

**TUCKER MOUNTAIN LODGE
CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
For the year ended December 31, 2005**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tucker Mountain Lodge Condominium Association

We have audited the accompanying balance sheet of Tucker Mountain Lodge Condominium Association as of December 31, 2005, and the related statement of revenues and expenses and changes in fund balances, and statement of cash flows for the year then ended. These financial statements are the responsibility of Tucker Mountain Lodge Condominium 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 generally accepted auditing standards. Those standards require that we 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. 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 Tucker Mountain Lodge Condominium Association as of December 31, 2005, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Buhrdorf Mattern & Imus Inc

June 20, 2006

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
Balance Sheet
December 31, 2005

ASSETS

	2005		
	<u>Unrestricted Operating Fund</u>	<u>Board Designated Funds</u>	<u>Total All Funds</u>
CURRENT ASSETS			
Cash and temporary cash investments (Note 2)	\$ 33,572	\$ 266,359	\$ 299,931
Assessments receivable - members	5,428		5,428
Accrued interest receivable	2,252		2,252
Prepaid resort association dues	<u>243</u>		<u>243</u>
TOTAL CURRENT ASSETS	<u>41,495</u>	<u>266,359</u>	<u>307,854</u>
FURNITURE AND EQUIPMENT, at cost			
	1,581		1,581
Less accumulated depreciation	<u>(178)</u>		<u>(178)</u>
	<u>1,403</u>		<u>1,403</u>
TOTAL ASSETS	<u>\$ 42,898</u>	<u>\$ 266,359</u>	<u>\$ 309,257</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable - trade	\$ 23,401	\$	\$ 23,401
Accounts payable-related party (Note 5)	16,705		16,705
Income tax payable (Note 4)	<u>1,055</u>		<u>1,055</u>
TOTAL LIABILITIES, all current	<u>41,161</u>		<u>41,161</u>

CONTINGENCY (Note 3)

FUND BALANCES

Board designated (Note 3)		266,359	266,359
Unrestricted	<u>1,737</u>		<u>1,737</u>

TOTAL FUND BALANCES	<u>1,737</u>	<u>266,359</u>	<u>268,096</u>
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TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 42,898</u>	<u>\$ 266,359</u>	<u>\$ 309,257</u>
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The accompanying notes are an integral part of these financial statements.

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
Statement of Revenues and Expenses
and Changes in Fund Balances
For the year ended December 31, 2005

	2005		
	<u>Unrestricted Operating Fund</u>	<u>Board Designated Funds</u>	<u>Total All Funds</u>
REVENUES			
Assessments	\$ 319,697	\$ 52,600	\$ 372,297
Interest income	7,012		7,012
Miscellaneous income	<u>2,499</u>		<u>2,499</u>
TOTAL REVENUES	<u>329,208</u>	<u>52,600</u>	<u>381,808</u>
EXPENSES			
Operating & reserve expenses (Schedule I)	278,273	12,064	290,337
Ownership expenses (Schedule II)	2,921		2,921
Management expenses (Schedule III)	<u>44,476</u>		<u>44,476</u>
TOTAL EXPENSES	<u>325,670</u>	<u>12,064</u>	<u>337,734</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE TAXES	3,538	40,536	44,074
Provision for income tax (Note 4)	<u>1,801</u>		<u>1,801</u>
EXCESS OF REVENUES OVER EXPENSES	1,737	40,536	42,273
Transfer to board designated funds		198	198
Transfer to operating fund from board designated funds	<u>8,560</u>	<u>(8,560)</u>	
CHANGES IN FUND BALANCES	10,297	32,174	42,471
FUND BALANCES, BEGINNING OF YEAR	<u>(8,560)</u>	<u>234,185</u>	<u>225,625</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,737</u>	<u>\$ 266,359</u>	<u>\$ 268,096</u>

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

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
Statement of Cash Flows
For the year ended December 31, 2005

	<u>2005</u>		
	<u>Unrestricted Operating Fund</u>	<u>Board Designated Funds</u>	<u>Total All Funds</u>
OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 1,737	40,536	\$ 42,273
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	15		15
(Increase) decrease in receivables	(2,405)		(2,405)
Increase (decrease) in accounts payable	4,694		4,694
Increase (decrease) in income taxes payable	<u>1,055</u>		<u>1,055</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>5,096</u>	 <u>40,536</u>	 <u>45,632</u>
FINANCING ACTIVITIES			
Assessments			
Transfer to board designated funds		198	198
Transfer to operating fund to fund repairs and replacements	<u>8,560</u>	<u>(8,560)</u>	
 NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	 <u>8,560</u>	 <u>(8,362)</u>	 <u>198</u>
 INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	 13,656	 32,174	 45,830
 CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	 <u>19,916</u>	 <u>234,185</u>	 <u>254,101</u>
 CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	 <u>\$ 33,572</u>	 <u>\$ 266,359</u>	 <u>\$ 299,931</u>

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

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by Tucker Mountain Lodge Condominium Association (the Association).

ORGANIZATION

Tucker Mountain Lodge Condominium Association is organized as a Colorado Corporation for the purpose of maintaining and managing the common property. The Association consists of 80 residential units, 2 commercial spaces and 4 employee units. The Association began operations in 2000.

FUND ACCOUNTING

The financial statements of the Association have been prepared on the accrual basis of accounting. The statement of revenues and expenses and changes in fund balances is a statement of financial activities of all funds related to the current reporting period.

To insure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Association are reported in two self-balancing fund groups as follows:

Unrestricted operating funds represent the portion of expendable funds that is available for support of the Association's operations.

