

December 31, 2010

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

with

FINANCIAL STATEMENTS

~~MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH~~

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BEICHLER & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 33949, NORTHGLENN, COLORADO 80233-0949

303-792-0410

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Members of the:

Master Homeowners Association for Green Valley Ranch

We have audited the accompanying balance sheet of the Master Homeowners Association for Green Valley Ranch as of December 31, 2010, and the related statements of revenues and 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 statements 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 the Master Homeowners Association for Green Valley Ranch, as of December 31, 2010 and the results of its operations and its cash receipts and payments for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Beichler & Associates, Inc.
September 16, 2011

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

BALANCE SHEET

December 31, 2010

ASSETS

\$421,457	Cash
140,601	Accounts receivable, net of allowance for doubtful accounts of \$425,000
8,298	Prepaid expenses
4,800	Vehicles, net of accumulated depreciation of \$3,200
6,756	Office equipment, net of accumulated depreciation of \$4,504
10,213	Leasehold improvements, net of accumulated amortization of \$10,213
1,626	Security deposit
<u>\$593,751</u>	TOTAL ASSETS

LIABILITIES AND FUND BALANCE

\$ 5,334	Liabilities:
55,662	Accounts payable
6,649	Prepaid assessments
	Accrued expenses
67,645	TOTAL LIABILITIES
-	Contingencies (Notes 5 and 6)
526,106	Fund balance
<u>\$593,751</u>	TOTAL LIABILITIES AND FUND BALANCE

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2010

	Revenues:
	Covenant violations, fines and fees
\$ 39,850	Property transfer and closing fees
77,850	Newslatter
920	Miscellaneous
938	Interest income
16,875	Late fees
<u>136,693</u>	Total Revenues
	Expenses:
161,866	Salaries and benefits
12,336	Insurance
23,810	Professional fees
21,422	Rents
7,479	Postage
500	Community events
48,978	Bad debts
3,852	Depreciation
5,187	Amortization
22,823	Miscellaneous administrative
5,204	Office
8,148	Miscellaneous
<u>321,605</u>	Excess of Revenues Over Expenses
(184,912)	Fund Balance - January 1, 2010
711,018	Fund Balance - December 31, 2010
<u>\$ 526,106</u>	

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, 2010

	Cash flows from operating activities
	Excess of revenues over expenses
	Adjustment to reconcile excess of
	revenues over expenses to net cash
	provided (used) by operating activities:
191,345	Decrease in assessments receivable
1,194	Increase in accounts payable
4,697	Increase in prepaid assessments
(1,145)	Increase in prepaid expenses
8,939	Depreciation and amortization
588	Increase in accrued expenses
<u>205,618</u>	
20,706	Net cash provided by operating activities
400,751	Cash Balance - January 1, 2010
<u>\$ 421,457</u>	Cash Balance - December 31, 2010

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

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(1) Nature of 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 in the City and County of Denver, Colorado, and consists of owners of 4,593 homes and lots. During June of 2007, an additional 1.6 million square feet of common property was transferred to the Association from the declarant under the provisions of the Master declaration. Maintenance of this common area was transferred to the GVR Metropolitan District for 2010.

(2) Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 16, 2011, the date that the financial statements were available to be issued.

(3) Summary of Significant Accounting Policies

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 using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Member Assessments

Association members can be subject to annual assessments to provide funds for the Association's operating expenses. Assessments 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 properties of homeowners whose assessments are delinquent. For the year ended December 31, 2010, there were no annual assessments.

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

(3) Summary of Significant Accounting Policies, Continued

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 disclosures 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.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. According to the Association's governing documents, three-fourths of all unit owners must approve dispositions of any common real property. Property and equipment acquired by the Association are recorded at cost and properly contributed to the Association by the developer is recorded at estimated fair value at the date of contribution.

(4) Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2010. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 4.63% by the State of Colorado. The Association had no taxable income for the year ended December 31, 2010.

The Association has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for the year ended December 31, 2010. The Association evaluates its uncertain tax positions using the provisions of FASB Statement No. 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized.

MASTER HOMEOWNERS ASSOCIATION FOR GREEN VALLEY RANCH

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2010

(5) Office Lease

The Association signed an office lease in March, 2009 for office space. Monthly lease payments required under this operating lease is as follows:

	2011
	\$19,336
	<u>5,691</u>
	<u>\$25,027</u>

(6) Green Valley Ranch Metropolitan District

During December of 2010, the Association entered into an agreement with the Green Valley Ranch Metropolitan District (District). The District will provide covenant enforcement and design review services for the Association under the agreement. The District's services will be funded by property tax revenues levied by the District and revenues collected by the Association.