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**WOODMEN POINTE  
HOMEOWNERS ASSOCIATION, INC.**

**Financial Statements**

**For the Year Ended December 31, 2006**



INDEPENDENT AUDITORS' REPORT

Board of Directors  
Woodmen Pointe Homeowners Association, Inc.  
Colorado Springs, Colorado

We have audited the accompanying balance sheet of Woodmen Pointe Homeowners Association, Inc. as of December 31, 2006 and the related statements of revenue, expenses, and changes in fund balances, 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 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 Woodmen Pointe Homeowners Association, Inc. 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.

Woodmen Pointe Homeowners Association, Inc. has not estimated the remaining lives and replacement costs for the common property and, therefore, has not presented information about future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

*Waugh & Goodwin, LLP*  
September 7, 2007

WOODMEN POINTE HOMEOWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2006

ASSETS

	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 13,124	\$ 8,380	\$ 21,504
Assessments receivable	2,574		2,574
Declarant assessments receivable	37,546		37,546
Accounts receivable	30,056		30,056
Prepaid insurance	1,447		1,447
<b>TOTAL ASSETS</b>	<u>\$ 84,747</u>	<u>\$ 8,380</u>	<u>\$ 93,127</u>

LIABILITIES AND FUND BALANCES

<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 3,088	\$	\$ 3,088
Assessments received in advance	5,989		5,989
<b>Total liabilities</b>	<u>9,077</u>		<u>9,077</u>
<b>FUND BALANCES:</b>			
Operating fund	75,670		75,670
Replacement reserve fund		8,380	8,380
<b>Total fund balances</b>	<u>75,670</u>	<u>8,380</u>	<u>84,050</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 84,747</u>	<u>\$ 8,380</u>	<u>\$ 93,127</u>

See Notes to Financial Statements

WOODMEN POINTE HOMEOWNERS ASSOCIATION, INC.  
Statement of Revenue, Expenses, and Changes in Fund Balances  
For the Year Ended December 31, 2006

	Operating Fund	Replacement Reserve Fund	Total
<b>REVENUE:</b>			
Owner assessments	\$ 46,082	\$	\$ 46,082
Declarant assessments	37,546		37,546
Covenant enforcement income	30,056		30,056
Late fees	1,738		1,738
Other income	201		201
Interest income	126		126
Total revenue	115,749		115,749
<b>EXPENSES:</b>			
Covenant enforcement	14,936		14,936
Trash removal	11,050		11,050
Management fees	9,944		9,944
Landscaping	6,150		6,150
Administrative	4,109		4,109
Water	3,780		3,780
Professional fees	2,203		2,203
Irrigation	973		973
Miscellaneous grounds maintenance	520		520
Legal	440		440
Insurance	422		422
Snow removal	373		373
Accounting	300		300
Electricity	260		260
Miscellaneous	136		136
Total expenses	55,596		55,596
<b>EXCESS OF REVENUE OVER EXPENSES</b>	60,153		60,153
<b>FUND BALANCES, beginning of year</b>	3,517	8,380	11,897
<b>WORKING CAPITAL CONTRIBUTIONS</b>	12,000		12,000
<b>FUND BALANCES, end of year</b>	\$ 75,670	\$ 8,380	\$ 84,050

See Notes to Financial Statements

WOODMEN POINTE HOMEOWNERS ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2006

	Operating Fund	Replacement Reserve Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of revenue over expenses	\$ 60,153		\$ 60,153
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Increase in assessments receivable	(2,079)		(2,079)
Increase in declarant assessments receivable	(37,546)		(37,546)
Increase in accounts receivable	(30,056)		(30,056)
Increase in prepaid insurance	(1,447)		(1,447)
Increase in accounts payable	2,863		2,863
Increase in assessments received in advance	1,264		1,264
Total adjustments	(67,001)		(67,001)
Net cash provided (used) by operating activities	(6,848)		(6,848)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Working capital contributions	12,000		12,000
Net cash provided by financing activities	12,000		12,000
<b>NET INCREASE IN CASH</b>	<b>5,152</b>		<b>5,152</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>7,972</b>	<b>8,380</b>	<b>16,352</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 13,124</b>	<b>\$ 8,380</b>	<b>\$ 21,504</b>

See Notes to Financial Statements

WOODMEN POINTE HOMEOWNERS ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Association was incorporated on September 16, 2003 as a Colorado nonprofit corporation to provide for the maintenance, preservation and architectural control of the project and to promote the health, safety, and welfare of the residents within the Association, pursuant to the Declaration of Covenants, Conditions and Restrictions of Woodmen Pointe Homeowners Association, Inc. Woodmen Pointe Homeowners Association, Inc. consists of 131 residential lots located in Colorado Springs, Colorado.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting. Financial resources are classified for accounting purposes into two funds. The operating fund is used to account for the general operations of the Association. The replacement reserve fund is used to accumulate monies designated for future major repairs and replacements.

Income Tax

Pursuant to the 1976 Tax Reform Act, condominium management and residential real estate management associations may elect to be treated as tax-exempt "homeowners associations", generally taxed only on income from investments and business with non-members.

Assessments Receivable

Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with owners having outstanding balances, it has concluded that any losses on balances outstanding at year-end will not be material. Therefore, no allowance for doubtful accounts is considered necessary.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Property

The Association does not capitalize real property directly associated with the lots. At December 31, 2006, property not capitalized consists of fences and greenbelts. According to the Association's governing documents, the common area shall remain undivided and shall not be subject to partition.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking accounts.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

### B. REPLACEMENT RESERVE FUNDS

Article 7.8 of the Declaration states that the annual assessment set by the Board of Directors shall include amounts for the creation of reasonable reserves for the repair, replacement and maintenance of those common elements that must be replaced periodically.

The Association has allocated amounts from the maintenance assessments to the replacement reserve fund. The replacement reserve funds have been segregated from the Association's operating fund.

The Board is funding for major repairs and replacements over the remaining useful lives of the components. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments or pass special assessments.

Notes to Financial Statements

C. FUTURE REPAIRS AND REPLACEMENTS

As of December 31, 2006, the Association has not conducted a reserve study to determine the remaining useful lives of the components of common property and current estimated costs of major repairs and replacements which may be required in the future. As stated in Note B, the Association may allocate amounts from each owner's monthly assessment to the replacement reserve fund. Should the amounts allocated to the replacement reserve fund not be sufficient, the Association has the right to increase regular assessments or pass special assessments.

D. WORKING CAPITAL CONTRIBUTIONS

Pursuant to Article 7.10 of the Declaration, the Association shall require the first owner, other than the Declarant, and each and every purchaser thereafter to pay the Association \$200 upon closing, which shall be used by the Association for working capital.