

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

Financial Statements
December 31, 2006

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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, 2006, 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 February 10, 2006, 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, 2006, 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.
March 7, 2007**

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, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Cash	585,391	57,719	643,110	684,786
Accounts receivable:				
Owners	2,000	-	2,000	-
Developer	30,000	-	30,000	30,000
Cordillera Vail Club	6,500	-	6,500	-
Other	(133,922)	133,922	-	-
Total Assets	489,969	191,641	681,610	714,786
Liabilities and Equity:				
Liabilities:				
Accounts payable - CVCMD	10,294	98,334	108,628	-
Accounts payable - Other	26,097	-	26,097	25,251
Accrued liabilities	4,445	-	4,445	-
Due to owners	24,375	-	24,375	-
Deferred assessments	500	-	500	250
Deposits	308,200	-	308,200	260,000
Total Liabilities	373,911	98,334	472,245	285,501
Equity:				
Working capital	68,075	-	68,075	92,700
Fund balance	47,983	93,307	141,290	336,585
Total Equity	116,058	93,307	209,365	429,285
Total Liabilities and Equity	489,969	191,641	681,610	714,786

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, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Operating Fund	Replacement Fund	Total	Total
Revenues:				
Assessments:				
Common	128,000	-	128,000	128,000
Real estate transfer	-	427,798	427,798	477,045
Design Review Board income	54,000	-	54,000	108,615
Design Review Board fines revenue	2,650	-	2,650	-
Club impact fee	23,927	-	23,927	18,540
Interest income	13,024	-	13,024	6,258
Other income	60	-	60	158
Total Revenues	221,661	427,798	649,459	738,614
Expenses:				
Administration	120,793	-	120,793	47,317
Design Review Board	89,899	-	89,899	81,015
Operating	128,930	-	128,930	95,670
Recreation	170,641	-	170,641	-
Contribution to CVCMD	-	334,491	334,491	230,000
Total Expenses	510,263	334,491	844,754	454,002
Excess (Deficiency) of Revenues Over Expenses	(288,602)	93,307	(195,295)	284,612
Fund Balance (Deficit) - Beginning	336,585	-	336,585	51,973
Fund Balance (Deficit) - Ending	47,983	93,307	141,290	336,585

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, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Operating Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:				
Cash received from common assessments	126,250	-	126,250	132,451
Cash received from real estate transfer assessment	-	427,798	427,798	477,045
Cash received from Design Review Board fees	54,000	-	54,000	108,615
Cash received from Design Review Board fines	2,650	-	2,650	-
Cash received from club impact fee	23,927	-	23,927	18,540
Cash deposits received (refunded), net	48,200	-	48,200	220,000
Cash transferred to (from) other fund	133,922	(133,922)	-	-
Cash received from interest income	13,024	-	13,024	6,258
Cash received from other income	60	-	60	-
Cash paid to vendors	(501,178)	-	(501,178)	(236,158)
Cash paid to CVCMD	-	(236,157)	(236,157)	(230,000)
Net Cash Provided (Used) by Operating Activities	(99,145)	57,719	(41,426)	496,751
Cash Flows from Financing Activities:				
Working capital contributions received (returned)	(250)	-	(250)	2,550
Net Cash Provided by Financing Activities	(250)	-	(250)	2,550
Net Increase (Decrease) in Cash and Cash Equivalents	(99,395)	57,719	(41,676)	499,301
Cash and Cash Equivalents - Beginning	684,786	-	684,786	185,485
Cash and Cash Equivalents - Ending	585,391	57,719	643,110	684,786
Reconciliation of Net Cash Provided (Used) by Operating Activities:				
Excess (deficiency) of revenues over expenses	(288,602)	93,307	(195,295)	284,612
Adjustments:				
(Increase) decrease in accounts receivable	(8,500)	-	(8,500)	4,295
Increase (decrease) in interfund balances	133,922	(133,922)	-	-
Increase (decrease) in accounts payable	11,140	98,334	109,474	(12,406)
Increase (decrease) in accrued liabilities	4,445	-	4,445	-
Increase (decrease) in deferred revenue	250	-	250	250
Increase (decrease) in deposits held	48,200	-	48,200	220,000
Total Adjustments	189,457	(35,588)	153,869	212,139
Net Cash Provided (Used) by Operating Activities	(99,145)	57,719	(41,426)	496,751

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, 2006

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, 2006, 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 2006, 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, 2006
(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 2006, the amount generated by the real estate transfer assessment was \$427,798.

E. 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-membership sources.

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, 2006, 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, 2006, the Association had working capital of \$68,075 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, 2006
(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, 2005, 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 2006, the Club impact fee was \$23,927.

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

VAg Architects provided Design Review Board administrative services in 2006. A principal of VAg Architects, during a portion of 2006 also served as a Board Member to the Association. In 2006, \$82,538 was paid to VAG Architects for services related to the Design Review Board. Additionally Cordillera Valley Club Metropolitan District paid VAg, Inc. \$109,344 for berm design services. At December 31, 2006, \$14,111 was payable to VAg Architects.

During 2006, a Board Member of the Association received a \$1,250 reduction of a Design Review Board fine that had been assessed him.

6. Concentration of Credit Risk

The total cash held by the Association at December 31, 2006, includes \$581,105, 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, 2006
(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 days written notice of termination is provided by either party.

8. 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.

Cordillera Valley Club Property Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Budget Comparison
Combined Operating and Replacement Funds
For the Year Ended December 31, 2006
(With Comparative Actual Amounts for 2005)

	2006			2005
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Common assessments	128,000	128,000	-	128,000
Real estate transfer assessments	220,000	427,798	207,798	477,045
Design Review Board income	31,000	54,000	23,000	108,615
Design Review Board fines	-	2,650	2,650	-
Club impact fee	23,927	23,927	-	18,540
Interest income	3,500	13,024	9,524	5,481
Other income	-	60	60	156
Total Revenues	406,427	649,459	243,032	737,837
Expenses:				
Administration:				
Bank charges	2,400	2,377	23	1,883
Board meeting expenses	-	409	(409)	94
Community marketing	-	44,000	(44,000)	-
Income tax	-	54	(54)	-
Insurance	2,500	2,171	329	2,373
Homeowner relations	-	2,797	(2,797)	5,565
Legal fees	10,000	31,469	(21,469)	10,117
Accounting and administration	23,000	32,633	(9,633)	23,710
Office supplies	-	4,883	(4,883)	3,575
Design Review Board:				
Management services	12,000	32,837	(20,837)	16,635
Professional fees	42,000	32,699	9,301	43,406
Director fees	3,600	4,200	(600)	2,550
Meeting fees	5,040	4,600	440	4,338
Additional services	15,200	15,563	(363)	14,086
Operating:				
Fire and public safety	123,530	126,830	(3,300)	93,770
Management services	-	2,100	(2,100)	1,900
Recreation:				
Recreation	-	1,500	(1,500)	-
Fishing	-	169,141	(169,141)	-
Contribution to CVCMD	220,000	334,491	(114,491)	230,000
Total Expenses	459,270	844,754	(385,484)	454,002
Excess (Deficiency) of Revenues Over Expenses	(52,843)	(195,295)	(142,452)	283,835

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