

**WOODSTREAM FALLS
CONDOMINIUM ASSOCIATION, INC.**

INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS

Year Ended December 31, 2007

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Fund Balance.....	3
Statement of Cash Flows	4
Notes to Financial Statements	5



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Woodstream Falls Condominium Association, Inc.
Aurora, Colorado

I have audited the accompanying balance sheet of Woodstream Falls Condominium Association, Inc. as of December 31, 2007, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodstream Falls Condominium Association, Inc. as of December 31, 2007, 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 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Griffin Consulting, P.C." in a cursive, stylized font.

Denver, Colorado
May 15, 2008

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2007

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 742,859	\$ 359,279	\$ 1,102,138
Accounts receivable - homeowners, net of allowance for doubtful accounts of \$300,000	157,806		157,806
Prepaid insurance	11,681		11,681
Association owned units , net of accumulated depreciation of \$3,292	87,244		87,244
Interfund receivable (payable)	-	-	-
Common area property	-	-	-
TOTAL ASSETS	\$ 999,590	\$ 359,279	\$ 1,358,869
<u>LIABILITIES</u>			
Accounts payable	78,041	20,662	98,703
Prepaid assessments	41,925		41,925
Income tax payable	-		-
TOTAL LIABILITIES	119,966	20,662	140,628
<u>CONTINGENCIES</u>			
	-	-	-
<u>HOMEOWNERS' EQUITY</u>			
Fund balance(deficit)	879,624	338,617	1,218,241
TOTAL HOMEOWNERS' EQUITY	879,624	338,617	1,218,241
TOTAL LIABILITIES AND HOMEOWNERS' EQUITY	\$ 999,590	\$ 359,279	\$ 1,358,869

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

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

**STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2007

	OPERATING FUND	REPLACEMENT FUND	TOTAL
	-----	-----	-----
REVENUES			
Homeowner assessments	\$ 2,145,001	\$ -	\$ 2,145,001
Late charges and other homeowner assessments	10,871		10,871
Laundry income	7,156		7,156
Rental income	6,553		6,553
Interest on investments	4,919	14,580	19,499
	-----	-----	-----
TOTAL REVENUES	2,174,500	14,580	2,189,080
	-----	-----	-----
EXPENSES			
Gas and electric	540,204		540,204
Bad debt	471,087		471,087
Building maintenance	188,551	82,676	271,227
Water and sewer	146,714		146,714
Onsite maintenance	137,716		137,716
Grounds maintenance	100,629		100,629
Management	99,525		99,525
Cable	80,391		80,391
Contract labor	51,366		51,366
Monitoring service	45,144		45,144
Trash removal	28,743		28,743
Insurance	24,428		24,428
Administrative	15,361		15,361
Professional fees	13,812		13,812
Clubhouse and pool maintenance	9,216		9,216
Rental expense	8,453		8,453
Depreciation	3,292		3,292
	-----	-----	-----
TOTAL EXPENSES	1,964,632	82,676	2,047,308
	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	209,868	(68,096)	141,772
FUND BALANCE - BEGINNING OF YEAR	689,500	386,969	1,076,469
INTERFUND TRANSFERS	(19,744)	19,744	-
	-----	-----	-----
FUND BALANCE(DEFICIT) - END OF YEAR	\$ 879,624	\$ 338,617	\$ 1,218,241
	=====	=====	=====

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

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2007

	OPERATING FUND	REPLACEMENT FUND	TOTAL
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess(deficiency) of revenues over expenses	\$ 209,868	\$ (68,096)	\$ 141,772
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	3,292		3,292
(Increase)decrease in accounts receivable - homeowner	347,258		347,258
(Increase)decrease in prepaid insurance	(11,681)		(11,681)
Increase(decrease) in accounts payable	78,041	20,662	98,703
Increase(decrease) in prepaid assessments	41,925		41,925
Interfund borrowings	(61,874)	61,874	-
	-----	-----	-----
Net cash provided by operating activities	606,829	14,440	621,269
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase or Association units	(90,536)		(90,536)
	-----	-----	-----
Net cash provided by investing activities	(90,536)		(90,536)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-
	-----	-----	-----
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	516,293	14,440	530,733
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	226,566	344,839	571,405
	-----	-----	-----
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 742,859	\$ 359,279	\$ 1,102,138
	=====	=====	=====
SUPPLEMENTAL INFORMATION:			
Income taxes paid	\$ -	\$ -	\$ -
Interest expense paid	\$ -	\$ -	\$ -

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

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 1 - Organization

Woodstream Falls Condominium Association, Inc. (the Association), a not-for-profit corporation organized under the laws of Colorado in 1978, was formed for the purpose of providing for the administration, maintenance, preservation and architectural control of the residence lots and common area located within the development and to promote the health, safety and welfare of the residents. The Association consists of owners of 470 residential townhome units located in Aurora, Colorado. The objectives of the Association include maintaining the development as a prime residential ownership area of the highest quality and value and enhancing and protecting its value, desirability and attractiveness.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements and related income tax returns for the Association 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 in accordance with principles of fund accounting. Fund accounting requires that resources for various purposes be classified for accounting and reporting purposes into funds established according to their nature and purpose. 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:

Operating fund includes unrestricted and restricted resources and represents the portion of expendable funds that is available for support of annual maintenance and operational activities.

Replacement fund represents resources collected and expended for, or designated by the Board for, the major repair or replacement of common area property.

