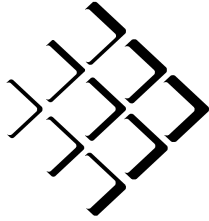


**ROXBOROUGH PARK FOUNDATION**  
**FINANCIAL STATEMENTS**  
**And**  
**INDEPENDENT AUDITORS' REPORT**  
**For the Year Ended December 31, 2008**



**WEIDNER  
& ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
3002 SOUTH OAK WAY  
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**Independent Auditors' Report**


To the Board of Directors and Members  
Roxborough Park Foundation

We have audited the accompanying balance sheet of Roxborough Park Foundation as of December 31, 2008, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. 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 Roxborough Park Foundation as of December 31, 2008, 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.

The supplementary information on future major repairs and replacements included in this report is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the supplementary information is in conformity with guidelines established by accounting principles generally accepted in the United States of America.

  
Certified Public Accountants  
Lakewood, Colorado  
February 6, 2009

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**Roxborough Park Foundation**  
**Balance Sheet**  
**December 31, 2008**

|   | <u>Operating<br/>Fund</u> | <u>Reserve<br/>Fund</u> | <u>Total<br/>Funds</u>  |
|---|---------------------------|-------------------------|-------------------------|
| <b>ASSETS:</b>  |                           |                         |                         |
| Cash:   |                           |                         |                         |
| Checking and money market accounts  | \$523,426                 | \$21,025                | \$544,451               |
| Petty cash  | 300                       |                         | 300                     |
| Total cash  | <u>523,726</u>            | <u>21,025</u>           | <u>544,751</u>          |
| Accounts receivable - members, net of an allowance for doubtful accounts of \$7,000 | 22,235                    |                         | 22,235                  |
| Prepaid income taxes (federal)  | 15,087                    |                         | 15,087                  |
| Other prepaid expenses and receivables  | 39,401                    |                         | 39,401                  |
| Total current assets  | <u>600,449</u>            | <u>21,025</u>           | <u>621,474</u>          |
| Property and equipment:   |                           |                         | 0                       |
| Equipment and vehicles  | 509,852                   |                         | 509,852                 |
| Condominium   | 56,519                    |                         | 56,519                  |
|   | <u>566,371</u>            |                         | <u>566,371</u>          |
| Accumulated depreciation  | <u>(397,769)</u>          |                         | <u>(397,769)</u>        |
|   | 168,602                   |                         | 168,602                 |
| Land  | <u>134,000</u>            |                         | <u>134,000</u>          |
|   | <u><b>\$903,051</b></u>   | <u><b>\$21,025</b></u>  | <u><b>\$924,076</b></u> |
| <b>LIABILITIES:</b>   |                           |                         |                         |
| Accounts payable  | \$58,537                  |                         | \$58,537                |
| Income taxes payable (state)  | 800                       |                         | 800                     |
| Loan payable (Note 7)   | 500,000                   |                         | 500,000                 |
| Deferred revenue - prepaid assessments  | 458,424                   |                         | 458,424                 |
| Deposits held   | 98,177                    |                         | 98,177                  |
|   | <u>1,115,938</u>          | <u>0</u>                | <u>1,115,938</u>        |
| <b>MEMBERS' EQUITY:</b>   |                           |                         |                         |
| Fund balances   | <u>(212,887)</u>          | <u>21,025</u>           | <u>(191,862)</u>        |
|   | <u><b>\$903,051</b></u>   | <u><b>\$21,025</b></u>  | <u><b>\$924,076</b></u> |

