

The Snowflake Condominium Association

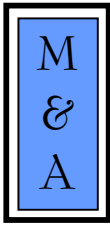
**Financial Report
(Unaudited)**

June 30, 2009

**The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
June 30, 2009**

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ACCOUNTANT'S REVIEW REPORT

**To the Board of Directors
The Snowflake Condominium Association
Copper Mountain, Colorado**

We have reviewed the accompanying balance sheets of The Snowflake Condominium Association (the "Association"), a Colorado non-profit corporation, as of June 30, 2009, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of Association management.

A review consists primarily of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with U.S. generally accepted accounting principles. The Schedule of Operating Fund Revenues and Expenses – Budget and Actual on page 8 is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the financial statements, and we are not aware of any material modifications that should be made thereto.

The supplementary information about future repairs and replacements on page 9 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of The Snowflake Condominium Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

**McMahan and Associates, L.L.C.
February 17, 2010**

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The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Balance Sheets
June 30, 2009

	Operating Fund	Replacement Fund	Total
Assets:			
Cash and cash equivalents	1,760	116,050	117,810
Prepaid expenses	12,406	-	12,406
Due from (to) other fund	(5,928)	5,928	-
Property and equipment, net	-	-	-
	Total Assets	121,978	130,216
	8,238	121,978	130,216
 Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	6,770	-	6,770
Deferred assessments	1,468	159	1,627
	Total Liabilities	159	8,397
	8,238	159	8,397
Fund Balances	-	121,819	121,819
	8,238	121,978	130,216
Total Liabilities and Fund Balances	8,238	121,978	130,216

See accompanying notes and Accountant's Review Report.

The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended June 30, 2009

	Operating Fund	Replacement Fund	Total
Revenues:			
Homeowner dues	195,493	10,555	206,048
Late charges	915	-	915
Laundry and soda machine	596	-	596
Interest	-	1,733	1,733
Miscellaneous	-	881	881
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Total Revenues	197,004	13,169	210,173
Expenses:			
Cable television	19,590	-	19,590
Dues	1,792	-	1,792
Firewood	2,220	-	2,220
Gas and electric - Common areas	48,842	-	48,842
Electric - Manager's unit	856	-	856
Property insurance	9,226	-	9,226
Landscaping	827	-	827
Management fee	24,996	-	24,996
Office supplies	157	-	157
Operating supplies	859	-	859
Postage	155	-	155
Professional fees	1,608	-	1,608
Repairs and maintenance	14,445	-	14,445
Repairs and maintenance - Boiler	8,015	-	8,015
Service contract - Elevator	5,800	-	5,800
Service contract - Fire	2,399	-	2,399
Snow removal	8,034	-	8,034
Property taxes	360	-	360
Telephone	1,072	-	1,072
Trash removal	4,579	-	4,579
Water and sewer	35,196	-	35,196
Miscellaneous	136	-	136
	<hr/>	<hr/>	<hr/>
Total Expenses	191,164	-	191,164
Excess (Deficiency) of Revenues Over Expenses	5,840	13,169	19,009
Fund Balances - Beginning of Year	414	102,396	102,810
Transfer (to) from other fund	(6,254)	6,254	-
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Fund Balances - End of Year	-	121,819	121,819

See accompanying notes and Accountant's Review Report.

The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended June 30, 2009

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities:			
Cash received from owners	203,555	10,714	214,269
Interest received	-	1,733	1,733
Other cash receipts	1,511	881	2,392
Cash paid for goods and services	(281,180)	-	(281,180)
Cash payments from (to) other fund	847	(847)	-
Net Cash Provided (Used) by Operating Activities	(75,267)	12,481	(62,786)
Net Increase (Decrease) in Cash and Cash Equivalents	(75,267)	12,481	(62,786)
Cash and Cash Equivalents - Beginning of Year	77,027	103,569	180,596
Cash and Cash Equivalents - End of Year	1,760	116,050	117,810
 Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:			
Excess (deficiency) of revenues over expenses	5,840	13,169	19,009
Adjustments:			
Transfer (to)/from other fund	(6,254)	6,254	-
(Increase) decrease in accounts receivable	6,594	-	6,594
(Increase) decrease in prepaid expenses	255	-	255
(Increase) decrease in interfund balances	7,101	(7,101)	-
Increase (decrease) in accounts payable	(90,271)	-	(90,271)
Increase (decrease) in deferred assessments	1,468	159	1,627
Total Adjustments	(81,107)	(688)	(81,795)
Net Cash Provided (Used) by Operating Activities	(75,267)	12,481	(62,786)

See accompanying notes and Accountant's Review Report.

