

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

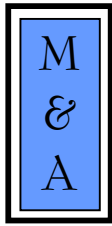
**Financial Statements
December 31, 2007**



fThe Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2007

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MCMAHAN AND ASSOCIATES, L.L.C.

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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, 2007, 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 2006 financial statements and, in our report dated April 12, 2007, 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, 2007, 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, L.L.C.
June 3, 2008**

Performing services for resort communities throughout Colorado

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

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BASIC FINANCIAL STATEMENTS



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2007
With Comparative Totals For the Year Ended 2006

	2007				2006	
	Replacement Funds					
	Operating Fund	Community Facilities Fund	Community Capital Reserve Fund	Community Improvements Fund	Total	Total
Assets:						
Current assets:						
Cash and cash equivalents	1,367,490	142,978	65,800	134,553	1,710,821	945,253
Investments	1,021,437	837,398	877,852	1,152,302	3,888,989	3,458,277
Accrued interest receivable	-	-	-	-	-	27,531
Accounts receivable, net of allowance for doubtful accounts	469,282	-	-	-	469,282	168,452
Prepaid expenses	14,979	-	-	-	14,979	27,234
Inventory	14,152	-	-	-	14,152	11,758
Due (to) from other fund	(1,353,043)	195,507	967,365	190,171	-	-
Total Current Assets	1,534,297	1,175,883	1,911,017	1,477,026	6,098,223	4,638,505
Fixed assets:						
Equipment	160,569	-	-	-	160,569	114,017
Tenant improvements	179,107	-	-	-	179,107	179,107
Less accumulated depreciation	(118,762)	-	-	-	(118,762)	(100,173)
Net Fixed Assets	220,914	-	-	-	220,914	192,951
Total Assets	1,755,211	1,175,883	1,911,017	1,477,026	6,319,137	4,831,456
Liabilities and Fund Equity:						
Current liabilities:						
Accounts payable	54,686	-	-	-	54,686	87,065
Prepaid assessments	-	-	-	-	-	2,566
Other payable	37,087	-	-	-	37,087	11,856
Deposits	111,695	-	-	-	111,695	96,695
Total Current Liabilities	203,468	-	-	-	203,468	198,182
Fund equity:						
Fund balances	1,551,743	1,175,883	1,911,017	1,477,026	6,115,669	4,633,274
Total Fund Equity	1,551,743	1,175,883	1,911,017	1,477,026	6,115,669	4,633,274
Total Liabilities and Fund Equity	1,755,211	1,175,883	1,911,017	1,477,026	6,319,137	4,831,456

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, 2007
(With Comparative Totals For the Year Ended 2006)

	2007				2006	
	Operating Fund	Replacement Funds			Total	Total
		Community Facilities Fund	Capital Reserve Fund	Community Improvements Fund		
Revenues:						
Real estate assessments	856,597	134,214	350,000	-	1,340,811	1,086,598
Real estate transfer assessments	1,879,900	-	-	-	1,879,900	2,096,739
Sales assessments	145,576	-	-	-	145,576	159,795
Recreation assessments	25,494	-	-	-	25,494	30,106
Event revenue and sponsorships	276,515	-	-	-	276,515	235,042
Pavilion at Keystone	75,507	-	-	-	75,507	75,855
Interest income	52,069	41,669	42,027	44,541	180,306	154,942
Commercial trash	132,048	-	-	-	132,048	128,191
Other	65,626	-	-	-	65,626	64,447
Total Revenues	3,509,332	175,883	392,027	44,541	4,121,783	4,031,715
Expenses:						
General and administrative	443,813	-	-	-	443,813	446,216
Depreciation	18,589	-	-	-	18,589	17,603
Security	79,217	-	-	-	79,217	93,621
Road snow removal and maintenance	160,070	-	35,502	-	195,572	198,107
Plaza snow and litter removal	443,143	-	-	-	443,143	403,013
Common area maintenance	214,500	-	-	-	214,500	213,760
Pool maintenance	77,745	-	-	-	77,745	77,432
Community projects and events	464,763	-	225,678	170,619	861,060	748,803
Transit system	277,034	-	-	-	277,034	277,034
Other	28,715	-	-	-	28,715	19,082
Total Expenses	2,207,589	-	261,180	170,619	2,639,388	2,494,671
Excess (Deficiency) of Revenues Over Expenses	1,301,743	175,883	130,847	(126,078)	1,482,395	1,537,044
Fund Balances - Beginning of Year	1,527,148	722,059	1,380,170	1,003,897	4,633,274	3,096,230
Transfer (to) from other Fund	(1,277,148)	277,941	400,000	599,207	-	-
Fund Balances - End of Year	1,551,743	1,175,883	1,911,017	1,477,026	6,115,669	4,633,274

