

Master Homeowners Association for Green Valley Ranch

FINANCIAL STATEMENTS

Year Ended December 31, 2006

GRIFFIN CONSULTING,, P.C.
CERTIFIED PUBLIC ACCOUNTANT
650 S. CHERRY STREET, STE. 602
DENVER. CO 80246
PHONE: 303.934.7474
FAX: 303.934.7333

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, 2006 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, 2006, 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/ _____
Griffin Consulting, P.C.

Denver, Colorado
April 19, 2007

MASTER HOMEOWNERS ASSOCIATION
FOR GREEN VALLEY RANCH
BALANCE SHEET
DECEMBER 31, 2006

ASSETS

Cash and cash equivalents \$	43,629
Investments	50,000
Accounts receivable, less allowance for doubtful accounts of \$44,000	151,317
Accrued interest receivable	833
Prepaid Insurance	<u>629</u>

TOTAL ASSETS

\$ 246,408

LIABILITIES

Prepaid assessments	\$ 28,607
Accounts payable	<u>10,980</u>

TOTAL LIABILITIES

39,587

CONTINGENCIES

FUND BALANCE

Fund balance (deficit)	<u>206,821</u>
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TOTAL FUND BALANCE

206,821

TOTAL LIABILITIES AND FUND BALANCE

\$ 246,408

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, 2006

REVENUES

Member assessments	\$ 236,500
Builder assessments	933
Late charges and other	30,325
Newsletter	15,414
Closing fees – HOA	9,584
Interest on investments	6,705
ARC review fee	<u>750</u>

TOTAL REVENUES 300,211

EXPENSES

Management fees	127,186
Newsletter	65,355
Administrative	46,774
Legal and accounting	36,570
Insurance	18,873
Social events	18,334
Signs	<u>1,760</u>

TOTAL EXPENSES 314,852

EXCESS (DEFICIENCY) OF REVENUES

OVER EXPENSES (14,641)

FUND BALANCE – BEGINNING OF YEAR 221,462

FUND BALANCE (DEFICIT) – END OF YEAR \$ 206,821

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, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of revenues over expenses	\$ (14,641)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
(Increase) decrease in accounts receivable	(3,853)
(Increase) decrease in prepaid insurance	13,409
(Increase) decrease in accrued interest receivable	(597)
Increase (decrease) in accounts payable	6,029
Increase (decrease) in prepaid assessments	<u>(65,623)</u>
Net Cash Provided by Operating Activities	<u>(65,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase certificate of deposit	<u>(25,000)</u>
Net Cash Provided by Investing Activities	<u>(25,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES: -	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,276)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>133,905</u>
CASH AND CASH EQUIVALENTS – END OF YEAR \$	43,629
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, 2006

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 GVR Metropolitan District in the latter part of 2001. The Association is located in the City and County of Denver, 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 currently 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, 2006

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 annual assessments to provide funds for the Association's operating expenses. Assessments receivable at December 31, 2006 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 has adopted a new policy with the change in management and as such these charges are included in Assessments receivable at December 31, 2006. 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.

Annual assessments charged to owners during 2006 were \$55. Oakwood and builders were charged $\frac{1}{4}$ of these amounts on unsold annexed lots. The annual assessment for the Association was \$236,500.

Note 5 - Income Taxes

For 2006, 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, 2006 the Association had no tax liability for federal or state purposes.

MASTER HOMEOWNERS ASSOCIATION FOR
GREEN VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 \$6,500 for newsletter services provided by a homeowner.

Note 8 – Management Agreement

The Association paid Westwind Management Group a total of \$181,521 in management and collection fees for the year ended December 31, 2006. These fees included \$119,876 for monthly management fees, \$7,900 for services rendered outside the scope of normal management for the anticipated inclusion of common property to the Association, and collection fees paid to management after collection from homeowners in the amount of \$53,745 of which \$54,326 was collected directly from the appropriate delinquent and/or non-compliant homeowners.

Note 9 – Annual Assessment Increase

The Association approved an increase in the Annual assessment of the Association from \$55 to \$218. The assessment increase is to fund for the anticipated inclusion of approximately 1.6 million square feet of common property in the Association in 2007. These funds were budgeted for the maintenance, repair, improvements and administration of this common property