

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

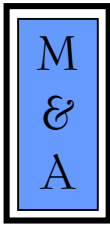
Financial Statements
December 31, 2006



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2006

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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, 2006, 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 2005 financial statements and, in our report dated February 10, 2006, 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, 2006, 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 11 and 12) is presented for the purposes 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 (page 13) 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, LLC.

McMahan and Associates, L.L.C.

April 12, 2007

Performing services for resort communities throughout Colorado

*D. Jerry McMahan, C.P.A.
Paul J. Backes, C.P.A.*

*Daniel R. Cudahy, C.P.A.
Michael N. Jenkins, C.A., C.P.A.*

Members: American Institute of Certified Public Accountants/Colorado Society of Certified Public Accountants
Hospitality Financial & Technology Professionals/Community Associations Institute

BASIC FINANCIAL STATEMENTS



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2006
With Comparative Totals For the Year Ended 2005

	2006				2005	
	Replacement Funds					
	Operating Fund	Community Facilities Fund	Community Capital Reserve Fund	Community Improvements Fund	Total	Total
Assets:						
Current assets:						
Cash and cash equivalents	441,015	121,122	358,667	24,449	945,253	1,041,444
Investments	1,254,000	588,176	867,387	748,714	3,458,277	1,819,015
Accrued interest receivable	7,938	8,439	6,051	5,103	27,531	4,985
Accounts receivable, net of allowance for doubtful accounts	168,452	-	-	-	168,452	124,883
Prepaid expenses	27,234	-	-	-	27,234	29,161
Inventory	11,758	-	-	-	11,758	4,240
Due (to) from other fund	(378,018)	4,322	148,065	225,631	-	-
Total Current Assets	1,532,379	722,059	1,380,170	1,003,897	4,638,505	3,023,728
Fixed assets:						
Equipment	114,017	-	-	-	114,017	98,477
Tenant improvements	179,107	-	-	-	179,107	179,107
Less accumulated depreciation	(100,173)	-	-	-	(100,173)	(84,601)
Net Fixed Assets	192,951	-	-	-	192,951	192,983
Total Assets	1,725,330	722,059	1,380,170	1,003,897	4,831,456	3,216,711
Liabilities and Fund Equity:						
Current liabilities:						
Accounts payable	87,065	-	-	-	87,065	37,558
Prepaid assessments	2,566	-	-	-	2,566	2,728
Other payable	11,856	-	-	-	11,856	-
Deposits	96,695	-	-	-	96,695	80,195
Total Current Liabilities	198,182	-	-	-	198,182	120,481
Fund equity:						
Fund balances	1,527,148	722,059	1,380,170	1,003,897	4,633,274	3,096,230
Total Fund Equity	1,527,148	722,059	1,380,170	1,003,897	4,633,274	3,096,230
Total Liabilities and Fund Equity	1,725,330	722,059	1,380,170	1,003,897	4,831,456	3,216,711

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, 2006
(With Comparative Totals For the Year Ended 2005)

	2006				2005	
	Replacement Funds				Total	Total
	Operating Fund	Community Facilities Fund	Capital Reserve Fund	Community Improvements Fund		
Revenues:						
Real estate assessments	562,830	113,415	350,000	60,353	1,086,598	1,132,013
Real estate transfer assessments	2,096,739	-	-	-	2,096,739	1,164,150
Sales assessments	159,795	-	-	-	159,795	126,682
Recreation assessments	30,106	-	-	-	30,106	25,524
Event revenue and sponsorships	235,042	-	-	-	235,042	200,020
Park Lane Pavilion	75,855	-	-	-	75,855	61,974
Interest income	76,627	20,305	37,056	20,954	154,942	63,527
Commercial trash	128,191	-	-	-	128,191	143,576
Other	64,447	-	-	-	64,447	73,704
Total Revenues	3,429,632	133,720	387,056	81,307	4,031,715	2,991,170
Expenses:						
General and administrative	446,216	-	-	-	446,216	482,694
Depreciation	17,603	-	-	-	17,603	17,488
Security	93,621	-	-	-	93,621	79,218
Road snow removal and maintenance	198,107	-	-	-	198,107	185,972
Plaza snow and litter removal	403,013	-	-	-	403,013	428,369
Common area maintenance	213,760	-	-	-	213,760	171,977
Pool maintenance	77,432	-	-	-	77,432	77,938
Community events	406,617	-	191,061	151,125	748,803	706,853
Transit system	277,034	-	-	-	277,034	277,034
Other	19,082	-	-	-	19,082	12,844
Total Expenses	2,152,485	-	191,061	151,125	2,494,671	2,440,387
Excess (Deficiency) of Revenues Over Expenses	1,277,147	133,720	195,995	(69,818)	1,537,044	550,783
Fund Balances - Beginning of Year	484,594	588,339	1,184,175	839,122	3,096,230	2,545,447
Transfer (to) from other Fund	(234,593)	-	-	234,593	-	-
Fund Balances - End of Year	1,527,148	722,059	1,380,170	1,003,897	4,633,274	3,096,230

