

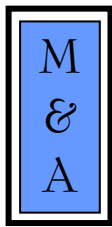
Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Eagle County, Colorado

Financial Statements
December 31, 2005

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, 2005, and the related statements of revenues, expenses and changes in fund balance, 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 20, 2005, 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, 2005, 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.
February 10, 2006**

Performing services for resort communities throughout Colorado

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Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for 2004)

	2005			2004
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Cash	684,786	-	684,786	185,485
Accounts receivable:				
Owners	-	-	-	250
Developer	30,000	-	30,000	30,000
Other	-	-	-	4,045
Total Assets	714,786	-	714,786	219,780
Liabilities and Equity:				
Liabilities:				
Accounts payable - CVCMD	-	-	-	26,609
Accounts payable - Other	25,251	-	25,251	11,048
Deferred assessments	250	-	250	-
Deposits	260,000	-	260,000	40,000
Total Liabilities	285,501	-	285,501	77,657
Equity:				
Working capital	92,700	-	92,700	90,150
Fund balance	336,585	-	336,585	51,973
Total Equity	429,285	-	429,285	142,123
Total Liabilities and Equity	714,786	-	714,786	219,780

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, 2005
(With Comparative Actual Amounts for 2004)

	2005			2004
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Assessments:				
Common	128,000	-	128,000	128,004
Real estate transfer	477,045	-	477,045	185,090
Design Review Board income	108,615	-	108,615	81,051
Club impact fee	18,540	-	18,540	17,538
Interest income	6,258	-	6,258	2,612
Other income	156	-	156	-
Total Revenues	738,614	-	738,614	414,295
Expenses:				
Administration	47,317	-	47,317	45,418
Design Review Board	81,015	-	81,015	43,432
Operating	95,670	-	95,670	99,799
Contribution to CVCMD	163,458	66,542	230,000	280,235
Total Expenses	387,460	66,542	454,002	468,884
Excess (Deficiency) of Revenues Over Expenses	351,154	(66,542)	284,612	(54,589)
Fund Balance (Deficit) - Beginning	(14,569)	66,542	51,973	106,562
Fund Balance (Deficit) - Ending	336,585	-	336,585	51,973

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, 2005
(With Comparative Actual Amounts for 2004)

	2005			2004
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:				
Cash received from common assessments	132,451	-	132,451	130,754
Cash received from real estate transfer assessment	477,045	-	477,045	185,090
Cash received from Design Review Board fees	108,615	-	108,615	30,095
Cash received from club impact fee	18,540	-	18,540	17,538
Cash deposits received (refunded), net	220,000	-	220,000	(10,000)
Cash transferred to (from) other fund	(8,434)	8,434	-	-
Cash received from interest income	6,258	-	6,258	2,612
Cash paid to vendors	(236,158)	-	(236,158)	(110,399)
Cash paid to CVCMD	(163,458)	(66,542)	(230,000)	(280,235)
Net Cash Provided (Used) by Operating Activities	554,859	(58,108)	496,751	(34,545)
Cash Flows from Financing Activities:				
Working capital contributions received	2,550	-	2,550	975
Net Cash Provided by Financing Activities	2,550	-	2,550	975
Net Increase (Decrease) in Cash and Cash Equivalents	557,409	(58,108)	499,301	(33,570)
Cash and Cash Equivalents - Beginning	127,377	58,108	185,485	219,055
Cash and Cash Equivalents - Ending	684,786	-	684,786	185,485
Financial Statement Captions:				
Cash	684,786	-	684,786	145,485
Cash - Restricted	-	-	-	40,000
Cash and Cash Equivalents	684,786	-	684,786	185,485
Reconciliation of Net Cash Provided (Used) by Operating Activities:				
Excess (deficiency) of revenues over expenses	351,154	(66,542)	284,612	(54,589)
Adjustments:				
(Increase) decrease in accounts receivable	4,295	-	4,295	83,339
Increase (decrease) in interfund balances	(8,434)	8,434	-	-
Increase (decrease) in accounts payable	(12,406)	-	(12,406)	(2,339)
Increase (decrease) in deferred revenue	250	-	250	-
Increase (decrease) in interest payable	-	-	-	(5,956)
Increase (decrease) in deposits held	220,000	-	220,000	(55,000)
Total Adjustments	203,705	8,434	212,139	20,044
Net Cash Provided (Used) by Operating Activities:	554,859	(58,108)	496,751	(34,545)
Non-Cash Operating Transactions:				
Forfeited Design Review Board deposit	-	-	-	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, 2005

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, 2005, 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 2005, 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, 2005
(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 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. In 2005, the amount generated by the real estate transfer assessment was \$477,045.

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, 2005, 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, 2005, the Association had working capital of \$92,700 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, 2005
(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, 2004, 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 2005, the Club impact fee was \$18,540.

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.

VAG Architects provided Design Review Board administrative services in 2005. A principal of VAG Architects, also serves as a Board Member to the Association. In 2005, \$60,956 was paid to VAG Architects for services related to the Design Review Board. At December 31, 2005, \$17,852 was payable to VAG Architects.

6. Concentration of Credit Risk

The total cash held by the Association at December 31, 2005, includes \$524,599 , 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, 2005
(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, 2005
(With Comparative Actual Amounts for 2004)

	2005			2004
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Common assessments	128,000	128,000	-	128,004
Real estate transfer assessments	110,000	477,045	367,045	185,090
Design Review Board income	31,000	108,615	77,615	30,095
Forfeited Design Review Board deposits	-	-	-	50,956
Club impact fee	18,540	18,540	-	17,538
Interest income	1,000	6,258	5,258	1,997
Other income	-	156	156	-
Total Revenues	288,540	738,614	450,074	413,680
Expenses:				
Administration:				
Bank charges	2,400	1,883	517	2,046
Board meeting expenses	-	94	(94)	2,665
Community marketing	15,000	-	15,000	-
Insurance	2,500	2,373	127	2,381
Homeowner relations	-	5,565	(5,565)	1,244
Legal fees	10,000	10,117	(117)	11,112
Accounting and administration	23,000	23,710	(710)	24,377
Office supplies	-	3,575	(3,575)	1,593
Design Review Board:				
Management services	6,000	16,635	(10,635)	28,416
Professional fees	20,000	43,406	(23,406)	1,913
Director fees	3,600	2,550	1,050	2,700
Meeting fees	5,040	4,338	702	2,033
Additional services	15,200	14,086	1,114	8,370
Operating:				
Fire and public safety	82,660	93,770	(11,110)	95,434
Management services	-	1,900	(1,900)	-
Gatehouse utilities	-	-	-	4,365
Contribution to CVCMD	110,000	163,458	(53,458)	-
Total Expenses	295,400	387,460	(92,060)	188,649
Excess (Deficiency) of Revenues Over Expenses	(6,860)	351,154	358,014	225,031

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