

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)

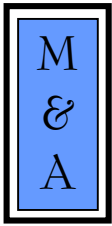
Financial Statements
December 31, 2010



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors The Keystone Neighbourhood Company, Inc. Keystone, Colorado

We have audited the accompanying balance sheets of The Keystone Neighbourhood Company, Inc., (the "Company"), a Colorado nonprofit corporation, as of December 31, 2010, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Association's 2009 financial statements and, in our report dated May 20, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 The Keystone Neighbourhood Company, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Operating Revenues and Expenses - Budget and Actual (pages 12 and 13) is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for that 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 schedule of future major repairs and replacements on pages 14 and 15 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 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.

**McMahan and Associates, L.L.C.
May 19, 2011**

Member: American Institute of Certified Public Accountants

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BASIC FINANCIAL STATEMENTS



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2010
With Comparative Totals For the Year Ended 2009

	2010				2009	
	Operating Fund	Replacement Funds			Total	Total
Community Facilities Fund		Community Capital Reserve Fund	Community Improvements Fund			
Assets:						
Current assets:						
Cash and cash equivalents	1,425,630	661,388	1,207,894	294,266	3,589,178	4,400,809
Investments	261,000	143,000	268,917	719,000	1,391,917	1,950,858
Accounts receivable, net of allowance for doubtful accounts	94,025	-	-	-	94,025	176,262
Other receivable - Income taxes	-	-	-	-	-	237
Prepaid expenses	25,060	-	-	-	25,060	19,609
Inventory	23,629	-	-	-	23,629	14,528
Due (to) from other fund	(3,411,409)	1,354,155	1,125,873	931,381	-	-
Total Current Assets	(1,582,065)	2,158,543	2,602,684	1,944,647	5,123,809	6,562,303
Fixed assets:						
Construction-in-progress	-	-	-	-	-	85,196
Cultural Arts Center - Warren Station	1,818,246	-	-	-	1,818,246	-
Equipment	218,283	-	-	-	218,283	205,241
Tenant improvements	187,607	-	-	-	187,607	187,607
Less: Accumulated depreciation	(231,224)	-	-	-	(231,224)	(142,203)
Net Fixed Assets	1,992,912	-	-	-	1,992,912	335,841
Total Assets	410,847	2,158,543	2,602,684	1,944,647	7,116,721	6,898,144
Liabilities and Fund Equity:						
Current liabilities:						
Accounts payable	109,238	-	-	-	109,238	110,443
Other payable	7,008	-	-	-	7,008	-
Income tax payable	671	-	-	-	671	-
Deposits	99,050	-	-	-	99,050	90,435
Total Current Liabilities	215,967	-	-	-	215,967	200,878
Fund equity:						
Fund balances	194,880	2,158,543	2,602,684	1,944,647	6,900,754	6,697,266
Total Fund Equity	194,880	2,158,543	2,602,684	1,944,647	6,900,754	6,697,266
Total Liabilities and Fund Equity	410,847	2,158,543	2,602,684	1,944,647	7,116,721	6,898,144

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

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2010
(With Comparative Totals For the Year Ended 2009)