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, 2006
(With Comparative Totals For the Year Ended 2005)

	2006				2005	
	Operating Fund	Replacement Funds			Total	Total
Community Facilities Fund		Community Capital Reserve Fund	Community Improvements Fund			
Cash Flows From Operating Activities:						
Cash received from members and others	2,822,239	113,415	350,000	60,353	3,346,007	2,566,733
Other cash received	503,536	-	-	-	503,536	474,289
Interest received in cash	73,674	11,866	31,005	15,851	132,396	69,693
Cash paid for goods and services	(1,808,386)	-	(191,061)	(151,125)	(2,150,572)	(2,185,281)
Cash paid for salaries and benefits	(271,019)	-	-	-	(271,019)	(303,056)
Transfers	(197,060)	1,668	5,148	190,244	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,122,984</u>	<u>126,949</u>	<u>195,092</u>	<u>115,323</u>	<u>1,560,348</u>	<u>622,378</u>
Cash Flows From Investing Activities:						
Cash payment for purchase of fixed assets	(17,277)	-	-	-	(17,277)	(185,817)
Purchase of investments, net	(1,254,000)	(215,305)	18,447	(188,404)	(1,639,262)	(1,819,015)
Net Cash Provided (Used) by Investing Activities	<u>(1,271,277)</u>	<u>(215,305)</u>	<u>18,447</u>	<u>(188,404)</u>	<u>(1,656,539)</u>	<u>(2,004,832)</u>
Net Increase (Decrease) in Cash	(148,293)	(88,356)	213,539	(73,081)	(96,191)	(1,382,454)
Cash - Beginning of Year	589,308	209,478	145,128	97,530	1,041,444	2,423,898
Cash - End of Year	<u>441,015</u>	<u>121,122</u>	<u>358,667</u>	<u>24,449</u>	<u>945,253</u>	<u>1,041,444</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (deficiency) of revenues over expenses	1,277,147	133,720	195,995	(69,818)	1,537,044	550,783
Adjustments:						
Depreciation	17,309	-	-	-	17,309	17,488
(Increase) decrease in accounts receivable	(43,568)	-	-	-	(43,568)	47,783
(Increase) decrease in accrued interest receivable	(2,953)	(8,439)	(6,051)	(5,103)	(22,546)	1,180
(Increase) decrease in prepaid expenses	1,927	-	-	-	1,927	(14,630)
(Increase) decrease in inventory	(7,519)	-	-	-	(7,519)	(3,107)
Increase (decrease) in accounts payable	49,507	-	-	-	49,507	(47,672)
Increase (decrease) in other payable	11,856	-	-	-	11,856	(29)
Increase (decrease) in prepaid assessments	(162)	-	-	-	(162)	(5,813)
Increase (decrease) in deposits	16,500	-	-	-	16,500	76,395
Increase (decrease) in due to/from other funds	(197,060)	1,668	5,148	190,244	-	-
Total Adjustments	<u>(154,163)</u>	<u>(6,771)</u>	<u>(903)</u>	<u>185,141</u>	<u>23,304</u>	<u>71,595</u>
Net Cash Provided (Used) by Operating Activities	<u>1,122,984</u>	<u>126,949</u>	<u>195,092</u>	<u>115,323</u>	<u>1,560,348</u>	<u>622,378</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, 2006

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/Interwest, 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) 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; three residential directors, two commercial directors, one lodging director, one resort director and two at large directors.

The Declarant is Vail Summit Resorts, Inc. The Declarant has declarant 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 (1) when 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, 2006, the Company is still under Declarant control as defined by the Company's Declarations.

2. Summary of Significant Accounting Policies

A. Funds

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. Accrual 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, 2006
(Continued)

2. Summary of Significant Accounting Policies (continued)

D. Investments

The Association invests certain excess funds in certificates of deposit. 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

Replacements and improvements to real property not owned by the Company are not recorded by the Company as capitalized fixed assets because their disposition is restricted. The replacements and improvements are expensed in the period they are incurred.

