



**Master Community Association,
Inc.
Financial Statements
For the years ended
December 31, 2008 and 2007**

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INDEPENDENT AUDITOR'S REPORT

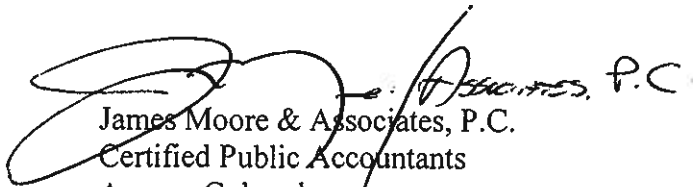
To the Board of Directors
Master Community Association, Inc.:

We have audited the accompanying balance sheets of Master Community Association, Inc. as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years 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 audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Master Community Association, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


James Moore & Associates, P.C.
Certified Public Accountants
Aurora, Colorado
April 7, 2009

Master Community Association, Inc.
Balance Sheets
December 31, 2008 and 2007

| | December 31, 2008 | | | Total | December |
|--|-------------------|---------------------|-------------------|--------------------|--------------------|
| | Operating Fund | Replacement Fund | Community Fund | | 2007 Total |
| ASSETS | | | | | |
| Cash and cash equivalents | \$368,266 | \$422,038 | \$94,370 | \$884,674 | \$671,321 |
| Accounts receivable, net of Allowance for uncollectible accounts of \$30,000 and \$17,800 on 2008 and 2007 respectively | | | | | |
| Homeowners & Builders | 138,401 | 0 | 0 | 138,401 | 134,374 |
| Other A/R | 38,462 | 0 | 0 | 38,462 | 39,023 |
| Working capital receivable | 8,093 | 0 | 0 | 8,093 | 14,168 |
| Other receivables | 5,066 | 0 | 0 | 5,066 | 5,797 |
| Prepaid expenses | 30,385 | 0 | 0 | 30,385 | 29,200 |
| Receivable from PCMD | 113,144 | 0 | 0 | 113,144 | 84,439 |
| Accrued interest income | 0 | 716 | 0 | 716 | 0 |
| Due (to reserves) / from operating | (53,639) | 53,639 | 0 | 0 | 0 |
| Property and equipment, net of Accumulated depreciation of \$17,616 and \$6,149 in 2008 and 2007, respectively | 106,426 | 0 | 0 | 106,426 | 86,318 |
| Total Assets | \$754,604 | \$476,393 | \$94,370 | \$1,325,367 | \$1,064,640 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Accounts payable | \$136,895 | \$0 | \$0 | \$136,895 | \$155,089 |
| Prepaid assessments | 103,385 | 0 | 0 | 103,385 | 75,190 |
| Credit card | 2,054 | 0 | 0 | 2,054 | 758 |
| Payroll liabilities | 898 | 0 | 0 | 898 | 1,147 |
| Total Liabilities | \$243,232 | \$0 | \$0 | \$243,232 | \$232,184 |
| Working capital | 700,000 | 0 | 0 | 700,000 | 630,800 |
| Fund balances | (188,628) | 476,393 | 94,370 | 382,135 | 201,656 |
| Total Liabilities and Fund Balances | \$754,604 | \$476,393 | \$94,370 | \$1,325,367 | \$1,064,640 |

See accompanying notes and auditor's report.

Master Community Association, Inc.
Statements of Revenues, Expenses, and Changes in Fund Balances
Years Ended December 31, 2008 and 2007