	2010				2009	
	Replacement Funds					
	Operating Fund	Community Facilities Fund	Community Capital Reserve Fund	Community Improvements Fund	Total	Total
Revenues:						
Real estate assessments	1,318,518	161,104	131,417	-	1,611,039	1,750,484
Real estate transfer assessments	592,724	-	-	-	592,724	751,614
Sales assessments	131,333	-	-	-	131,333	118,944
Recreation assessments	19,391	-	-	-	19,391	11,219
Event revenue and sponsorships	197,784	-	-	-	197,784	225,818
Pavilion at Keystone	-	-	-	-	-	113,214
Warren Station	116,609	-	-	-	116,609	-
Interest income	533	3,388	3,983	3,198	11,102	85,714
Commercial trash	147,540	-	-	-	147,540	145,791
Other	158,495	-	-	-	158,495	112,186
Total Revenues	2,682,927	164,492	135,400	3,198	2,986,017	3,314,984
Expenses:						
General and administrative	468,497	-	-	3,999	472,496	621,508
Depreciation	89,021	-	-	-	89,021	38,766
Security	90,740	-	-	-	90,740	90,740
Road snow removal and maintenance	231,798	-	68,078	-	299,876	233,137
Plaza snow and litter removal	580,086	-	-	-	580,086	544,024
Common area maintenance	320,031	-	142,736	29,349	492,116	319,510
Pool maintenance	77,407	-	32,558	-	109,965	99,399
Community events	604,860	-	-	-	604,860	483,284
Other capital projects	-	-	17,762	-	17,762	277,317
Transit system	-	-	-	-	-	253,948
Other	25,607	-	-	-	25,607	13,616
Total Expenses	2,488,047	-	261,134	33,348	2,782,529	2,975,249
Excess (Deficiency) of Revenues Over Expenses	194,880	164,492	(125,734)	(30,150)	203,488	339,735
Fund Balances - Beginning of Year	149,797	1,994,051	2,578,621	1,974,797	6,697,266	6,357,531
Transfer (to) from other Fund	(149,797)	-	149,797	-	-	-
Fund Balances - End of Year	194,880	2,158,543	2,602,684	1,944,647	6,900,754	6,697,266

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

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Totals For the Year Ended 2009)

	2010				2009	
	Replacement Funds				Total	Total
	Operating Fund	Community Facilities Fund	Community Capital Reserve Fund	Community Improvements Fund		
Cash Flows From Operating Activities:						
Cash received from members and others	2,152,817	161,104	131,417	-	2,445,338	2,631,220
Other cash received	620,427	-	-	-	620,427	597,009
Interest received	533	3,388	3,600	3,487	11,008	76,336
Cash paid for goods and services	(1,493,252)	-	(261,134)	(33,348)	(1,787,734)	(1,620,162)
Cash paid for salaries and benefits	(913,613)	-	-	-	(913,613)	(856,266)
Transfers	1,423,670	(919,229)	322,935	(827,376)	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,790,582</u>	<u>(754,737)</u>	<u>196,818</u>	<u>(857,237)</u>	<u>375,426</u>	<u>828,137</u>
Cash Flows From Investing Activities:						
Cash payments for purchase of fixed assets	(1,746,092)	-	-	-	(1,746,092)	(142,044)
Sale of investments	654,000	757,195	1,161,000	1,223,374	3,795,569	4,402,699
Purchase of investments	(665,000)	(427,000)	(929,534)	(1,215,000)	(3,236,534)	(1,747,939)
Net Cash Provided (Used) by Investing Activities	<u>(1,757,092)</u>	<u>330,195</u>	<u>231,466</u>	<u>8,374</u>	<u>(1,187,057)</u>	<u>2,512,716</u>
Net Increase (Decrease) in Cash	<u>33,490</u>	<u>(424,542)</u>	<u>428,284</u>	<u>(848,863)</u>	<u>(811,631)</u>	<u>3,340,853</u>
Cash - Beginning of Year	<u>1,392,140</u>	<u>1,085,930</u>	<u>779,610</u>	<u>1,143,129</u>	<u>4,400,809</u>	<u>1,059,956</u>
Cash - End of Year	<u>1,425,630</u>	<u>661,388</u>	<u>1,207,894</u>	<u>294,266</u>	<u>3,589,178</u>	<u>4,400,809</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (deficiency) of revenues over expenses	194,880	164,492	(125,734)	(30,150)	203,488	339,735
Adjustments:						
Depreciation	89,021	-	-	-	89,021	38,766
Loss on disposal of asset	-	-	-	-	-	257,878
Unrealized (gain) loss on investments	-	-	(383)	289	(94)	(9,378)
Transfers to (from) other funds	(149,797)	-	149,797	-	-	-
(Increase) decrease in accounts receivable	82,237	-	-	-	82,237	40,319
(Increase) decrease in other receivable	908	-	-	-	908	186,455
(Increase) decrease in prepaid expenses	(5,451)	-	-	-	(5,451)	(5,142)
(Increase) decrease in inventory	(9,101)	-	-	-	(9,101)	(2,260)
Increase (decrease) in accounts payable	(1,757)	-	-	-	(1,757)	23,676
Increase (decrease) in other payable	7,560	-	-	-	7,560	(552)
Increase (decrease) in deposits	8,615	-	-	-	8,615	(41,360)
Increase (decrease) in due to/from other funds	1,573,467	(919,229)	173,138	(827,376)	-	-
Total Adjustments	<u>1,595,702</u>	<u>(919,229)</u>	<u>322,552</u>	<u>(827,087)</u>	<u>171,938</u>	<u>488,402</u>
Net Cash Provided (Used) by Operating Activities	<u>1,790,582</u>	<u>(754,737)</u>	<u>196,818</u>	<u>(857,237)</u>	<u>375,426</u>	<u>828,137</u>