Real and personal property acquired by the Company, whereby the Company has title, is capitalized in the financial statements. Personal property is depreciated on the straight-line method over estimated useful lives ranging from five to seven years while tenant improvements is over a twenty year life. For the year ended December 31, 2006, fixed assets had the following balance:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Fixed assets:				
Equipment	\$ 98,477	17,277	(1,737)	114,017
Tenant improvements	179,107	-	-	179,107
Total fixed assets being depreciated	<u>277,584</u>	<u>17,277</u>	<u>(1,737)</u>	<u>293,124</u>
Less accumulated depreciation for:	<u>(84,601)</u>	<u>(17,309)</u>	<u>1,737</u>	<u>(100,173)</u>
Total fixed assets, net	<u><u>\$ 192,983</u></u>	<u><u>(32)</u></u>	<u><u>-</u></u>	<u><u>192,951</u></u>

F. Allowance for Uncollectible Accounts

The Company uses the reserve method for recognizing the potential uncollectibility of accounts receivable. The reserve method entails the estimating of uncollectible receivables throughout the year and charging each year's income statements for the amount needed to provide for such uncollectibility. At December 31, 2006, an estimate of \$4,000 is established for this allowance.

G. Prepaid Expenses

Prepaid expenses represent expenses and deposits paid prior to the fiscal year end that benefit the subsequent fiscal years.

H. Inventory

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

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2006
(Continued)

2. Summary of Significant Accounting Policies (continued)

I. Interest Income

Interest earned is allocated to the applicable fund that has invested cash.

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 Association's financial statements for the year ended December 31, 2005, from which the comparative totals were derived.

3. Investments

Certificates of deposit:

Bearing interest at 4.15% - 6.0% per annum, maturing 2007	<u>\$3,458,277</u>
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4. Assessments, Common Expenses, Budgets and Liens

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 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.

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.

The Company has the right to assess special assessments in the event there is a budget deficit.

5. Related Party Transactions

Effective January 1, 2004, the Company signed an agreement with Vail Summit Resorts, Inc (related company to the Declarant) to provide the Company with security and maintenance. The initial term was for one year which will be renewed automatically for up to five successive one year periods.

On October 10, 2005 the Company signed an agreement with Vail Summit Resorts, Inc (related company to the Declarant) to provide transportation services. The term of the agreement is for one year which may be renewed for one additional year. The payment terms are based on \$150 per residential bedroom and \$0.23 per commercial square footage.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2006
(Continued)

5. Related Party Transactions (continued)

Five of the nine members of the Board of Directors are either employees of the Declarant or a related company. The Company paid the following expenses in 2006 for services provided from the Declarant and/or its related companies:

Security	\$ 72,166
Labor - Snow removal/liter removal	5,638
Lodging	10,972
Common area maintenance	1,714
Plaza maintenance and utilities	7,819
Restroom cleaning	24,669
Landscaping	20,422
Pool labor and maintenance	2,536
Event costs	9,949
Office expense	7,370
Other	858
Rent	31,073
Transit system	290,120
Total	<u>\$ 485,306</u>

At December 31, 2006, the Company had \$20,901 payable to the Declarant and/or its related companies.

The Company received assessments and other various revenues from the Declarant and/or its related companies in 2006 totaling approximately \$558,323. At December 31, 2006, the Declarant and/or its related companies owed the Company approximately \$52,012.

6. Income Taxes

The Company has obtained non-profit status from the State of Colorado. However, for federal and state income tax purposes, the Company is not tax exempt and therefore, must file federal and state income tax returns as a corporation for profit.

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 the construction of community facilities such as a library, chapel, other cultural facilities or any other project that the Company decides is a capital project priority.

The **Community Improvements Reserve 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 amphitheaters, 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, 2006
(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 accounts and generally are not available for expenditures for operations.

The Company conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were made with input from the Company and a company retained to prepare the study. 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 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 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 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 shall make a matching contribution not in excess of 3% of an employee's compensation and not to exceed \$6,000. Each employee's account shall be 100% vested immediately and non-forfeitable at all times.

For the year ended December 31, 2006, the Company contributed \$3,550 to employees who were eligible and participated in the plan.

11. Operating Leases

A. Office Space and Equipment

The Company has entered into an operating lease for office space with Vail Summit Resorts, Inc. The leases initial term was May 1, 2005 through February 28, 2006. The lease contains a five year renewal option. Rent for they year ended December 31, 2006 was \$30,798.

B. Alpine Bank

Beginning April 1, 2002, the Company leased a portion of the Information Center to Alpine Bank. The lease is for five years, to expire on March 31, 2007, at the rate of \$486 per month. During the year ended December 31, 2006, the Company received \$5,764 in accordance with the Lease Agreement ("Agreement"). The rate is subject to increase each year as outlined in the Agreement.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2006
(Continued)

11. Operating Leases (continued)

C. Citicorp copier lease

In January 2006 the Company entered into a 60 month operating lease agreement with Citicorp Vendor Finance, Inc for a copier machine. The lease payment is for \$174 per month plus tax. In 2006 the Company paid \$2,164 under the terms of this agreement.

12. Comparative Information

Certain balances in the comparative information for the year fiscal ended January 1, 2005 have been reclassified to conform to the presentation used for the year ended December 31, 2006.