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, 2007
(With Comparative Totals For the Year Ended 2006)

	2007				2006	
	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	2,619,171	134,214	350,000	-	3,103,385	3,346,007
Other cash received	549,696	-	-	-	549,696	503,536
Interest received in cash	60,007	50,108	48,078	49,644	207,837	132,396
Cash paid for goods and services	(1,958,532)	-	(261,180)	(170,619)	(2,390,331)	(2,150,572)
Cash paid for salaries and benefits	(227,756)	-	-	-	(227,756)	(271,019)
Transfers	(302,123)	86,755	(419,300)	634,667	(1)	-
Net Cash Provided (Used) by Operating Activities	740,463	271,077	(282,402)	513,692	1,242,830	1,560,348
Cash Flows From Investing Activities:						
Cash payment for purchase of fixed assets	(46,552)	-	-	-	(46,552)	(17,277)
Sale (purchase) of investments, net	232,563	(249,222)	(10,465)	(403,588)	(430,712)	(1,639,262)
Net Cash Provided (Used) by Investing Activities	186,011	(249,222)	(10,465)	(403,588)	(477,264)	(1,656,539)
Net Increase (Decrease) in Cash	926,474	21,855	(292,867)	110,104	765,566	(96,191)
Cash - Beginning of Year	441,015	121,122	358,667	24,449	945,253	1,041,444
Cash - End of Year	1,367,489	142,977	65,800	134,553	1,710,819	945,253
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (deficiency) of revenues over expenses	1,301,743	175,883	130,847	(126,078)	1,482,395	1,537,044
Adjustments:						
Depreciation	18,589	-	-	-	18,589	17,309
Transfers to (from) other funds	(1,277,148)	277,941	400,000	599,207	-	-
(Increase) decrease in accounts receivable	(300,830)	-	-	-	(300,830)	(43,568)
(Increase) decrease in accrued interest receivable	7,938	8,439	6,051	5,103	27,531	(22,546)
(Increase) decrease in prepaid expenses	12,255	-	-	-	12,255	1,927
(Increase) decrease in inventory	(2,395)	-	-	-	(2,395)	(7,519)
Increase (decrease) in accounts payable	(32,379)	-	-	-	(32,379)	49,507
Increase (decrease) in other payable	25,231	-	-	-	25,231	11,856
Increase (decrease) in prepaid assessments	(2,566)	-	-	-	(2,566)	(162)
Increase (decrease) in deposits	15,000	-	-	-	15,000	16,500
Increase (decrease) in due to/from other funds	975,026	(191,185)	(819,300)	35,460	1	-
Total Adjustments	(561,279)	95,195	(413,249)	639,770	(239,563)	23,304
Net Cash Provided (Used) by Operating Activities	740,464	271,078	(282,402)	513,692	1,242,832	1,560,348

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, 2007

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, 2007, 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, 2007
(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, 2007, fixed assets had the following balance:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Fixed assets:				
Equipment	\$ 114,017	46,552	-	160,569
Tenant improvements	179,107	-	-	179,107
Total fixed assets being depreciated	<u>293,124</u>	<u>46,552</u>	<u>-</u>	<u>339,676</u>
Less accumulated depreciation for:	<u>(100,173)</u>	<u>(18,589)</u>	<u>-</u>	<u>(118,762)</u>
Total fixed assets, net	<u><u>\$ 192,951</u></u>	<u><u>27,963</u></u>	<u><u>-</u></u>	<u><u>220,914</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, 2007, an estimate of - 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, 2007
(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, 2006, from which the comparative totals were derived.

3. Investments

Certificates of deposit:

Bearing interest at 4.15% - 6.0% per annum, maturing 2008	<u>\$3,888,989</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, 2007
(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 2007 for services provided from the Declarant and/or its related companies:

Security	79,217
Common area maintenance	29,866
Plaza maintenance and utilities	7,748
Landscaping	34,028
Pool labor and maintenance	8,989
Event costs	20,247
Office expense	7,332
Other	6,197
Rent	29,540
Transit system	262,034
Total	<u><u>485,198</u></u>

At December 31, 2007, the Company had \$758 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 2007 totaling approximately \$619,103. At December 31, 2007, the Declarant and/or its related companies owed the Company approximately \$112,021.

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 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, 2007
(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. The Company's Board has approved preliminary planning and architectural expenditures for the construction of a major community center.

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 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, 2007, the Company contributed \$4,550 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, 2007
(Continued)

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 the year ended December 31, 2007 was \$29,540.

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, 2007, the Company received \$6,318 in accordance with the Lease Agreement ("Agreement"). The rate is subject to increase each year as outlined in the Agreement.

