

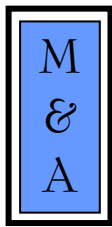
Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Eagle County, Colorado

Financial Statements
December 31, 2004

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
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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, 2004, 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. The prior-year summarized information has been derived from the Association's financial statements and, in our report dated January 28, 2004, we expressed an unqualified opinion on those financial statements.

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, 2004, 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 9 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.

McMahan and Associates, LLC.

**McMahan and Associates, L.L.C.
January 20, 2005**

Performing services for resort communities throughout Colorado

D. Jerry McMahan, C.P.A.
Paul J. Backes, C.P.A.

Daniel R. Cudahy, C.P.A.
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Members: American Institute of Certified Public Accountants/Colorado Society of Certified Public Accountants
Hospitality Financial & Technology Professionals/Community Associations Institute

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2004
(With Comparative Totals for 2003)

	2004			2003
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Cash	87,377	58,108	145,485	124,055
Cash - Restricted	40,000	-	40,000	95,000
Accounts receivable:				
CVCMD	-	-	-	80,234
Owners	250	-	250	3,000
Developer	30,000	-	30,000	34,400
Other	4,045	-	4,045	-
Due from Operating Fund	-	8,434	8,434	52,622
Total Assets	161,672	66,542	228,214	389,311
Liabilities and Equity:				
Liabilities:				
Accounts payable - CVCMD	26,609	-	26,609	-
Accounts payable - Other	11,048	-	11,048	39,996
Interest payable	-	-	-	5,956
Deposits	40,000	-	40,000	95,000
Due to Replacement Fund	8,434	-	8,434	52,622
Total Liabilities	86,091	-	86,091	193,574
Equity:				
Working capital	90,150	-	90,150	89,175
Fund balance	(14,569)	66,542	51,973	106,562
Total Equity	75,581	66,542	142,123	195,737
Total Liabilities and Equity	161,672	66,542	228,214	389,311

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 Balance
For the Year Ended December 31, 2004
(With Comparative Totals for 2003)

	2004			2003
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Assessments:				
Common	128,004	-	128,004	384,000
Real estate transfer	-	185,090	185,090	108,725
Design Review Board income	30,095	-	30,095	400
Design Review Board fines revenue	-	-	-	1,000
Forfeited Design Review Board deposits	50,956	-	50,956	-
Club impact fee	17,538	-	17,538	45,891
Interest income	1,997	615	2,612	4,457
Other income	-	-	-	719
Total Revenues	228,590	185,705	414,295	545,192
Expenses:				
Administration	45,418	-	45,418	83,640
Design Review Board	43,432	-	43,432	7,371
Operating	99,799	-	99,799	351,406
Replacement:				
Contribution to CVCMD	-	280,235	280,235	-
Nottingham project	-	-	-	2,625
West entrance upgrade	-	-	-	5,222
Drainage improvements	-	-	-	24,375
West gate project	-	-	-	3,627
Berm study	-	-	-	8,484
Gate house cameras	-	-	-	10,220
Landscape architecture	-	-	-	19,019
Change outlets	-	-	-	4,163
Total Expenses	188,649	280,235	468,884	520,152
Excess (Deficiency) of Revenues Over Expenses	39,941	(94,530)	(54,589)	25,040
Fund Balance (Deficit) - Beginning	(3,554)	110,116	106,562	81,522
Transfers (to) from other fund	(50,956)	50,956	-	-
Fund Balance (Deficit) - Ending	(14,569)	66,542	51,973	106,562

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, 2004
(With Comparative Totals for 2003)

	2004			2003
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:				
Cash received from common assessments	130,754	185,090	315,844	379,500
Cash received from real estate transfer assessment	-	-	-	108,725
Cash received from Design Review Board fees	30,095	-	30,095	400
Cash received from Design Review Board fines	-	-	-	1,000
Cash received from club impact fee	17,538	-	17,538	45,891
Cash received from Design Review Board deposits	40,000	-	40,000	-
Cash refunded for Design Review Board deposits	(50,000)	-	(50,000)	(30,000)
Cash received from interest income	1,997	615	2,612	4,457
Other cash received	-	-	-	719
Cash paid to vendors	(110,399)	(280,235)	(390,634)	(644,156)
Net transfers (to) from other funds	(95,144)	95,144	-	-
Net Cash Provided (Used) by Operating Activities	(35,159)	614	(34,545)	(133,464)
Cash Flows from Financing Activities:				
Working capital contributions received	975	-	975	1,350
Net Cash Provided by Financing Activities	975	-	975	1,350
Net Increase (Decrease) in				
Cash and Cash Equivalents	(34,184)	614	(33,570)	(132,114)
Cash and Cash Equivalents - Beginning	161,561	57,494	219,055	351,169
Cash and Cash Equivalents - Ending	127,377	58,108	185,485	219,055
Financial Statement Captions:				
Cash	87,377	58,108	145,485	-
Cash - Restricted	40,000	-	40,000	-
Cash and Cash Equivalents	127,377	58,108	185,485	-
Reconciliation of Net Cash Provided (Used) by Operating Activities:				
Excess (deficiency) of revenues over expenses	39,941	(94,530)	(54,589)	25,040
Adjustments:				
(Increase) decrease in accounts receivable	83,339	-	83,339	(49,982)
(Increase) decrease in prepaid expenses	-	-	-	8,371
Increase (decrease) in accounts payable	(2,339)	-	(2,339)	(83,096)
Increase (decrease) in deferred revenue	-	-	-	(4,500)
Increase (decrease) in interest payable	(5,956)	-	(5,956)	703
Increase (decrease) in deposits held	(55,000)	-	(55,000)	(30,000)
Increase (decrease) in due (to) from other funds	(95,144)	95,144	-	-
Total Adjustments	(75,100)	95,144	20,044	(158,504)
Net Cash Provided (Used) by Operating Activities	(35,159)	614	(34,545)	(133,464)
Non-Cash Operating Transactions:				
Forfeited Design Review Board deposit	50,956	-	50,956	-