Recognition of Assets and Depreciation Policy

The Association owns common area property acquired from the developer. Common area

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

property consists of greenbelt areas, pool, and a clubhouse. As such, the original cost of the common property is not reflected in these financial statements. In addition, costs incurred subsequent to the original developer's transfer, including replacements, improvements and maintenance are reflected as an expense of the Association. The Association's policy for recognition of common property as assets is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members/nonmembers usage.

Property and equipment, when acquired, will be recorded at cost. Depreciation will be computed using the straight-line method over the estimated useful lives (5 –7 years) of the respective assets.

Securities, which the Association has the positive intent and ability to hold to maturity, are reported as held-to-maturity securities. Securities in this category are stated at cost, adjusted for amortization of premiums and accretion of discounts over their remaining lives. Securities not classified as held-to-maturity securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses reported as a separate component of homeowners' equity. Realized gains and losses on the disposition of securities and declines in value judged to be other than temporary are computed on a specific identification method and included in income.

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 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.

Financial Instruments

Unless otherwise disclosed, the carrying amount of financial instruments approximates their fair value because of their short-term nature.

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 3 - Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The Association's cash and cash equivalents at December 31, 2007 consisted of checking account balances of \$742,859 in the operating fund, and savings accounts, and a money market funds of \$359,279 in the replacement fund.

Note 4 - Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable - homeowners at December 31, 2007 represent assessments, late fees and other charges due from homeowners. The Association's Declaration of Covenants, Conditions and Restrictions provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the homeowner, and obtaining judgment on other assets of the homeowner.

The annual budget and assessments of members are determined by the Board of Directors. The annual assessment for the Association was \$2,145,001 of which \$-0- was designated to the replacement fund. Any excess assessments at year-end are retained by the Association for use in the following year.

The Association's Declaration of Covenants, Conditions and Restrictions provides authorization to retain legal counsel and place liens on the properties of Association members whose assessments are thirty days or more delinquent. In the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will prevail in most instances. Additionally, the Association provides an allowance for doubtful accounts for those assessments that ultimately may not be collected.

Note 5 – Income Taxes

For 2007, the Association elected to file its income tax return as a corporation in accordance with Internal Revenue Code Section 528 in an effort to minimize its tax liability. Non-exempt income, which normally consists of interest income and related expenses, is taxable at regular federal corporate rates of approximately 30 percent and state rates of 4.63 percent under this method.

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 5 – Income Taxes (continued)

For income tax purposes, assessments levied for the restricted reserve fund and placed in separate, restricted bank accounts are considered to be held in trust for the owners, and are therefore not taxable. Related reserve expenditures also do not enter into the calculation of taxable income. Painting assessments and expenditures are considered to be operating items for income tax purposes.

Note 6 - Future Major Repairs and Replacements

The Association's governing documents require that a Replacement Fund and restricted cash accounts are established for major repairs and replacements of common property and the Association has implemented these procedures. Accumulated funds are held in separate savings or investment accounts and generally are not available for expenditures for normal operations.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the board's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. 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 needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 7 – Association owned units

The Association redeemed two units within the Association in 2007 and renovated them in order to rent them out. The two units are both rented at December 31, 2007. The units are carried on the balance sheet at Association cost less accumulated depreciation.

Note 8 – Contingencies

The Association is a party to various legal actions normally associated with homeowner 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.

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

Note 9 – Related party transactions

The Association's manager is a resident of the Association. She is employed by the company the Association engages to handle management.

WOODSTREAM FALLS CONDOMINIUM ASSOCIATION, INC.

c/o Mitchell Powell
921 S. Dearborn Way
Aurora, CO 80014

May 15, 2008

Griffin Consulting, P.C.
Certified Public Accountant
650 S. Cherry Street, Suite 602
Denver, CO 80246

We are providing this letter in connection with your audit of the balance sheet of Woodstream Falls Condominium Association, Inc. as of December 31, 2007, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the twelve month period then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Otero Ridge Condominiums Association, Inc. in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

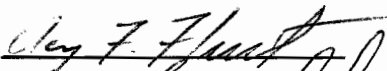
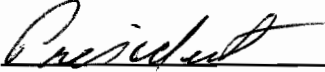

We confirm, to the best of our knowledge and belief, as of May 15, 2008, the following representations made to you during the audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
2. We are responsible for the presentation of the supplemental information accompanying the financial statements about future major repairs and replacements.
3. We have made available to you all –
 - a. Financial records and related data
 - b. Minutes of meetings of Otero Ridge Condominiums Association, Inc.'s Board of Directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
6. There have been no:
 - a. Fraud involving management or employees who have significant roles in internal control.
 - b. Fraud involving others that could have a material effect on the financial statements.
7. The Association has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
8. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
 - b. Guarantees, whether written or oral, under which the Association is contingently liable.
9. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that **near term** means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentration existing at the date of the financial statements that make the Association vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
10. There are no –
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.

- d. Transfers or designations of fund balance or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
- 11. Woodstream Falls Condominium Association, Inc. has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
- 12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 13. The board of managers is collecting funds for future major repairs and replacements in conformity with Woodstream Falls Condominium Association, Inc.'s policy to fund for those needs based on the board's best judgment. The board of managers believes the funds will adequately provide for future major repairs and replacements.
- 14. The Association's allocation of expenses against exempt and nonexempt income conforms with IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation.
- 15. We understand that management is responsible for the Association's choice of filing Form 1120-H and the consequences thereof.

No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to, or disclosure in, the financial statements.

Signature:  Title: 
Signature:  Title: TR EASURER