,807	6,594
Meeting expenses	4,250	2,950	1,300	4,304
Office rent	1,800	2,596	(796)	1,477
Interest expense	500	1,299	(799)	1,961
Miscellaneous	2,125	1,124	1,001	666
Operating:				
Fire and public safety	177,720	193,707	(15,987)	179,876
Landscaping	49,136	48,539	597	35,089
Lights and signage	12,500	9,988	2,512	6,599
Roads	21,578	22,880	(1,302)	35,010
Snow removal	7,782	3,070	4,712	19,679
Weed and pest control	11,337	9,650	1,687	8,320
Wildlife mitigation	-	-	-	22,062
Community operations	31,346	50,220	(18,874)	-
Total Expenses	<u>422,802</u>	<u>445,300</u>	<u>(22,498)</u>	<u>420,271</u>
Excess (Deficiency) of Revenues over Expenses	<u>38,755</u>	<u>610</u>	<u>(38,145)</u>	<u>1,778</u>

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

**Cordillera Valley Club Property Owners Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
December 31, 2002
(unaudited)**

Management conducted an informal study in 2000 to estimate the remaining useful lives and the replacement costs of the components of common property. This property has not yet been released to the Cordillera Valley Club Property Owners Association from the Developer. Therefore, these estimates are the result of preliminary research done by the Board of Directors and will be studied in more detail as part of the process of receiving the turnover of assets by the developer, anticipated in 2003.

The following table, based on the study, presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at December 31, 2002</u>
Gate equipment, east entrance	8	17,500	1,911
Gate equipment, west entrance	9	17,500	1,911
Roads	10	583,050	63,664
Landscaping	10	100,000	10,919
Totals		<u>718,050</u>	<u>78,405</u>

In addition to repairing and replacing the Association's current common property, the Association anticipates making certain future enhancements including certain landscape improvements. These enhancements are not required and not yet planned or approved and are therefore, not included in the table above.

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