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

NOTES TO THE FINANCIAL STATEMENTS



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010

1. Organization

The Keystone Neighbourhood Company, Inc. (the "Company"), a Colorado non-profit corporation, is the owners' association for a large planned community located in Summit County, Colorado. The Neighbourhoods at Keystone was created by Keystone/Intrawest, L.L.C., (the "Declarant") pursuant to the Colorado Common Interest Ownership Act on November 30, 1995. During the year ended December 31, 2003, the Declarant changed to Vail Summit Resorts, Inc.

The Company's purposes are (1) to acquire, own, lease and manage the common elements; (2) to provide facilities and services to owners, guests and original public; (3) to administer and enforce the covenants, conditions, restrictions, reservations and easements created by the Declaration of Covenants, Conditions and Restrictions for The Neighbourhoods at Keystone (the "Declaration"); (4) to levy, collect and enforce the assessments imposed by the Declaration; (5) to promote the Neighbourhoods at Keystone as a four season destination resort community; (6) to maintain and enhance property values; (7) to take any action it deems necessary to protect the general welfare of owners, guests and general public; (8) to enter into agreements with respect to the foregoing; and (9) to regulate and manage the Neighbourhoods at Keystone.

The membership in the Company is comprised of every owner of property within the boundaries of The Neighbourhoods at Keystone. There are five classes of members; residential, commercial, lodges, resort parcel and undeveloped land. The operations of the Company are managed by an executive board of nine directors; this executive board is comprised of three residential directors, two commercial directors, one lodging director, one resort director and two at large directors.

The Declarant has control and has exclusive rights to appoint and remove all Declarant appointed officers and directors during the Declarant control period. The Declarant control period ends when (1) 75 percent of the maximum number of equivalent units are allocated to the Neighbourhood at Keystone under the zoning therefore; (2) six years after the last conveyance of a site by the Declarant to a purchaser; or (3) twenty years after the date the Declaration was recorded in the Summit County records, whichever occurs first. The Declarant may voluntarily surrender its rights as Declarant. As of December 31, 2010, the Company is still under Declarant control as defined by the Company's Declarations.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Company uses the fund method of accounting, which requires that funds, such as operating funds, funds for future major repairs, replacements and capital expenditures, and funds collected for specially designated purposes, be classified separately for accounting and reporting purposes.

B. Basis of Accounting

The financial statements have been prepared using the accrual method of accounting, which recognizes revenues when earned or assessed and expenses when incurred.

C. Cash Equivalents

Checking, money market savings, and money market fund accounts are considered cash equivalents by the Company for the purpose of the Statements of Cash Flows since these accounts have no stated maturities.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010
(Continued)

2. Summary of Significant Accounting Policies (continued)

D. Investments

The Company invests certain excess funds in certificates of deposit and United States treasuries. Because these securities are intended to fund future Replacement Fund expenditures and may provide a ready source of cash when so required, these investments are classified as trading. Accordingly, these securities are reported on the financial statements at fair value and all realized and unrealized gains and losses are included in current period earnings.