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, 2006
(With Comparative Actual Amounts For the Year Ended 2005)

	<u>2006</u>		Variance Positive (Negative)	<u>2005</u>
	Budget (Unaudited)	Actual		Actual
Revenues:				
Real estate assessments	610,381	562,830	(47,551)	768,812
Real estate transfer assessments	790,000	2,096,739	1,306,739	1,164,150
Sales assessments	150,992	159,795	8,803	126,682
Recreation assessments	24,356	30,106	5,750	25,523
Event revenue and sponsorships	189,300	235,042	45,742	200,020
Park Lane Pavilion	104,370	75,855	(28,515)	61,974
Interest income	2,041	76,627	74,586	4,470
Commercial trash	147,336	128,191	(19,145)	143,576
Other	19,363	64,447	45,084	73,704
Total Revenues	<u>2,038,139</u>	<u>3,429,632</u>	<u>1,391,493</u>	<u>2,568,911</u>
Expenses:				
General and administrative:				
Payroll and benefits	311,496	271,019	40,477	303,056
Audit and tax preparation	8,132	10,232	(2,100)	7,942
Legal	12,000	4,583	7,417	6,499
Insurance	78,943	81,014	(2,071)	72,437
Bad debt expense	-	2,559	(2,559)	14,738
Office expense	70,247	76,809	(6,562)	78,022
Total general and administrative	<u>480,818</u>	<u>446,216</u>	<u>34,602</u>	<u>482,694</u>
Security:				
Commercial	29,688	32,157	(2,469)	31,968
Residential	58,349	61,464	(3,115)	47,250
Total security	<u>88,037</u>	<u>93,621</u>	<u>(5,584)</u>	<u>79,218</u>
Road snow removal and maintenance:				
Snow removal and hauling	62,259	75,482	(13,223)	76,522
Trail Head Drive utilities	87,000	116,142	(29,142)	104,975
Road repairs	8,360	6,483	1,877	4,475
Total road snow removal and maintenance	<u>157,619</u>	<u>198,107</u>	<u>(40,488)</u>	<u>185,972</u>
Plaza snow and litter removal:				
Commercial trash	60,000	39,474	20,526	83,780
Labor	220,828	290,670	(69,842)	272,177
Machine time/service	34,096	46,192	(12,096)	37,835
Snowmelt utilities	48,000	26,675	21,325	34,577
Total plaza snow and litter removal	<u>362,924</u>	<u>403,011</u>	<u>(40,087)</u>	<u>428,369</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, 2006
(With Comparative Actual Amounts For the Year Ended 2005)
(Continued)

	2006		Variance Positive (Negative)	2005
	Budget (Unaudited)	Actual		Actual
Expenses (continued):				
Common area maintenance:				
Plaza maintenance	10,000	16,207	(6,207)	8,161
Plaza utilities	35,750	41,653	(5,903)	32,271
Restroom cleaning	14,800	16,011	(1,211)	4,121
Signage	8,000	1,657	6,343	585
Summer landscaping	94,500	137,287	(42,787)	100,906
Streetscaping	12,000	947	11,053	25,933
Total common area maintenance	175,050	213,762	(38,712)	171,977
Pool maintenance:				
Restroom cleaning	9,024	5,778	3,246	4,962
Labor	15,245	14,677	568	6,955
Chemicals	10,870	8,447	2,423	7,387
Utilities	36,300	40,230	(3,930)	42,012
Maintenance and repair	13,000	8,300	4,700	16,622
Total pool maintenance	84,439	77,432	7,007	77,938
Community events:				
Community events	217,023	272,776	(55,753)	245,077
Park Lane Pavilion	159,475	133,841	25,634	156,806
Total community events	376,498	406,617	(30,119)	401,883
Design Review & other:				
Design review	10,720	19,082	(8,362)	12,844
Transit System:				
Operations	277,034	277,034	-	277,034
Depreciation	25,000	17,603	7,397	17,488
Total Expenses	2,038,139	2,152,485	(114,346)	2,135,417

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 and
Community Capital Improvements Fund
Future Repairs and Replacements
December 31, 2006
(Unaudited)

A study was conducted in 2002 for the Company by an independent firm. The replacement costs are based on estimated 2002 costs plus an estimated inflationary increase.

	Estimated Present Replacement Costs at 12/31/06	Actual Reserves at 12/31/06	Annual Funding Required to Fully Fund Reserves
Architectural	744,635	219,229	42,393
Site work	4,620,932	1,771,077	342,479
Landscaping	166,773	45,032	8,708
Other areas	504,034	257,248	49,745
Mechanical	366,329	91,481	17,690
Total	6,402,703	2,384,067	461,015

Schedule of Actual Reserves at December 31, 2006:

Community Capital Reserve Fund	1,380,170
Community Improvements Fund	1,003,897
Total	2,384,067

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