| | December 31, 2008 | | | December 2007 | |
|------------------------------------|--------------------------|-------------------------|-----------------------|----------------------|--------------------|
| | Operating Fund | Replacement Fund | Community Fund | Total | Total |
| REVENUES | | | | | |
| Homeowner and builder assessments | \$1,636,935 | \$0 | \$0 | \$1,636,935 | \$1,295,130 |
| Commercial and rentals assessments | 175,179 | 0 | 0 | 175,179 | 92,407 |
| Declarant assessments | 12,702 | 0 | 0 | 12,702 | 10,733 |
| Interest income | 2,686 | 10,169 | 2,125 | 14,980 | 20,278 |
| Miscellaneous | 45,898 | 0 | 0 | 45,898 | 37,473 |
| Community fee income | 0 | 0 | 10,395 | 10,395 | 24,600 |
| Late fee | 27,038 | 0 | 0 | 27,038 | 16,359 |
| Collection fees | 18,502 | 0 | 0 | 18,502 | 24,932 |
| Non-resident pool fee | 33,496 | 0 | 0 | 33,496 | 17,939 |
| PCMD | 687,449 | 0 | 0 | 687,449 | 474,584 |
| | <u>\$2,639,885</u> | <u>\$10,169</u> | <u>\$12,520</u> | <u>\$2,662,574</u> | <u>\$2,014,435</u> |
| EXPENSES | | | | | |
| Repairs and maintenance | \$890,669 | \$0 | \$0 | \$890,669 | \$667,146 |
| Utilities | 90,373 | 0 | 0 | 90,373 | 41,156 |
| Administration | 677,752 | 0 | 0 | 677,752 | 621,187 |
| Taxes and insurance | 56,779 | 0 | 0 | 56,779 | 48,730 |
| PCMD | 669,858 | 0 | 0 | 669,858 | 460,459 |
| Reserve expenses | 0 | 92,933 | 3,731 | 96,664 | 17,702 |
| | <u>\$2,385,431</u> | <u>\$92,933</u> | <u>\$3,731</u> | <u>\$2,482,095</u> | <u>\$1,856,380</u> |
| Excess of revenues over expenses | \$254,454 | (\$82,764) | \$8,789 | \$180,479 | \$158,055 |
| Beginning fund balances | (312,085) | 428,160 | 85,581 | 201,656 | 43,601 |
| Transfer between funds | (130,997) | 130,997 | 0 | 0 | 0 |
| Ending fund balances | <u>(\$188,628)</u> | <u>\$476,393</u> | <u>\$94,370</u> | <u>\$382,135</u> | <u>\$201,656</u> |

See accompanying notes and auditor's report.

Master Community Association, Inc.
Statements of Cash Flows
Years Ended December 31, 2008 and 2007

| | December 31, 2008 | | | December 2007 | |
|--|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|
| | Operating Fund | Replacement Fund | Community Fund | Total | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Excess / (Deficit) of revenues over expenses | \$254,454 | (\$82,764) | \$8,789 | \$180,479 | \$158,055 |
| Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided / (used) by operating activities: | | | | | |
| Depreciation expense | 11,467 | 0 | 0 | 11,467 | 6,149 |
| (Increase) decrease in: | | | | | |
| Accounts receivable | | | | | |
| Homeowners & Builders | (4,027) | 0 | 0 | (4,027) | (32,543) |
| Other A/R | (5,236) | 0 | 5,797 | 561 | (18,103) |
| Other receivables | 731 | 0 | 0 | 731 | 1,073 |
| Prepaid expenses | (1,185) | 0 | 0 | (1,185) | (29,200) |
| Receivable from PCMD | (28,705) | 0 | 0 | (28,705) | (11,265) |
| Accrued interest income | 0 | (716) | 0 | (716) | 0 |
| Due (to reserves) / from operating | (30,452) | 25,058 | 5,394 | 0 | 0 |
| Increase (decrease) in: | | | | | |
| Accounts payable | (18,194) | 0 | 0 | (18,194) | 88,607 |
| Prepaid assessments | 28,195 | 0 | 0 | 28,195 | 28,843 |
| Credit card | 1,296 | 0 | 0 | 1,296 | 758 |
| Payroll liabilities | (249) | 0 | 0 | (249) | 1,147 |
| Net Cash Provided / (Used) by Operating Activities | <u>208,095</u> | <u>(58,422)</u> | <u>19,980</u> | <u>169,653</u> | <u>193,521</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Property and equipment | (31,575) | 0 | 0 | (31,575) | (92,467) |
| Working capital receivable | 6,075 | 0 | 0 | 6,075 | (1,368) |
| Net Cash Provided / (Used) by Investing Activities | <u>(25,500)</u> | <u>0</u> | <u>0</u> | <u>(25,500)</u> | <u>(93,835)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Increase in Working capital | 69,200 | 0 | 0 | 69,200 | 84,968 |
| Interfund transfers | (130,997) | 130,997 | 0 | 0 | 0 |
| Net Cash Provided / (Used) by Financing Activities | <u>(61,797)</u> | <u>130,997</u> | <u>0</u> | <u>69,200</u> | <u>84,968</u> |
| NET INCREASE (DECREASE) IN CASH | 120,798 | 72,575 | 19,980 | 213,353 | 184,654 |
| CASH AT BEGINNING OF YEAR | <u>247,468</u> | <u>349,463</u> | <u>74,390</u> | <u>671,321</u> | <u>486,667</u> |
| CASH AT END OF YEAR | <u>\$368,266</u> | <u>\$422,038</u> | <u>\$94,370</u> | <u>\$884,674</u> | <u>\$671,321</u> |

See accompanying notes and auditor's report.