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

**Roxborough Park Foundation**  
**Statement of Revenues and Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2008**

|  | <u>Operating<br/>Fund</u> | <u>Reserve<br/>Fund</u> | <u>Total<br/>Funds</u>    |
|--|---------------------------|-------------------------|---------------------------|
| <b>REVENUES:</b>   |                           |                         |                           |
| Assessments - members (Note 3)                               | \$1,235,536               |                         | \$1,235,536               |
| Allocation of assessments to reserve fund (Note 4)           | (21,025)                  | \$21,025                | 0                         |
| Design committee, transfer, and other activity<br>based fees | 57,450                    |                         | 57,450                    |
| Late fees, legal fees, and other member charges              | 54,235                    |                         | 54,235                    |
| Fire mitigation grant proceeds                               | 50,000                    |                         | 50,000                    |
| Interest   | 22,360                    |                         | 22,360                    |
| Proceeds from exercise of option to sell land (Note 5)       | 5,000                     |                         | 5,000                     |
| Gains on sale of property and equipment                      | 3,045                     |                         | 3,045                     |
| Other income   | 2,001                     |                         | 2,001                     |
|  | <u>1,408,602</u>          | <u>21,025</u>           | <u>1,429,627</u>          |
| <b>EXPENDITURES:</b>   |                           |                         |                           |
| Community center construction (Note 2)                       | \$1,255,394               |                         | 1,255,394                 |
| Payroll and related benefits                                 | 535,580                   |                         | 535,580                   |
| Trash removal  | 182,673                   |                         | 182,673                   |
| Entry building contract labor                                | 136,488                   |                         | 136,488                   |
| Professional services  | 106,037                   |                         | 106,037                   |
| Grounds maintenance  | 101,106                   |                         | 101,106                   |
| Road maintenance   | 100,706                   |                         | 100,706                   |
| Office and administrative                                    | 93,003                    |                         | 93,003                    |
| Insurance  | 89,552                    |                         | 89,552                    |
| Equipment and building maintenance                           | 74,377                    |                         | 74,377                    |
| Depreciation expense   | 62,726                    |                         | 62,726                    |
| Income taxes   | 11,681                    |                         | 11,681                    |
| Utilities  | 13,733                    |                         | 13,733                    |
| Social events  | 13,068                    |                         | 13,068                    |
| Bad debts  | 11,395                    |                         | 11,395                    |
|  | <u>2,787,519</u>          | <u>0</u>                | <u>2,787,519</u>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(1,378,917)</b>        | <b>21,025</b>           | <b>(1,357,892)</b>        |
| Fund balances - beginning of year                            | <u>1,166,030</u>          | <u>0</u>                | <u>1,166,030</u>          |
| <b>Fund balances - end of year</b>                           | <b><u>(\$212,887)</u></b> | <b><u>\$21,025</u></b>  | <b><u>(\$191,862)</u></b> |

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

**Roxborough Park Foundation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

|  | <u>Operating<br/>Fund</u>      | <u>Reserve<br/>Fund</u>       | <u>Total<br/>Funds</u>         |
|--|--------------------------------|-------------------------------|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                                |                               |                                |
| Excess (deficiency) of revenues over expenditures  | (\$1,378,917)                  | \$21,025                      | (\$1,357,892)                  |
| Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities: |                                |                               |                                |
| Depreciation - does not use cash   | 62,726                         |                               | 62,726                         |
| (Increase) decrease in accrued interest  | 1,685                          |                               | 1,685                          |
| (Increase) decrease in accounts receivable   | (5,762)                        |                               | (5,762)                        |
| (Increase) decrease in prepaid expenses  | (24,950)                       |                               | (24,950)                       |
| (Increase) decrease in prepaid income taxes  | (15,087)                       |                               | (15,087)                       |
| (Increase) decrease in furniture and equipment   | (76,835)                       |                               | (76,835)                       |
| Increase (decrease) in accounts payable  | (132,976)                      |                               | (132,976)                      |
| Increase (decrease) in accrued payroll   | (17,701)                       |                               | (17,701)                       |
| Increase (decrease) in income tax payable  | (20,076)                       |                               | (20,076)                       |
| Increase (decrease) in deposits held   | (97,823)                       |                               | (97,823)                       |
| Increase (decrease) in prepaid assessments   | 26,491                         |                               | 26,491                         |
| Total adjustments  | <u>(300,308)</u>               | <u>0</u>                      | <u>(300,308)</u>               |
| Net cash provided by (used in) operating activities  | <u>(1,679,225)</u>             | <u>21,025</u>                 | <u>(1,658,200)</u>             |
| Increase (decrease) in loan payable  | 500,000                        |                               | 500,000                        |
| Cash at beginning of year  | <u>1,702,951</u>               | <u>0</u>                      | <u>1,702,951</u>               |
| <b>Cash at end of year</b>   | <b><u><u>\$523,726</u></u></b> | <b><u><u>\$21,025</u></u></b> | <b><u><u>\$544,751</u></u></b> |
| <u>Supplemental Disclosure of Cash Flows Information:</u>  |                                |                               |                                |
| Income taxes paid during the year  | <u><u>\$20,000</u></u>         | <u><u>\$0</u></u>             | <u><u>\$20,000</u></u>         |
| Interest paid during the year  | <u><u>\$10,765</u></u>         | <u><u>\$0</u></u>             | <u><u>\$10,765</u></u>         |

