



Certified Public Accountants

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

FINANCIAL STATEMENTS

May 31, 2008

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Members of
Hi Country Haus Community Improvement and Recreation Association
Boulder, Colorado

We have reviewed the accompanying balance sheet of Hi Country Haus Community Improvement and Recreation Association as of May 31, 2008 and the related statements of revenues and expenses and changes in members' equity for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Association.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

In our opinion, 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 generally accepted accounting principles.

The supplementary information about future repairs and replacements on Page 8 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of Hi Country Haus CIRA, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Cahill, O'Kelly & Associates, P.C.

CAHILL, O'KELLY & ASSOCIATES, P.C.
Boulder, Colorado
October 3, 2008

HI COUNTRY HAUS CIRA
Balance Sheet
May 31, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	
Cash, including interest-bearing deposits	\$ 74,916
Cash - designated for future repairs, replacements, special projects and legal	<u>206,527</u>
	281,443
Accounts receivable, members, net of allowance for doubtful accounts of \$19,607	1,614
Prepaid expenses and other current assets	<u>6,324</u>

Total Current Assets **289,381**

Property and equipment:	
Building Improvements	222,761
Recreation complex	361,222
Land	44,248
Furniture and Fixtures	<u>21,425</u>
	649,656
Accumulated Depreciation	<u>(444,682)</u>
	<u>204,974</u>

TOTAL ASSETS **\$ 494,355**

LIABILITIES AND MEMBERS' EQUITY

Accounts payable	\$ 17,250
Accrued Expenses	<u>8,340</u>

Total Current Liabilities **25,590**

Members' Equity	
Undesignated	135,273
Designated for Future Repairs, Replacements, Special Projects and Legal	<u>333,492</u>
Members' Equity	<u>468,765</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY **\$ 494,355**

See Accompanying Notes and Accountant's Report

HI COUNTRY HAUS CIRA
Statement of Revenues and Expenses
For the Year Ending May 31, 2008

REVENUES	
Member assessments - operations	\$ 320,003
Interest and Income	9,954
Other	<u>12,070</u>
TOTAL REVENUES	342,027
EXPENSES	
General and administrative expenses	27,357
Operating expenses - PUD	130,565
Operating expenses - recreation center	154,623
Depreciation	<u>33,755</u>
TOTAL EXPENSES	<u>346,300</u>
EXCESS OF EXPENSES OVER REVENUES	\$ <u><u>(4,273)</u></u>

See Accompanying Notes and Accountant's Report

HI COUNTRY HAUS CIRA
Statement of Changes in Members' Equity
For the Year Ending May 31, 2008

	Undesignated	Designated for Future Repairs and Maintenance	Designated for Future Special Projects	Designated Legal	Total
Members' Equity, June 1, 2007	\$ 148,484	\$ 133,250	\$ 180,148	\$ 12,087	\$ 473,969
Excess of Expenses over Revenues	(4,273)				(4,273)
Allocated to future repairs and replacements	-	12,000	12,000		24,000
Major repairs/replacements:					
PUD					
Recreation center		(22,132)			(22,132)
Legal Project				(2,799)	(2,799)
Transfer to designated reserves	(8,938)	-	8,938	-	-
Members' Equity, May 31, 2008	\$ 135,273	\$ 123,118	\$ 201,086	\$ 9,288	\$ 468,765

See Accompanying Notes and Accountant's Report

HI COUNTRY HAUS CIRA
Statement of Cash Flows
For the Year Ended May 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of expenses over revenues	\$ (4,273)
Bad debt expense	4,079
Depreciation expense	33,755
Changes in operating assets and liabilities:	
Accounts receivable	347
Prepaid expenses and other current assets	(4,433)
Accounts payable	8,671
Accrued expenses	<u>(5,180)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	32,966
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Improvements and Fixtures	(60,493)
CASH FLOWS FROM FINANCING ACTIVITIES	
Designated funds used for special projects	(22,133)
Designated funds used for legal project	(2,799)
Assessments designated for special projects	12,000
Assessments designated for major repairs and replacements	<u>12,000</u>
CASH FLOWS USED FOR FINANCING ACTIVITIES	<u>(932)</u>
NET DECREASE IN CASH	(28,459)
CASH AT BEGINNING OF YEAR	<u>309,902</u>
CASH AT END OF YEAR	<u><u>\$ 281,443</u></u>

See Accompanying Notes and Accountant's Report

NOTE 1 - NATURE 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 the Hi Country Haus Condominiums consist of 313 residential units located in Winter Park, Colorado. The Association began its 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, 2008, the Company's cash and cash equivalents were deposited primarily in two financial institutions, Bank of the West and Wachovia National Bank.

Accounts Receivable - Members

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association's 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.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended May 31, 2008. 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, nonmembership transactions, and capital transactions.

For federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership 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 graduated effective tax rate of 15% to 35% that are applied to net taxable income.

For Colorado state income tax purposes, the Association also is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset my 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 at cost.

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 disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - UNINSURED CASH BALANCES

The Association maintains its cash balances at two financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$100,000. Balances of approximately \$7,019 at May 31, 2008 exceeded the FDIC coverage limits in effect at that time.

NOTE 4 - 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 \$206,527 at May 31, 2008, 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 be allocated to designated reserves.

The Association's board of directors 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 Association is currently funding major repairs and replacements through month assessments. During the year ended May 31, 2008, \$24,000 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 replacements until funds are available.

The following table lists the activity by major components in the members' equity designated for future major repairs and replacements. As noted above, the board of directors has not conducted a formal study to estimate and allocate the current reserves.

The current reserves are as follows:

Components	June 1, 2007	Member Assess- ments	Major Repairs Replac- ements	May 31, 2008
Pool	\$ 71,033	\$ 2,475	\$ 2,475	\$ 71,033
Hot Tubs(4 Units)	28,064	34,288	22,288	40,064
Roof	4,046	-	-	4,046
Furniture, Fixtures, Equipment	6,294	428	428	6,294
Exterior of Rec. Center (Paint wood trim)	3,147	8,938	-	12,085
Deck	4,035	-	-	4,035
Pavilion	2,098	2,500	2,500	2,098
Rec Center Building	61,431	19,655	19,655	61,431
Bridges Roads and Common Parking Areas	<u>133,250</u>	<u>12,000</u>	<u>22,132</u>	<u>123,118</u>
	<u>\$ 313,398</u>	<u>\$ 80,284</u>	<u>\$ 69,478</u>	<u>\$ 324,204</u>

SUPPLEMENTARY INFORMATION
Hi Country Haus Community Improvement and Recreation Association, Inc.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS
May 31, 2008

The Association's board of directors has not conducted a recent formal study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were previously based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following information is based on the prior study 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 5/31/08 Item	Estimated Remaining Life	Estimated Replacement Cost	Reserve Balance 5/31/08
Pool	15	\$ 300,000	\$ 71,033
Hot Tubs (4 Units)	7	30,000	40,064
Roof	15	25,000	4,046
Furniture, Fixtures, Equipment	7	30,000	6,294
Exterior of Rec Center (Paint/Wood Trim)	7	15,000	12,085
Deck	10	25,000	4,035
Pavilion	10	10,000	2,098
Rec Center Building	10	<u>350,000</u>	<u>61,431</u>
		785,000	201,086
Subtotal			
North Bridge	20	250,000	30,134
South Bridge	15	250,000	30,734
Roads and Common Parking Areas	15	<u>300,000</u>	<u>61,650</u>
Subtotal		<u>800,000</u>	<u>123,117</u>
Grand Total		<u>\$ 1,585,000</u>	<u>\$ 324,203</u>