The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
June 30, 2009

1. Organization

The Snowflake Condominium Association (the "Association") was incorporated December 26, 1973 as a Colorado non-profit corporation organized for the purpose of operating and maintaining the common property of the Association, pursuant to the Condominium Declaration recorded January 17, 1974. The Association filed amended and restated Articles of Incorporation on January 18, 2000. An amendment to the Condominium Declaration was recorded July 13, 1987 and an Amended and Restated Declaration of Covenants, Conditions, and Restrictions (the "Declaration") was recorded December 30, 1999.

The Association, which is located in Copper Mountain, Colorado, consists of 6 commercial units and 40 residential units; one of which is owned by the Association for use by the on-site property manager.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when assessed or earned, and expenses when incurred.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the Operating Fund are generally at the discretion of the Association's Board of Directors (the "Board") and General Manager, and consistent with the approved budget. Replacement Fund disbursements may be made only for their designated purposes.

C. Cash and Cash Equivalents

All checking and savings accounts are considered cash equivalents by the Association for the purpose of the Statement of Cash Flows, since all such funds are highly liquid with no stated maturities.

D. Allowance for Doubtful Accounts

The Association utilizes the allowance method of recognizing the future potential uncollectibility of unpaid owner assessments and other receivables. No allowance for bad debts was recorded at June 30, 2009, since all receivables were considered collectible.

E. Recognition of Assets

Real and personal common property acquired by the original members from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Board is restricted.

Replacements and improvements to real and personal common property acquired from the developer are not recorded by the Association as capitalized fixed assets because their disposition is restricted. Rather, such replacements and improvements are expensed in the period in which they are incurred.

**The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
June 30, 2009
(Continued)**

2. Summary of Significant Accounting Policies (continued)

E. Recognition of Assets (continued)

The Association recognizes as assets on its financial statements only real and personal property greater than \$1,000, to which it has title and that it can dispose of for cash, while retaining the proceeds thereto. These assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Furniture, fixtures and equipment	3 - 10 years
Condominium units	27.5 years

F. Assessments

Assessments are a primary source of revenue for the Association. The Board, with the assistance of on-site management, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments or with the approval of the Board, transferred to the Replacement Fund.

G. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

H. Use of 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Property and Equipment

Equipment	\$ 805
Managers unit	62,357
At cost	63,162
Less: Accumulated depreciation	(63,162)
Property and equipment, net	\$ -

**The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
June 30, 2009
(Continued)**

4. Replacement Funds and Reserve for Future Major Repairs and Replacements

As permitted by the Declaration, the Association is accumulating funds for future major repairs and replacements of the Association's common property. Accumulated funds are held in separate savings accounts and are generally not available for expenses for normal operations.

A Board-appointed Finance Committee created a Reserve Plan in fiscal year 2008 to estimate the remaining useful lives and current replacement costs of the components of common property, and to project required reserve funding. The Reserve Plan was updated in fiscal year 2009. The table included in the unaudited supplementary Schedule of Future Major Repairs and Replacements on page 9 is based on that Plan.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based upon the Reserve Plan's estimates of replacement costs and considering amounts previously accumulated in the Replacement Fund.

Funds are being accumulated in the Replacement Fund based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs 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.

In fiscal year 2009, the Board commissioned independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. Completion of that study is anticipated in fiscal year 2010.

5. Management Agreement

The Association entered into a management agreement with Carbonate Real Estate Company ("Carbonate"), effective July 1, 2005, to manage the day-to-day operations of the Association. Following the initial one-year term, the agreement automatically renews for successive one-year terms, unless otherwise terminated by either party.