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

**Roxborough Park Foundation**  
**Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2008**  
**Unaudited**

An independent engineer conducted a study in 2008 to estimate the remaining useful lives and the repair and replacement costs of the components of common property. The following information is based on the study and presents significant information about the components of common property. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study. Some of the items in the following table may have already been repaired or replaced as of the date of this report.

| <u>Component / Activity</u>                      | <u>As of March 2008</u>                         |   |
|--|---|---|
|  | <u>Estimated Remaining Useful Lives (Years)</u> | <u>Estimated Current Repair and Replacement Costs</u> |
| Asphalt roads and parking                        | 4 - 14  | \$1,079,687   |
| Asphalt trails - seal coat & crack fill (yearly) | 1   | 3,863   |
| Asphalt trails - mill & overlay                  | 9   | 28,840  |
| Wood fencing - replace                           | 4 - 7   | 10,000  |
| Pavilions - replace                              | 8 - 14  | 12,500  |
| Bus stops - replace                              | 10  | 5,010   |
| Picnic tables - replace                          | 12  | 7,200   |
| Street signs - replace                           | 4   | 5,000   |
| Speed notifier - replace                         | 11  | 6,000   |
| Sand trails - resurface                          | 3   | 5,076   |
| Trash compactors - replace                       | 8   | 42,000  |
| Playground equipment - replace                   | 11 - 18   | 60,000  |
| Townhome - remodel                               | 2   | 15,000  |
| Maintenance truck and equipment - replace        | 1 - 14  | 489,000   |
| Fuel vaults - replace                            | 19  | 30,000  |
| Total  |   | <u>\$1,799,176</u>                                    |
| Reserve fund balance at December 31, 2008        |   | <u>\$21,025</u>                                       |

**Roxborough Park Foundation  
Notes to Financial Statements  
December 31, 2008**

**NOTE 1. ORGANIZATION**

Roxborough Park Foundation ("The Foundation") is a residential management association incorporated on October 21, 1971 as a Colorado nonprofit corporation. The Foundation was formed to maintain and preserve the common property on behalf of its members. The Foundation is located in Douglas County, Colorado and consists of the owners of 1,046 residences and the Arrowhead Golf Course. The Members elect the Foundation's Board of Directors. The Board volunteers its time to manage the affairs of the Foundation.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

BASIS OF ACCOUNTING

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

FUND ACCOUNTING

During 2008 the Foundation established a second fund called the reserve fund. Prior to that time, the Association had a single fund – the operating fund. The accounts of the Foundation are now maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Foundation's two funds are operating and reserve. The operating fund is used to account for the general operations of the Foundation. The reserve fund is used to account for money set aside and related expenditures for major repairs and replacements.

DELINQUENT ASSESSMENTS

The Foundation's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations, the Foundation's real property and common areas that cannot be sold and do not directly generate significant cash flows are not capitalized in these financial statements. That property is commonly owned by the resident-owners and cannot be detached from the development and sold.