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, 2004

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, 2004, the Association consisted of one hundred twenty-eight 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. Supplemental amendments to the Declarations can be filed by Cordillera Valley Club Investors (the "Declarant") or any of its successors and may expand the property up to one hundred seventy-three lots.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Directors (the "Board"). Disbursements from the Replacement Fund may be made only for its designated purposes.

B. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when earned or assessed, and expenditures when incurred.

C. Common Assessments

Common assessments are one of the primary sources of revenue for the Association. The Association's Board, 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 2004, each member of the Association was levied an annual assessment of \$1,000, 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.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2004
(Continued)

2. Summary of Significant Accounting Policies (continued)

D. Real Estate Transfer Assessment

The Association 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 2004, the amount generated by the real estate transfer assessment was \$185,090.

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.

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

G. Allowance for Uncollectible Amounts

The Association utilizes the allowance method of recognizing the future potential uncollectibility of assessments receivable from owners and the Declarant. No allowance for bad debt was recorded at December 31, 2004, since all receivables were considered collectible.

H. Cash and Equivalents

The Association considers all checking and savings accounts to be cash equivalents for the purposes of the Statement of Cash Flows, since all such funds are highly liquid.

I. 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, 2004, the Association had working capital of \$90,150 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.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2004
(Continued)

2. Summary of Significant Accounting Policies (continued)

K. 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

L. 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 December 31, 2003, from which they were derived.

3. 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. In 2004, the Club impact fee was \$17,538.

4. Services Provided by the Declarant

The Declarant has tentatively agreed to convey an easement to the Association for property on which the west access gate is currently located. The Declarant has also tentatively agreed to provide \$30,000 to the Association for improvements related to a new gate at that location.

5. Related Party Transactions

In 2003, Cordillera Valley Club Metropolitan District ("CVCMD") was formed to provide various services within the area of the Association. Currently three board members of the Association also hold positions on the board of directors of CVCMD.

The Board approved a bid for VAG Architects to provide Design Review Board administrative services in 2004. Brian Judge, a principal of VAG Architects, also serves as a Board Member to the Association. In 2004, \$38,509 was paid to VAG Architects for services related to the Design Review Board. At December 31, 2004, \$2,127 was payable to VAG Architects.

6. Concentration of Credit Risk

The total cash held by the Association at December 31, 2004, includes \$90,882, 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.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2004
(Continued)

7. Services Agreement

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 written notice of termination is provided by either party.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Budget Comparison - Operating Fund
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)

	2004			
	Budget		Variance	2003
	(Unaudited)	Actual	Favorable	Actual
			(Unfavorable)	
Revenues:				
Common assessments	128,000	128,004	4	384,000
Design Review Board income	16,500	30,095	13,595	400
Design Review Board fines	500	-	(500)	1,000
Forfeited Design Review Board deposits	-	50,956	50,956	-
Club impact fee	17,542	17,538	(4)	45,891
Interest income	3,100	1,997	(1,103)	3,736
CVCMD formation reimbursements	20,000	-	(20,000)	-
Other income	-	-	-	719
Total Revenues	185,642	228,590	42,948	435,746
Expenses:				
Administration:				
Management services	-	6,348	(6,348)	25,335
Bank charges	1,500	2,046	(546)	4,633
Board meeting expenses	1,750	2,665	(915)	3,377
Community marketing	15,000	-	15,000	-
Holiday decorations	-	-	-	2,681
Income tax	500	-	500	-
Insurance	3,000	2,381	619	2,562
Homeowner relations	-	1,244	(1,244)	525
Legal fees	12,000	11,112	888	19,454
Accounting	22,000	18,029	3,971	17,783
Office supplies	3,100	1,593	1,507	5,790
Recreation	-	-	-	1,500
Design Review Board:				
Management services	-	-	-	5,393
Professional fees	17,300	30,329	(13,029)	1,199
Director fees	1,500	-	1,500	75
Meeting fees	-	4,733	(4,733)	-
Interest expense	-	-	-	704
Additional services	-	8,370	(8,370)	-
Operating:				
Fire and public safety	93,572	95,434	(1,862)	182,245
Management services	-	-	-	39,900
Gate transponders and maintenance	1,200	-	1,200	2,328
Gatehouse utilities	3,000	4,365	(1,365)	6,722
Landscaping maintenance	-	-	-	72,849
Lights and signage	-	-	-	2,243
Roads	-	-	-	19,237
Snow removal	-	-	-	16,615
Weed and pest control	-	-	-	8,320
Cell phones	-	-	-	947
Total Expenses	175,422	188,649	(13,227)	442,417
Excess (Deficiency) of Revenues				
Over Expenses	10,220	39,941	29,721	(6,671)

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