E. Recognition of Assets

Real and personal common property acquired by the original homeowners is not recognized on the financial statements of the Company because it is commonly owned by individual owners and its disposition by the Board is restricted.

The Company recognizes as assets on its financial statements only common real and personal property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto. Such assets are recorded at cost.

Equipment owned by the Company is depreciated on the straight-line method over estimated useful lives ranging from five to seven years, while tenant improvements and the Cultural Arts Center are depreciated over a twenty year useful life.

For the year ended December 31, 2010, fixed assets were comprised of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Fixed assets:				
Construction-in-progress	\$ 85,196	-	(85,196)	-
Cultural Arts Center	-	1,818,246	-	1,818,246
Equipment	205,241	13,042	-	218,283
Tenant improvements	187,607	-	-	187,607
Total fixed assets	<u>293,124</u>	<u>1,831,288</u>	<u>(85,196)</u>	<u>2,224,136</u>
Less: Accumulated depreciation	<u>(142,203)</u>	<u>(89,021)</u>	<u>-</u>	<u>(231,224)</u>
Total fixed assets, net	<u><u>\$ 192,951</u></u>	<u><u>1,742,267</u></u>	<u><u>(85,196)</u></u>	<u><u>1,992,912</u></u>

F. Allowance for Uncollectible Accounts

The Company uses the allowance method for recognizing the future potential uncollectibility of accounts receivable. This reserve is generally calculated based on the estimated uncollectible accounts 90 or more days overdue. At December 31, 2010, the Association considered all amounts collectible; therefore, no allowance was established to estimate uncollectible balances. The Association's policy is to charge late fees to owner accounts that are 31 or more days overdue.

G. Due To/From Other Funds

The Association has chosen to record all accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, the differences in the individual funds caused by this accounting policy results in interfund asset and liability accounts on the financial statements.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010
(Continued)

2. Summary of Significant Accounting Policies (continued)

H. Inventory

Inventory is stated at cost, which approximates market value, utilizing the first-in, first-out method.

I. Investment Income

Investment income is allocated among funds based on average fund balances.

J. 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.

K. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended December 31, 2009, from which the comparative totals were derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Subsequent Events

Management has evaluated subsequent events through May 19, 2011, the date these financial statements were available to be issued.

3. Investments

Certificates of deposit:

Bearing interest at 0.20% - 0.45% per annum, maturing in 2011	\$ 1,264,000
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United States treasuries:

Bearing interest at 0.28% per annum, maturing in 2011	127,917
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Total investments	<u><u>\$ 1,391,917</u></u>
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Included in the Company's investment income for fiscal year 2010 are net unrealized gains totaling \$272 in respect to investments held at December 31, 2010.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010
(Continued)

4. Assessments and Common Expenses

The Board prepares an annual budget to estimate the annual expenses of maintaining the Company's common elements.

Since the Company 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 Company's membership, transferred to the Replacement Funds.

The Declaration empowers the Company to levy the following assessments to defray the costs of operations and to provide for future major repairs, replacements and improvements.

A. Annual Real Estate Assessment

Owners' property is subject to an annual real estate assessment, of which 10 percent shall be deemed to be contributions of capital to be placed in a Community Facilities Fund for use to construct and/or finance community development projects. The Annual Real Estate Assessment is calculated by taking the assessed value of real property (determined by Summit County Colorado Assessor's Office) and multiplying this by 29 mills.

B. Sales and Recreation Assessments

The Company also collects sales and recreational assessments on all local sales and operations of recreational activities at the rate of 1/2 of 1 percent.

C. Real Estate Transfer Assessment

The occurrence of any transfer of property within the boundaries of the Company is subject to a real estate transfer assessment at 2 percent of the sales price or transfer at fair market value.

D. Special Assessments

The Company has the right to assess special assessments in the event there is a budget deficit. No special assessments were levied in 2010.

5. Related Party Transactions

Effective January 1, 2004, the Company signed an agreement with Vail Summit Resorts, Inc. to provide the Company with security and maintenance. The initial term was for one year. This agreement may be renewed automatically for up to five successive one-year periods.