12. Comparative Information

Certain balances in the comparative information for the year fiscal ended January 1, 2006 have been reclassified to conform to the presentation used for the year ended December 31, 2007.

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, 2007
(With Comparative Actual Amounts For the Year Ended 2006)

	<u>2007</u>		Variance Positive (Negative)	<u>2006</u>
	Budget (Unaudited)	Actual		Actual
Revenues:				
Real estate assessments	523,217	856,597	333,380	562,830
Real estate transfer assessments	1,055,714	1,879,900	824,186	2,096,739
Sales assessments	158,542	145,576	(12,966)	159,795
Recreation assessments	25,574	25,494	(80)	30,106
Event revenue and sponsorships	202,600	276,515	73,915	235,042
Pavilion at Keystone	65,000	75,507	10,507	75,855
Interest income	-	52,069	52,069	76,627
Commercial trash	127,094	132,048	4,954	128,191
Other	35,832	65,626	29,794	64,447
Total Revenues	<u>2,193,573</u>	<u>3,509,332</u>	<u>1,315,759</u>	<u>3,429,632</u>
Expenses:				
General and administrative:				
Payroll and benefits	291,407	227,756	63,651	271,019
Audit and tax preparation	10,000	11,292	(1,292)	10,232
Legal	6,000	10,752	(4,752)	4,583
Insurance	93,244	67,405	25,839	81,014
Income taxes	-	36,513	(36,513)	-
Bad debt expense	-	620	(620)	2,559
Office expense	82,560	89,475	(6,915)	76,809
Total general and administrative	<u>483,211</u>	<u>443,813</u>	<u>39,398</u>	<u>446,216</u>
Security:				
Commercial & residential	85,345	79,217	6,128	93,621
Total security	<u>85,345</u>	<u>79,217</u>	<u>6,128</u>	<u>93,621</u>
Road snow removal and maintenance:				
Snow removal and hauling	68,700	62,429	6,271	75,482
Trail Head Drive utilities	110,240	91,636	18,604	116,142
Road sweeping	-	-	-	-
Road repairs	6,560	6,005	555	6,483
Total road snow removal and maintenance	<u>185,500</u>	<u>160,070</u>	<u>25,430</u>	<u>198,107</u>
Plaza snow and litter removal:				
Commercial trash	47,000	43,162	3,838	39,474
Labor	263,560	339,873	(76,313)	290,670
Machine time/service	44,000	43,238	762	46,192
Snowmelt utilities	36,500	16,870	19,630	26,675
Total plaza snow and litter removal	<u>391,060</u>	<u>443,143</u>	<u>(52,083)</u>	<u>403,011</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, 2007
(With Comparative Actual Amounts For the Year Ended 2006)
(Continued)

	2007		Variance Positive (Negative)	2006
	Budget (Unaudited)	Actual		Actual
Expenses (continued):				
Common area maintenance:				
Plaza maintenance	10,000	8,584	1,416	16,207
Plaza utilities	40,900	37,085	3,815	41,653
Restroom cleaning	26,700	27,723	(1,023)	16,011
Signage	8,000	867	7,133	1,657
Summer landscaping	167,500	136,324	31,176	137,287
Streetscaping	12,000	3,917	8,083	946
Total common area maintenance	265,100	214,500	50,600	213,761
Pool maintenance:				
Restroom cleaning	9,200	5,437	3,763	5,778
Labor	15,400	15,420	(20)	14,677
Chemicals	11,000	12,619	(1,619)	8,447
Utilities	44,500	33,252	11,248	40,230
Maintenance and repair	13,000	11,017	1,983	8,300
Total pool maintenance	93,100	77,745	15,355	77,432
Community projects and events:				
Community events	249,624	344,808	(95,184)	272,776
Pavilion at Keystone	116,850	119,955	(3,105)	133,841
Total community events	366,474	464,763	(98,289)	406,617
Design Review, Transit & other:				
Design review	14,998	28,715	(13,717)	19,082
Transit	283,784	277,034	6,750	277,034
Depreciation	25,000	18,589	6,411	17,603
Total Expenses	2,193,572	2,207,589	(14,017)	2,152,484

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, 2007
(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 12/31/07	Actual Reserves at 12/31/07	Annual Funding Required to Fully Fund Reserves
Architectural	744,635	311,550	42,393
Site work	4,620,932	2,516,911	342,479
Landscaping	166,773	63,996	8,708
Other areas	504,034	365,581	49,745
Mechanical	366,329	130,005	17,690
Total	6,402,703	3,388,043	461,015

Schedule of Actual Reserves at December 31, 2007:

Community Capital Reserve Fund	1,911,017
Community Improvements Fund	1,477,026
Total	3,388,043

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