Master Community Association, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

Note 1 - Nature of Organization

Master Community Association, Inc. (the Association) was incorporated on September 25, 2001, in the State of Colorado. The Association is responsible for the operation, management, and maintenance of the common property within the development. The development is located within the former Stapleton International Airport site in Denver, Colorado. The development is planned for approximately 23,000 units, of which 15,000 will be individually owned residential units, 1,000 unit equivalents will be multi-family residential rentals, 6,000 unit equivalents will be commercial, industrial, office, or recreation use, and 1,000 unit equivalents will be for other uses. As of December 31, 2008, approximately 3,500 residential units had been sold to homeowners.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

Both the accompanying financial statements and related income tax returns have been prepared in accordance with the accrual method of accounting.

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 purpose:

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

Replacement Fund- This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Assessments Receivable

Assessments are stated on the balance sheet at face value. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2008 and 2007

Recognition of Assets and Depreciation Policy

Real and personal common property acquired by the Master Community Association from the Park Creek Metropolitan District, as well as replacements and improvements thereto, is not recognized on the Association's financial statements because it is commonly owned by the Master Community Association or the Park Creek Metropolitan District owners and its disposition by the Association's Board is restricted. Replacements and improvements to common property are not recognized as assets because their disposition is restricted.

Depreciation

Leasehold improvements for the Association's office of operations is depreciated over 10 years using the straight line method. And the Association furniture and fixtures is depreciated over 7 years using the straight line method.

Working Capital Reserves

Working capital deposits collected from homeowners at the initial closing of each lot, as required by the Declarations, have been recorded as contributed capital of the operating fund.

Member Assessments

Association members are subject to regular assessment to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Owners' assessments are determined by an annual budget approved by the board to meet operating costs and contribute to the replacement fund. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year.

For the year ended December 31, 2008 owners were assessed \$20.40 to \$36 per month. For the year ended December 31, 2007 owners were assessed \$17.89 to \$31.65 per month.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. The Association expects to file its December 31, 2008 income tax returns, as a homeowners association.

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 disclosure 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.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2008 and 2007

Note 3 - Property and Equipment

Property and equipment consist of the following:

| | |
|-------------------------------------|-------------------|
| Lease hold improvement – MCA office | \$ 91,226 |
| Furniture and equipment | <u>32,816</u> |
| | 124,042 |
| Accumulated depreciation | <u>17,616</u> |
| | <u>\$ 106,426</u> |

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 aggregated \$476,393 and \$428,160 at December 31, 2008 and 2007, respectively, are held in separate accounts and are generally not available for operating purposes.

The management of the Association conducted a study to estimate the remaining useful lives and the replacement costs of the common area components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 – Community Fee Assessments

Upon the transfer of a unit within the Association, Section 6.12 of the First Amended and Restated Community Declaration requires a Community Fee to be paid by the seller. The purpose of the Community Fee is to provide funding to help achieve the objectives of the Development Plan. The objectives of the Development Plan are: providing affordable housing, increasing availability of jobs training programs, increasing the availability of educational programs, promoting sustainable development, and creating open space.

The Community Fee is calculated by multiplying the selling price in excess of \$100,000 by 0.25%. Such Community Fee is to be deposited into an escrow account. On a quarterly basis, the escrow holder is to transfer 95% of the Community Fee collected to the Community Investment Fund, a separate legal entity, and 5% of the Community Fee collected to the Association. Accordingly, only the Association's 5% of the Community Fee is reflected as Community Fee income in the Association's financial statement and is maintained as a separate fund.

Master Community Association, Inc.
Notes to Financial Statements
December 31, 2008 and 2007

Note 6 – PCMD – Park Creek Metropolitan District

The Association has entered into a contract with the Park Creek Metropolitan District (“PCMD”) for the grounds maintenance of PCMD parks property. PCMD has agreed to reimburse the Association for all expenditures incurred on PCMD property.

Note 7 – Office, Community Room and Storage Lease

On October 1, 2007 the Association leased office, community room, and storage space from the Declarant (Forest City) under a five year lease. The lease calls for annual base rent of \$52,956, \$54,540, \$56,196, \$57,864, and \$59,604 in first through fifth of the lease years, respectively. In addition to this base rent, the Association is responsible for approximately 25.271% of common area maintenance on the premises.

The Association incurred leasehold improvement costs of \$220,366 to finish out the office, community room, and storage space. The Declarant reimbursed the Association for \$129,140 of these costs, leaving the Association with a net leasehold improvement cost of \$91,226.

Note 8 - Contingencies

The Association is a party to various legal actions normally associated with homeowners associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management’s opinion, would not be material to the future financial condition of the Association.