Six of the nine members of the Board of Directors are appointed by the Declarant.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010
(Continued)

5. Related Party Transactions (continued)

The Company paid the following expenses in 2010 for services provided from the Declarant and/or its related companies:

Security	\$	90,740
Common area maintenance		46,953
Plaza maintenance and utilities		17,094
Pool labor and maintenance		15,152
Office expense		1,815
Rent		40,348
Total		<u><u>\$ 212,102</u></u>

At December 31, 2010, the Company owed the Declarant \$5,377 and/or its related companies for these services.

The Company received assessments and other various revenues from the Declarant and/or its related companies in 2010 totaling \$496,941, which comprised approximately 17% of the Company's fiscal year 2010 revenues. At December 31, 2010, the Declarant and/or its related companies owed the Company \$17,245.

6. Income Taxes

While the Company has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Company is not a tax-exempt organization. Consequently, the Company is subject to Federal and state income taxes on net income derived from investments and other non-membership sources. Federal and state income tax for the Company totaled \$2,849 for the year ended December 31, 2010.

7. Replacement Funds

The Company has established replacement funds to comply with the Declaration and to provide funds for future capital projects and major repairs and replacements.

The following replacement funds have been established:

The **Community Facilities Fund** was established in accordance with the provisions of the Declaration which requires that 10 percent of the real estate assessments be put into this fund for the purpose of facilitating the construction and financing of community facilities.

The **Capital Reserve Fund** was established by the Company to repair and replace existing capital improvements and to support any other project that the Company decides is a capital project priority.

The **Community Improvements Fund** was established to fund improvements for the community that are not major facilities (i.e. buildings). These could include playgrounds, public furniture, fire pits, outdoor amphitheatres, information kiosks, lights/stage/sound systems, trails, signage, parks and other community improvements.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010
(Continued)

8. Future Major Repairs and Replacement Reserve

The Company's governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated funds are held in separate accounts and generally are not available for expenditures for normal operations. For 2010, the Company did not levy any specific assessment to fund Replacement Fund expenses; rather, such expenses were funded from accumulated fund balances and from allocations of annual real estate assessments from the Operating Fund.

In accordance with industry guidelines, it is the Company's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Company's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owners for the anticipated costs, and accumulating funds in reserves to meet the future funding requirements. During the fiscal year ended December 31, 2009, the Company commissioned a study to estimate the remaining useful lives and the replacement costs of the components of common property. The study assumes a 5.00% rate of inflation, a 3.10% increase in reserve fund allocations, and a 3.00% return on investments. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Company is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and consideration of amounts previously accumulated in the reserve funds.

Funds are being accumulated in the reserve funds based on estimates of future needs for repairs, replacements and new additions to common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the reserve funds may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Company has the right, subject to the Board's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

9. Concentrations

The Company's revenues for real estate transfer assessments, sales assessments and recreation assessments are materially produced as a result of the sales of real estate and the leasing of commercial real estate units by the Declarant, or its related parties.

10. Retirement Plan

On January 1, 1998, the Company established a SIMPLE Retirement Plan for employees who have worked for the Company during any one prior year and received at least \$5,000 in compensation during such prior year. The Company is required to make a matching contribution not in excess of 3% of an employee's compensation and not to exceed \$6,000. Each employee's account is 100% vested immediately and non-forfeitable at all times.

For the year ended December 31, 2010, the Company contributed \$7,479 to employees who were eligible and participated in the plan.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010
(Continued)

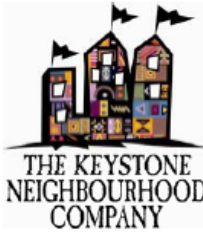
11. Operating Lease – Office Space

The Company leases office space under an operating lease agreement with Vail Summit Resorts, Inc. The lease calls for monthly rentals, with annual escalations through expiry in February 2015. In addition to base rent, the Company is responsible for its allocated share of taxes, common area charges, and other operating costs related to this space. Rent for the year ended December 31, 2010 was \$41,794.

