

**HI COUNTRY HAUS
COMMUNITY IMPROVEMENT
AND
RECREATION ASSOCIATION, INC.**

**Financial Statements
&
Supplementary Information**

May 31, 2011

DAPCPA Pope & Associates, LLC
PO Box 189
Winter Park, CO 80482

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Independent Accountant's Review Report

The Board of Directors and Members of
Hi Country Haus Community Improvement and Recreation Association, Inc.
Winter Park, CO

We have reviewed the accompanying balance sheet of Hi Country Haus Community Improvement and Recreation Association as of May 31, 2011, and the related statements of revenues and expenses, changes in members' equity and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and review services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion or provide any assurance on it

A handwritten signature in black ink, appearing to read "DAPCPA Pope & Associates, Inc.", is written over the printed name.

January 12, 2012

DAPCPA Pope & Associates, LLC.

**Hi Country Haus CIRA
Balance Sheet
May 31, 2011**

ASSETS

	2011
CURRENT ASSETS	
Cash and Cash Equivalents	
Cash, including interest-bearing deposits	83,038
Cash - designated for future repairs, replacements, special projects and legal	322,854
Accounts Receivable, members, net of allowances for doubtful accounts of \$7,845	4,849
Prepaid Expenses and other current assets	1,673
TOTAL CURRENT ASSETS	412,414
Property and Equipment:	
Building improvements	641,403
Land	118,236
Furniture and Fixtures	18,010
Accumulated Depreciation	(441,847)
TOTAL NONCURRENT ASSETS	335,802
TOTAL ASSETS	\$ 748,216
 LIABILITIES AND MEMBER'S EQUITY	
CURRENT LIABILITIES	
Accounts Payable	13,413
TOTAL CURRENT LIABILITIES	13,413
MEMBER'S EQUITY	
Undesignated	416,498
Designated for future repairs, replacements, special projects and legal	318,305
MEMBER'S EQUITY	734,803
TOTAL LIABILITIES AND MEMBERS EQUITY	\$ 748,216

Hi Country Haus CIRA
Statement of Revenues and Expenses
For the Year Ended May 31, 2011

	<u>2011</u>
REVENUES	
Member Assessments - operations	320,507
Interest and Income	2,630
Other	<u>46,378</u>
TOTAL REVENUE	369,515
EXPENSES	
General and Administrative Expenses	42,860
Operating Expenses - PUD	142,470
Operating Expenses - recreation center	145,397
Depreciation	<u>2,718</u>
TOTAL EXPENSES	<u>333,445</u>
EXCESS OF EXPENSES OVER REVENUES	<u>36,070</u>

Hi Country Haus CIRA
Statement of Changes in Member Equity
For The Year Ended May 31, 2011

	<u>Undesignated</u>	<u>Designated for Future Repairs and Maintenance</u>	<u>Designated for Future Special Projects</u>	<u>Total</u>
MEMBER'S EQUITY June 1, 2010	330,610	149,631	160,913	641,154
Excess of Expenses over Revenues	36,070			36,070
Allocate to future repairs and replacements		45,891	11,688	57,579
Major Repairs/ replacements:				-
PUD	44,500	(44,500)		-
Recreation center	5,318		(5,318)	-
Transfer to designated reserves				-
MEMBER'S EQUITY May 31, 2011	<u>416,498</u>	<u>151,022</u>	<u>167,283</u>	<u>734,803</u>

**Hi Country Haus CIRA
Statement of Cash Flows
For The Year Ended May 31, 2011**

	2011
Cash Flows From Operating Activities	
Excess of Expenses over Revenues	36,070
Depreciation Expense	2,718
Changes in operating assets and liabilities:	
Accounts receivable	4,668
Prepaid expenses and other current assets	1,677
Accounts Payable	5,463
Cash Provided/(Used) by Operating Activities	50,596
Cash Flows From Investing Activities	
Purchase of improvements and fixtures	(49,818)
Cash Flows from Financing Activities	
Assessments designated for special projected	45,891
Assessments designated for major repairs and replacements	11,688
Cash Flows Provided/(Used) for Financing Activities	57,579
Net Decrease In Cash	58,357
Cash at Beginning of Year	347,535
Cash at End of Year	\$ 405,892

Hi Country Haus CIRA
Notes to Financial Statements
For the Year Ended May 31, 2011

Note 1. Nature of Organization

Hi Country Haus Community Improvement and Recreation Association, Inc. is incorporated as a not-for-profit corporation in the State of Colorado for the purposes of operating and maintaining the common property of Hi Country Haus Community Improvement and Recreation association. Hi Country Haus Community Improvement and Recreation Association is responsible for the maintenance of the roads, bridges, recreation facilities and open spaces associated with Hi Country Haus Condominiums consisting of 313 residential units located in Winter Park, Colorado. The Association began it's operations in October of 1972.

Note 2 – Significant Accounting Policies

Cash and Cash Equivalents

The Company Considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of May 31, 2011, the Company's cash and cash equivalents were deposited primarily in two financial institutions, Bank of the West and First Western Bank.

Accounts Receivable and Members

Association members are subject to monthly assessments to provide funds for Associations' operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. The Associations policy is to retain legal counsel and place liens on the units of members whose assessments are thirty days or more delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. The Association has reserved for accounts that may be deemed to be uncollectible, recording a provision for uncollectible accounts that equals amounts billed and over 90 days outstanding.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the ended May 31, 2011. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions and capital transactions.

For Federal tax purposes, the Association is taxed on all net income from membership activities reduced by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses and any excess membership deductions may only be carried forward to offset member income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120 which has gradually effective tax rate of 15% to 35% that are applied to net taxable income.