The Foundation capitalizes (at cost) personal property that can be sold. Personal property is depreciated over the expected useful lives of these items which range from 5 to 27.5 years, using both the straight-line and accelerated methods. The Foundation has also capitalized parcels of real property which it owns that can be sold. Those properties are not depreciated.

During 2008 construction was completed on the Roxborough Park Foundation community center. Consistent with preferable accounting for residential associations, as described above, construction costs for the community center were expensed as they were incurred.

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, liabilities, revenues and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Roxborough Park Foundation  
Notes to Financial Statements  
December 31, 2008**

**NOTE 3. ASSESSMENTS**

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet the normal operating costs of the Foundation. Assessments to homeowners were \$1,146 for 2008. Arrowhead Golf Course was assessed \$37,109 for 2008. The Foundation may levy special assessments to cover costs of capital improvements to the common area or to fund operating deficits.

**NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Foundation's governing documents do not require that funds be accumulated for future repairs and replacements. However, the Foundation has established a reserve fund and completed a reserve study. The Foundation's reserve study is a plan for the accumulation and disposition of reserve fund resources. The study provides estimates of the remaining useful lives of the components of the Foundation's common property. The study also provides estimates of annual additions to the reserve fund and of the periodic costs to repair and replace the common property. Information based on the Foundation's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements." The Foundation allocated \$21,025 of assessment revenues to the reserve fund during 2008.

Future allocations of assessment revenues to the reserve fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual reserve fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Foundation may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Foundation's future repair and replacement needs.

The Foundation has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Foundations' repair and replacement needs.

**NOTE 5. PROCEEDS FROM OPTION TO SELL LAND**

On September 11, 2007 the Foundation entered into a contract with a developer which granted the developer the option to purchase two pieces of property. The developer made a non-refundable \$45,000 payment at that time. During 2008 the developer exercised the option to finalize the purchase of one of the two properties resulting in additional proceeds of \$5,000. The developer allowed the option on the second property to expire.

**NOTE 6. FEDERAL AND STATE CORPORATE INCOME TAXES**

The Foundation must file annual federal and Colorado income tax returns. The Foundation files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Foundation is not taxed on assessment revenues or on other income derived from members and used to serve the Foundation's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Foundation property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Foundation had net taxable income for the year which was taxed at a 30% rate on the federal return and at a 4.63% rate on the Colorado return. The Foundation's federal income taxes for 2008 were \$4,913; Colorado income taxes were \$800.

**Roxborough Park Foundation  
Notes to Financial Statements  
December 31, 2008**

**NOTE 7. LOAN PAYABLE**

The Foundation took out a 6.75% \$500,000 loan during 2008 to finance the completion of the community center. The loan amortizes over ten years starting in January of 2009 with monthly payments due of \$4,298. The principal maturities of the loan for each of the next five years are as follows:

| Year Ending<br>December 31: |           |
|-----------------------------|-----------|
| 2009                        | \$ 26,846 |
| 2010                        | 28,238    |
| 2011                        | 29,704    |
| 2012                        | 31,186    |
| 2013                        | 32,863    |

**NOTE 8. LEGAL AND OTHER ACTIONS**

The Foundation is a party to various legal and other actions typical of homeowner associations, such as the collection of delinquent assessments, covenant compliance and insurance matters. In management's opinion, the aggregate effect of such matters does not have a predictable effect on the future financial condition of the Foundation.

**NOTE 9. RETIREMENT SAVINGS PLAN**

The Foundation sponsors a Simple Retirement Account Plan (the Plan) which covers employees of the Foundation who have earned at least \$5,000 in the prior calendar year. The Plan provides for discretionary employee contributions and matching contributions by the Foundation of up to 3% of employee compensation. The Foundation's matching contributions totaled \$7,417 for the year ended December 31, 2008.