Future minimum rental payments (base rent) due under terms of the Company's operating lease at December 31, 2010 are as follows:

<u>Year</u>	<u>Minimum Rental Payments</u>
2011	\$ 22,500
2012	25,000
2013	25,500
2014	25,500
2015	4,250
Total	<u><u>\$ 102,750</u></u>

SUPPLEMENTARY SCHEDULES



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Operating Revenues and Expenses
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2010
(With Comparative Actual Amounts For the Year Ended 2009)

	<u>2010</u>		Variance Positive (Negative)	<u>2009</u>
	Budget (Unaudited)	Actual		Actual
Revenues:				
Real estate assessments	1,729,875	1,611,039	(118,836)	1,750,484
Less: Allocation to reserve funds	(304,405)	(292,521)	11,884	(546,743)
Real estate transfer assessments	600,000	592,724	(7,276)	751,614
Sales assessments	89,986	131,333	41,347	118,944
Recreation assessments	28,133	19,391	(8,742)	11,219
Event revenue and sponsorships	195,100	197,784	2,684	225,818
Pavilion at Keystone	-	-	-	113,214
Warren Station	119,550	116,609	(2,941)	-
Interest income	88,040	533	(87,507)	1,536
Commercial trash	144,550	147,540	2,990	145,791
Other	44,694	158,495	113,801	112,186
Total Revenues	<u>2,735,523</u>	<u>2,682,927</u>	<u>(52,596)</u>	<u>2,684,063</u>
Expenses:				
General and administrative:				
Payroll and benefits	249,771	235,652	14,119	227,640
Audit and tax preparation	15,015	14,950	65	15,460
Legal	15,527	20,640	(5,113)	11,841
Insurance	62,012	47,014	14,998	49,337
Income taxes	-	2,849	(2,849)	13,119
Bad debt expense	170,624	39,924	130,700	187,812
Office expense	112,766	107,469	5,297	114,086
Total general and administrative	<u>625,715</u>	<u>468,498</u>	<u>157,217</u>	<u>619,295</u>
Security:				
Commercial & residential	95,277	90,740	4,537	90,740
Total security	<u>95,277</u>	<u>90,740</u>	<u>4,537</u>	<u>90,740</u>
Road snow removal and maintenance:				
Snow removal and hauling	101,500	90,864	10,636	80,741
Trail Head Drive utilities	140,175	140,688	(513)	98,753
Road repairs	4,500	247	4,253	1,825
Total road snow removal and maintenance	<u>246,175</u>	<u>231,799</u>	<u>14,376</u>	<u>181,319</u>
Plaza snow and litter removal:				
Commercial trash	42,400	47,092	(4,692)	43,513
Labor	555,915	477,659	78,256	453,362
Machine time/service	31,750	29,058	2,692	25,757
Snowmelt utilities	28,650	26,276	2,374	21,392
Total plaza snow and litter removal	<u>658,715</u>	<u>580,085</u>	<u>78,630</u>	<u>544,024</u>

(continued)

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

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Operating Revenues and Expenses
Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis
For the Year Ended December 31, 2010
(With Comparative Actual Amounts For the Year Ended 2009)
(Continued)