Pursuant to the agreement, Carbonate provides accounting, operational, maintenance, cleaning, and repair services to the Association. For such services, Carbonate is reimbursed for all costs incurred on behalf of the Association, together with an annual management fee. The agreement specifies an initial annual management fee of \$22,860, with increases approved in the Association's annual operating budget.

The total amount paid by the Association to Carbonate, including reimbursements, for services provided to the Association during fiscal year 2009 is comprise of the following:

Management fee	\$ 24,996
Office supplies	157
Operating supplies	138
Postage	131
Telephone	39
Repairs and maintenance	201
Miscellaneous	<u>35</u>
Total	<u>\$ 25,697</u>

The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund Revenues and Expenses - Budget and Actual
For the Year Ended June 30, 2009

	Budget (Unaudited)	Actual	Variance: Positive / (Negative)
Revenues:			
Homeowner dues	195,492	195,493	1
Late charges	-	915	915
Laundry and soda machine	800	596	(204)
Total Revenues	196,292	197,004	712
Expenses:			
Cable television	19,392	19,590	(198)
Dues	1,694	1,792	(98)
Firewood	3,000	2,220	780
Gas and electric - Common areas	54,700	48,842	5,858
Electric - Manager's unit	925	856	69
Property insurance	9,800	9,226	574
Landscaping	1,000	827	173
Management fee	24,996	24,996	-
Office supplies	200	157	43
Operating supplies	2,000	859	1,141
Postage	100	155	(55)
Professional fees	900	1,608	(708)
Repairs and maintenance	12,000	14,445	(2,445)
Repairs and maintenance - Boiler	8,000	8,015	(15)
Service contract - Elevator	5,200	5,800	(600)
Service contract - Fire	3,200	2,399	801
Snow removal	7,400	8,034	(634)
Property taxes	750	360	390
Telephone	1,200	1,072	128
Trash removal	5,000	4,579	421
Water and sewer	35,650	35,196	454
Miscellaneous	600	136	464
Total Expenses	197,707	191,164	6,543
Excess (Deficiency) of Revenues Over Expenses	(1,415)	5,840	7,255

See accompanying notes and Accountant's Review Report.

The Snowflake Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Future Major Repairs and Replacements
June 30, 2009
(Unaudited)

A Board-appointed Finance Committee created a Reserve Plan in fiscal year 2008 to estimate the remaining useful lives and current replacement costs of the components of common property, and to project required reserve funding. The Reserve Plan was updated in fiscal year 2009.

The Reserve Plan is based on the cash flow method of reserve planning, which precludes allocation of the Replacement Fund balance to specific components of common property.

In fiscal year 2009, the Board commissioned independent reserve study engineers to estimate the remaining useful lives and the replacement costs of the components of common property. Completion of that study is anticipated in fiscal year 2010.

The following table is based on the 2009 update of the Reserve Plan and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance June 30, 2009</u>
Entry lobby	0	5,150	
Fire detectors common area	0	6,200	
Lobby door	1	6,695	
Plumbing infrastructure	1	5,150	
Soffits in garage parking areas	1	35,000	
Unit #203 interior heater	2	2,500	
Driveway and walkway	3	2,575	
Unit #203 general interior	3	5,000	
Boiler:			
Hot water	4	25,750	
Heating	26	103,000	
Metal exterior entry doors	4	8,240	
Elevator	5	51,500	
Dumpster enclosure	6	12,360	
Furnace (Christy Sports)	6	25,750	
Outside fixtures	6	8,240	
Glazing	7	10,300	
Roofing:			
Flat	16	62,370	
Lower and pitched	8	20,600	
Other	8	5,150	
Fire alarm system	9	9,200	
Garage entry gate	9	14,420	
Interior hall entry doors	11	16,480	
Baseboard and common doors	28	38,559	
Hallway heaters	34	25,750	
Total		505,939	121,819

See accompanying notes and Accountant's Review Report.