Hi Country Haus CIRA
Notes to Financial Statements
For the Year Ended May 31, 2011

Note 2 – Significant Accounting Policies (continued)

For Colorado state income tax purposes, the Association also is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 4.63%.

Property and Equipment

Real Property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalized personal property to which it has title cost. These assets are depreciated on a straight line basis with asset lives ranging from 3-25 years. Depreciation expense for the year ended May 31, 2011 was \$2,718.

Depreciation

The Association's furniture, equipment and improvements are depreciated using the straight line method over estimated lives ranging from five to twenty-five years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Note 3 – Uninsured Cash Balances

The Association maintains its cash balances at two institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. No bank balances exceeded FDIC coverage limits in effect at May 31, 2011.

Note 4 – Subsequent Events

Management of the Association has evaluated the impact of subsequent events on the financial statements through November 16, 2011, the date the financial statements were available to be issued.

Note 4 – Management Company and Concentration

The Association utilizes the services of a management company for daily operations. The amounts paid to this management company represent a significant concentration and large percentage of overall expenditure of the Association. This concentration represents a risk of a severe impact, should the management company fail to operate as contracted.

Hi Country Haus CIRA
Notes to Financial Statements
For the Year Ended May 31, 2011

Note 5 – Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which amount to \$322,854 at May 31, 2011, are held in separate accounts and are generally not available for operating purposes. Historically, it has been the Association's policy that interest earned on these accounts can be allocated to designated reserves.

The Association's board of directors conducted a formal study in 2010, but has not conducted a formal study in recent history to estimate the remaining useful lives and the replacement costs of the common property components. The amounts shown in the replacement schedule are estimated, based on management's assessment of market conditions, monetary inflation rates, and the study prepared in 2010.

The Association is currently funding major repairs and replacements through monthly assessments. During the year ended May 31, 2011, \$57,579 was added to the reserves through monthly accruals. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacement until funds are available.

Supplementary Information
Hi Country Haus CIRA
Supplementary Information on Future Major
Repairs and Replacements
May 31, 2011

The Association's board of directors conducted a study in 2010, but has not conducted a recent formal study to estimate the remaining useful life and the replacement cost of the components of common property as of May 31, 2011. The estimates from the previous study were obtained from licensed contractors, and updated for the current period by management. Replacement costs were previously based on the estimated cost to repair or replace the common property components at the date of the study. Estimated current replacement cost have not been revised since that date based on managements understanding of market factors and inflation rates. The following information is based on the prior study and managements estimates and presents significant information about the components of common property. (The amounts are rounded to the nearest thousand dollars.)

Future major repairs and replacements As of May 31, 2011 Item	Remaining Useful Life	Estimated Replacement Cost	Reserve Balance May 31, 2011
Pool Deck - Repair	3	5,000	1,274
Pool Deck - Resurface	8	53,000	13,501
Composite Decking/Rail - Replace	17	36,000	3,969
Streets & Drives - Repair	0	11,000	11,000
Water Heater - Replace	7	5,000	1,274
Water Heater/Tank - Replace	7	17,000	4,331
Heat Exchangers - Replace	7	6,000	1,528
Dehumidifiers - Replace	4	145,000	36,937
Picnic Tables - Replace	2	1,000	442
Play Equipment - Replace	4	6,000	2,424
Play Surface - Replace	2	3,000	1,212
Carpet - Replace	8	11,000	4,444
Linoleum Floor - Replace	0	1,000	404
Tile Floor - Replace Phase 1	0	3,000	1,212
Tile Floor - Replace Phase 2	18	18,000	7,272
Wood Siding/Trim - Replace	1	25,000	10,099
Pavilion - Refurbish	7	6,000	5,376
Brick/Rock Veneer - Repair	1	1,000	404
Trash Enclosures - Replace	3	3,000	2,688
Furniture - Replace	10	12,000	5,307
Locker Rooms - Refurbish	18	61,000	24,643
Bathroom - Refurbish	10	7,000	2,828
Clubhouse - Refurbish	10	11,000	4,444
Irrigation Miscellaneous - Replace	6	1,000	404
Metal Bridge - Maintain	1	6,000	1,491
Wood Bridge - Replace	19	235,000	58,381
Masonite Siding - Repaint	1	2,000	808
Pool - Resurface	7	24,000	6,114

Supplementary Information
Hi Country Haus CIRA
Supplementary Information on Future Major
Repairs and Replacements
May 31, 2011

Future major repairs and replacements (continued)			
As of May 31, 2011			
Item	Remaining Useful Life	Estimated Replacement Cost	Reserve Balance May 31, 2011
Coping Stones - Replace	7	9,000	2,293
Acrylic Spas - Replace	5	10,000	2,547
Pool and Spa Covers - Replace	0	2,000	509
Pool Sand Filter - Replace	14	5,000	1,274
Spa Sand Filters - Replace	14	12,000	3,057
Pool/Spa Heater 1 - Replace	1	3,000	764
Pool/Spa Heater 2 - Replace	3	4,000	1,019
Spa Chlorinators - Replace	3	1,000	255
Motors & Pumps - Replace	0	1,000	255
Vacuum Controller - Replace	5	1,000	255
Misc. Pool Equip. - Replace	0	1,000	255
Pool Furniture - Replace	0	1,000	442
Asphalt Shingle Roof - Replace	9	41,000	5,481
Pool Enclosure - Replace	9	282,000	71,837
Gutters/Downspouts - Replace	9	3,000	1,212
Flat Roof - Replace	6	16,000	2,139
Signage - Replace	8	18,000	7,272
Volleyball Area - Refurbish	6	8,000	3,228
		<u>1,133,000</u>	<u>318,305</u>