	<u>2010</u>		Variance Positive (Negative)	<u>2009</u>
	Budget (Unaudited)	Actual		Actual
Expenses (continued):				
Common area maintenance:				
Plaza maintenance	34,000	82,449	(48,449)	40,673
Plaza utilities	50,600	57,440	(6,840)	42,793
Restroom cleaning	39,000	47,731	(8,731)	40,635
Signage	5,500	1,076	4,424	1,863
Summer landscaping	114,850	131,335	(16,485)	113,312
Total common area maintenance	<u>243,950</u>	<u>320,031</u>	<u>(76,081)</u>	<u>239,276</u>
Pool maintenance:				
Restroom cleaning	7,000	6,824	176	6,302
Labor	-	-	-	3,600
Chemicals	12,000	20,565	(8,565)	12,360
Utilities	40,524	34,323	6,201	33,097
Maintenance and repair	8,350	15,694	(7,344)	14,639
Total pool maintenance	<u>67,874</u>	<u>77,406</u>	<u>(9,532)</u>	<u>69,998</u>
Community events:				
Community events	359,092	419,436	(60,344)	392,741
Weddings	-	8,919	(8,919)	-
Pavilion at Keystone	-	-	-	90,543
Warren Station	135,125	176,505	(41,380)	-
Total community events	<u>494,217</u>	<u>604,860</u>	<u>(110,643)</u>	<u>483,284</u>
Design review, transit and other:				
Design review	-	25,607	(25,607)	13,616
Transit	-	-	-	253,948
Depreciation	21,600	89,021	(67,421)	38,766
Total Expenses	<u>2,453,523</u>	<u>2,488,047</u>	<u>(34,524)</u>	<u>2,534,266</u>

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

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Schedule of Community Capital Reserve Fund
Future Repairs and Replacements
December 31, 2010
(Unaudited)

During fiscal year 2009, the Association's Board of Directors commissioned a study by independent reserve study engineers to estimate the remaining useful lives and the replacement costs of components of common property. The study projected fund balance, but did not allocate fund balance between the individual reserve study items, nor has the Board elected to allocate fund balance between the components of common property.

The following table is based on the study and presents significant information about the components of the Association's common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Cost	Projected Fund Balance 12/31/10	Actual Fund Balance 12/31/10
Exterior furnishings	0 - 14	187,958		
Common area lighting	1 - 24	521,765		
Cloth banners	1 - 2	20,001		
Holiday decorations	0	20,000		
Flag poles	14 - 19	18,000		
Mail kiosk	1 - 19	9,860		
Asphalt paving	0 - 7	458,623		
Concrete paving	14 - 19	1,027,120		
Brick pavers	0 - 24	518,130		
Drive bridges	0 - 24	386,060		
Parking lot	1 - 2	19,832		
Concrete curbs & gutters	0	356,260		
Concrete flatwork & steps	0 - 9	478,206		
Common area walkways	0 - 19	1,875,127		
Foot bridges	1 - 9	82,199		
Fencing	6 - 19	148,350		
Hand rails	0 - 19	67,860		
Retaining walls	7 - 19	337,500		
Common area signage	1 - 14	137,600		
Steel bollards	0	4,700		
Bus shelters	0 - 9	21,600		
Subtotal		<u>6,696,751</u>	<u>-</u>	<u>-</u>

(continued)

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

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Schedule of Community Capital Reserve Fund
Future Repairs and Replacements
December 31, 2010
(Unaudited)
(Continued)

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Projected Fund Balance 12/31/10</u>	<u>Actual Fund Balance 12/31/10</u>
Planter walls	4 - 14	177,990		
Stone veneer	19	126,000		
Fountains	0 - 1	11,800		
Landscape plantings	0	1,500		
Irrigation	1 - 5	76,300		
Statues	3 - 24	88,000		
Information center	1 - 24	240,810		
Recreation areas	0 - 24	146,770		
Amphitheatre	2 - 14	79,631		
Maintenance building	2 - 9	113,200		
Pool and spas	0 - 19	126,500		
Recycling enclosure	2 - 11	2,700		
Public restrooms	1 - 5	40,000		
Performance center	1 - 14	249,522		
Event tables and chairs	3 - 7	22,282		
Sprinkler systems	2 - 6	13,000		
Snow melt systems	4 - 9	637,900		
Storage yard (water)	3 - 17	18,710		
Trash enclosures	3 - 19	18,215		
KNC office	4	10,000		
Maintenance equipment	1 - 12	197,747		
Subtotal		<u>2,398,577</u>	<u>-</u>	<u>-</u>
Total		<u><u>9,095,328</u></u>	<u><u>2,875,930</u></u>	<u><u>2,602,684</u></u>

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