Note 9 - Supplemental Disclosures

During the years ended December 31, 2008 and 2007, the Association paid \$0, in interest expense and \$0 in income taxes.



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Master Community Association, Inc.:

Our report on our audit of the basic financial statements of Master Community Association, Inc. for December 31, 2008 appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Fund Expenses, Budget and Actual on page eight is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information on future major repairs and replacements on page nine is not a required part of the basic financial statements of Master Community Association, Inc. but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.



James Moore & Associates, P.C.
Certified Public Accountants

Aurora, Colorado
April 7, 2009

Master Community Association, Inc.
Schedule of Operating Fund Expenses, Budget and Actual
Years Ended December 31, 2008 and 2007

| | <u>Year Ended</u> | | <u>Year Ended</u> | |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>December 2008</u> | | <u>December 2007</u> | |
| | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> |
| | (Unaudited) | | (Unaudited) | |
| Repairs and maintenance | | | | |
| Grounds maintenance | \$193,134 | \$221,805 | \$103,202 | \$144,135 |
| Building repairs and maintenance | 55,636 | 64,207 | 65,880 | 79,970 |
| Aviator Pool Maintenance | 143,600 | 147,048 | 129,350 | 148,682 |
| Other Aviator pools expense | 40,084 | 67,032 | 36,441 | 38,617 |
| Puddle Jumper Pool | 143,600 | 145,800 | 129,950 | 162,322 |
| Other Puddle Jumper pool expense | 31,684 | 34,161 | 36,348 | 25,486 |
| Filing 15 Pool | 143,100 | 145,648 | 0 | 0 |
| Other Filing 15 Pool expenses | 32,626 | 35,228 | 0 | 0 |
| Snow removal | 35,000 | 9,273 | 10,000 | 30,180 |
| Other expenses | 0 | 9,000 | 66,000 | 31,605 |
| Depreciation expense | 0 | 11,467 | 0 | 6,149 |
| | <u>818,464</u> | <u>890,669</u> | <u>577,171</u> | <u>667,146</u> |
| Utilities | | | | |
| Gas & electric | 0 | 3,138 | 2,400 | 6,083 |
| Water | 42,950 | 62,268 | 32,175 | 24,065 |
| Storm drain fees | 54,000 | 24,967 | 18,000 | 11,008 |
| | <u>96,950</u> | <u>90,373</u> | <u>52,575</u> | <u>41,156</u> |
| Administration | | | | |
| Management fee | 300,366 | 330,281 | 284,964 | 267,655 |
| Professional services | 26,800 | 28,307 | 19,000 | 36,719 |
| Collection fees | 0 | 0 | 0 | 945 |
| Administrative | 36,300 | 21,133 | 12,300 | 25,343 |
| Office leasehold | 52,500 | 39,025 | 36,900 | 31,522 |
| Bad debt expense | 0 | 12,200 | 0 | 10,234 |
| Intranet | 12,600 | 14,171 | 7,800 | 15,220 |
| Social activities | 199,300 | 194,784 | 230,660 | 209,966 |
| Community room leasehold | 38,652 | 37,851 | 23,052 | 8,872 |
| Community projects | 0 | 0 | 100,000 | 14,711 |
| | <u>666,518</u> | <u>677,752</u> | <u>714,676</u> | <u>621,187</u> |
| Taxes and insurance | | | | |
| Federal income tax | 0 | 0 | 0 | 0 |
| State income tax | 0 | 0 | 0 | 0 |
| Insurance | 52,480 | 56,779 | 46,128 | 48,730 |
| | <u>52,480</u> | <u>56,779</u> | <u>46,128</u> | <u>48,730</u> |
| PCMD | | | | |
| PCMD - Grounds maintenance | 244,000 | 356,022 | 237,790 | 252,457 |
| PCMD - Other maintenance | 46,200 | 19,450 | 7,380 | 10,066 |
| PCMD - Central Park | 151,000 | 118,495 | 0 | 45,293 |
| PCMD - Snow removal | 45,000 | 13,618 | 2,500 | 25,886 |
| PCMD - Trash & debris removal | 12,000 | 0 | 3,000 | 7,236 |
| PCMD - Tree maintenance | 6,000 | 28,309 | 8,000 | 6,568 |
| PCMD - Utilities | 99,300 | 133,964 | 71,110 | 112,953 |
| | <u>603,500</u> | <u>669,858</u> | <u>329,780</u> | <u>460,459</u> |
| GRAND TOTAL | <u><u>\$2,237,912</u></u> | <u><u>\$2,385,431</u></u> | <u><u>\$1,720,330</u></u> | <u><u>\$1,838,678</u></u> |

See accompanying notes and auditor's report.