Board designated funds represent a portion of members' assessments reserved to pay for anticipated future improvements and major repairs and replacements. Disbursements from the reserve funds may be made only for their designated purposes. Transfers are made to operating funds to fund repairs and replacements.

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSESSMENTS - MEMBERS

Legally enforceable member assessments are recorded as receivables in the year assessed. Balances subsequently determined to be uncollectible are recorded as bad debt expense in the year identified as uncollectible. Prepaid member assessments are recorded as a current liability.

Revenues are generated through membership assessments. Owners' assessments are determined by, and annual budgets are approved by, the Association's Board to meet operating costs and to contribute to the repair and replacement reserve fund.

FURNITURE AND EQUIPMENT

Depreciation is computed using the straight-line method over the estimated useful lives of 6 and 7 years.

Replacements and improvements to common real property are not recognized as assets because the Association does not hold title to the property. Generally, additions of common personal property are not capitalized due to the minimal cost incurred and limited useful life.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations for the period.

INCOME TAXES

A condominium association generally may elect to be taxed as a regular corporation or as a homeowners' association. However, a resort association may not elect to be taxed as a homeowners' association. Therefore, Tucker Mountain Lodge Condominium Association is taxed as a regular corporation. The Association has certain elections in effect which exclude membership income from taxation. The Association is generally taxed only on non-membership income such as interest earnings and vending machine income, at statutory federal and state corporate rates.

USE OF 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.

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STATEMENTS OF CASH FLOWS

For purposes of cash flow presentation the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be temporary cash investments.

Cash paid during the year ended December 31, 2005 for income taxes was \$746.

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS

The composition of cash and temporary cash investments as of December 31, 2005 was as follows:

	<u>2005</u>
Undesignated:	
Petty Cash	\$ 25
Checking account	(3,533)
Investment account	<u>37,080</u>
	33,572
Board designated:	
Money market account	<u>266,359</u>
Total	<u>\$ 299,931</u>

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Unaudited)

The Associations' governing documents require that funds be accumulated for future major repairs and replacements. A study was conducted by Association Reserves, Inc. in March 2001 to estimate the remaining useful lives and the replacement cost of the components of common property. At December 31, 2005, the Association has accumulated \$95,971 in the General Common Elements (GCE) Reserve Fund and \$98,013 in the Limited Common Elements (LCE) Reserve Fund.

The board has estimated the following components likely to need repair or replacement over the next five years:

	<u>Estimated Cost</u>	<u>Estimated Remaining Life</u>
<u>Interior Refurbishment</u>		
Carpeting	62,000	2 years
Hallway painting	7,900	2 years
Exercise equipment	29,000	4 years
Lobby furniture	<u>10,000</u>	4 years
Total	<u>\$ 108,900</u>	

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

<u>Exterior, Structural & Grounds</u>	<u>Estimated Cost</u>	<u>Estimated Remaining Life</u>
East deck project	5,200	1 year
Painting	75,000	1 year
Security cameras	5,000	1 year
Balcony decks	22,500	2 years
Spa resurfacing	3,000	4 years
AHU replacement	12,000	4 years
Garage door operator	6,000	4 years
Elevator cab remodel	10,000	4 years
Internet equipment	<u>10,000</u>	4 years
Total	<u>\$ 148,700</u>	

Other Components that are anticipated to need repair or replacement in the long term are:

Shingle roof replacement	212,000	20 years
Interior sign replacement	35,000	20 years
Elevator modernization	67,000	20 years
Interior hallway light	42,000	20 years
Garage door replacement	13,000	20 years
Steam shower replacement	19,000	15 years
Restroom refurbishment	22,000	15 years
Boiler refurbishment	<u>27,000</u>	7 years
Total	<u>\$ 437,000</u>	

The estimated future costs of major repairs and replacements were prepared by the Board of Directors from current costs. Changes in estimated inflation costs have not been considered. Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future need for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - INCOME TAXES

The income tax expense for the year ended December 31, 2005 consists of the following:

Federal income tax	\$ 1,361
State income tax	<u>440</u>
Provision for income tax	<u>\$ 1,801</u>

Taxable income, consisting of interest income, vending machine income and miscellaneous income, totaled \$9,511 for 2005.

NOTE 5 – RELATED PARTY TRANSACTIONS

Copper Mountain, Inc. provides management and accounting services to the Association. Daily operations of the Association are supervised by employees of Copper Mountain, Inc., and reimbursed by the Association. Additionally, the Association purchases supplies from Copper Mountain, Inc. The amount paid to Copper Mountain, Inc. for these supplies and services was \$74,581 for the year ended December 31, 2005.

TUCKER MOUNTAIN LODGE CONDOMINIUM ASSOCIATION

**Schedule I - Operating & Reserve Expenses
For the years ended December 31, 2005**

	<u>2005</u>
Cable T.V.	\$ 29,754
Depreciation	15
Gas and electricity	116,086
Insurance	13,020
Repairs and maintenance:	
Building	45,561
Grounds	3
Hot tub and sauna	4,500
Wages and related payroll taxes	21,239
Water & sewer	<u>48,095</u>
	278,273
Reserve expenses	
Major repairs and replacements	<u>12,064</u>
	<u>\$ 290,337</u>

**Schedule II - Ownership Expenses
For the years ended December 31, 2005**

Resort Association dues	\$ <u>2,921</u>
	<u>\$ 2,921</u>

**Schedule III - Management Expenses
For the years ended December 31, 2005**

Legal, accounting and other professional fees	\$ 8,490
Management fees	30,960
Manager's apartment	3,280
Office supplies & misc.	<u>1,746</u>
	<u>\$ 44,476</u>