

Master Homeowners Association for Green Valley Ranch
FINANCIAL STATEMENTS

Year Ended December 31, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Master Homeowners Association for Green Valley Ranch
Denver, Colorado

I have audited accompanying balance sheet of Master Homeowners Association for Green Valley Ranch as of December 31, 2005 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 Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion; the financial statements referred to above present fairly, in all material respects, the financial position of Master Homeowners Association for Green Valley Ranch as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/
John V. Dupuy, P.C.

February 7, 2006

MASTER HOMEOWNERS ASSOCIATION
FOR GREEN VALLEY RANCH
BALANCE SHEET
DECEMBER 31, 2005

ASSETS

Cash and cash equivalents \$ 133,905
Investments 25,000
Accounts receivable, less allowance for doubtful accounts
of \$44,000 147,464
Prepaid Insurance 14,038
Accrued interest receivable 236
TOTAL ASSETS \$ 320,643

LIABILITIES

Prepaid assessments \$ 94,230
Accounts payable 4,951
TOTAL LIABILITIES 99,181

CONTINGENCIES

FUND BALANCE

Fund balance (deficit) 221,462
TOTAL FUND BALANCE 221,462

TOTAL LIABILITIES AND FUND BALANCE \$ 320,643

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

MASTER HOMEOWNERS ASSOCIATION
FOR GREEN VALLEY RANCH
**STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE**
FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUES

Member assessments \$ 210,000
Builder assessments 1,177
Late charges and other 96,548
Newsletter 18,612
Closing fees – HOA 13,944
Interest on investments 2,903
ARC review fee 1,100
TOTAL REVENUES 344,284

EXPENSES

Management fees 82,337
Newsletter 65,953
Bad debt 40,000
Administrative 34,268
Legal and accounting 27,893
Insurance 19,447
Social events 18,547
Signs 1,608
TOTAL EXPENSES 290,053
**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENSES** 54,231
FUND BALANCE – BEGINNING OF YEAR 167,231
FUND BALANCE (DEFICIT) – END OF YEAR \$ 221,462

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

MASTER HOMEOWNERS ASSOCIATION
FOR GREEN VALLEY RANCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Excess of revenues over expenses \$ 54,231
Adjustments to reconcile excess of revenues
over expenses to net cash provided by
operating activities:
(Increase) decrease in accounts receivable (99,091)
(Increase) decrease in prepaid insurance (7,188)
(Increase) decrease in accrued interest receivable (236)
Increase (decrease) in accounts payable (2,665)
Increase (decrease) in prepaid assessments 29,514
Adjustment for prior period 51,331

Net Cash Provided by Operating Activities 25,896

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase certificate of deposit (25,000)

Net Cash Provided by Investing Activities (25,000)

CASH FLOWS FROM FINANCING ACTIVITIES: -

NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS 896

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 133,009

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 133,905

SUPPLEMENTAL INFORMATION:

Income taxes paid \$ -

Interest expense paid \$ -

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

MASTER HOMEOWNERS ASSOCIATION FOR
GREEN VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 1 - Organization

Master Homeowners Association for Green Valley Ranch (the Association), a not-for-profit corporation organized under the laws of Colorado in 1984, was formed to manage and maintain the common property on behalf of the members of the Association, to enforce the provisions of the master and supplemental declarations, and to adopt rules and regulations covering ownership of property. The Association transferred ownership and the responsibility for maintenance for all of its common areas, including parkways, entrance monuments, grounds improvements, fences, and utility easements, to the Green Valley Ranch Metro District in the latter part of 2001. The Association is located in Denver and Adams Counties, Colorado, and consists of owners of 4,343 homes and 31 annexed lots controlled by Oakwood Homes.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements and related income tax returns for the Association have been prepared in accordance with the accrual method of accounting.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts in accordance with principles of fund accounting. Fund accounting requires that resources for various purposes be classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group. The Association has no common elements remaining and as such, the Administrative Functions Fund is the main and only fund in which transactions are recorded.

Estimates

The preparation of financial statements in conformity with 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 the reporting period. Actual results could differ from those estimates.

MASTER HOMEOWNERS ASSOCIATION FOR
GREEN VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 3 - Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Note 4 - Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses. Assessments receivable at December 31, 2005 represent assessments, late fees and other charges due from unit owners. In the past, the Association's fines and charges for rule violations have been recorded when received due to the fact that they were regularly adjusted. The Association adopted a new policy with the change in management and as such these charges are included in Assessments receivable at December 31, 2005. The Association's Declaration of Covenants provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances.

The Association provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Association's estimate is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that the Association's estimate of the allowance for doubtful accounts will change.

Monthly assessments charged to owners during 2005 were \$55. Oakwood and builders were charged $\frac{1}{4}$ of these amounts on unsold annexed lots. The annual assessment for the Association was \$210,000.

Note 5 - Income Taxes

For 2005, the Association elected to file its income tax return as a homeowner association under Internal Revenue Code Section 528. The Association provides income taxes on its non-exempt function income, which consists primarily of investment income. However, for the year ended December 31, 2005 the Association had no tax liability for federal or state purposes.

MASTER HOMEOWNERS ASSOCIATION FOR
GREEN VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

Note 6 - Contingencies

The Association is a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Note 7 - Related Party Transactions

During the year, the Association paid \$7,600 for newsletter services provided by a homeowner.