

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

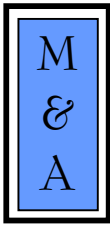
**Financial Statements
December 31, 2008**



The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2008

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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, 2008, 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 2007 financial statements and, in our report dated June 3, 2008, 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, 2008, 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 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 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.
May 14, 2009**

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, 2008
With Comparative Totals For the Year Ended 2007

	2008				2007	
	Replacement Funds					
	Operating Fund	Community Facilities Fund	Community Capital Reserve Fund	Community Improvements Fund	Total	Total
Assets:						
Current assets:						
Cash and cash equivalents	108,388	189,149	633,639	128,780	1,059,956	1,710,821
Investments	1,022,679	1,254,855	583,479	1,735,227	4,596,240	3,888,989
Accounts receivable, net of allowance for doubtful accounts	216,581	-	-	-	216,581	317,089
Other receivable - Income taxes	186,692	-	-	-	186,692	114,554
Prepaid expenses	14,467	-	-	-	14,467	14,979
Inventory	12,268	-	-	-	12,268	14,152
Due (to) from other fund	(1,832,402)	606,495	1,147,849	78,058	-	-
Total Current Assets	<u>(271,327)</u>	<u>2,050,499</u>	<u>2,364,967</u>	<u>1,942,065</u>	<u>6,086,204</u>	<u>6,060,584</u>
Fixed assets:						
Construction-in-progress	257,878	-	-	-	257,878	-
Equipment	193,497	-	-	-	193,497	160,569
Tenant improvements	187,607	-	-	-	187,607	179,107
Less: Accumulated depreciation	(148,572)	-	-	-	(148,572)	(118,762)
Net Fixed Assets	<u>490,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,410</u>	<u>220,914</u>
Total Assets	<u>219,083</u>	<u>2,050,499</u>	<u>2,364,967</u>	<u>1,942,065</u>	<u>6,576,614</u>	<u>6,281,498</u>
Liabilities and Fund Equity:						
Current liabilities:						
Accounts payable	87,288	-	-	-	87,288	54,134
Deposits	131,795	-	-	-	131,795	111,695
Total Current Liabilities	<u>219,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,083</u>	<u>165,829</u>
Fund equity:						
Fund balances (deficit)	-	2,050,499	2,364,967	1,942,065	6,357,531	6,115,669
Total Fund Equity	<u>-</u>	<u>2,050,499</u>	<u>2,364,967</u>	<u>1,942,065</u>	<u>6,357,531</u>	<u>6,115,669</u>
Total Liabilities and Fund Equity	<u>219,083</u>	<u>2,050,499</u>	<u>2,364,967</u>	<u>1,942,065</u>	<u>6,576,614</u>	<u>6,281,498</u>

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, 2008
(With Comparative Totals For the Year Ended 2007)

	2008				2007	
	Replacement Funds				Total	Total
	Operating Fund	Community Facilities Fund	Community Capital Reserve Fund	Community Improvements Fund		
Revenues:						
Real estate assessments	919,286	134,214	276,652	-	1,330,152	1,340,811
Real estate transfer assessments	882,694	-	-	-	882,694	1,879,900
Sales assessments	152,925	-	-	-	152,925	145,576
Recreation assessments	21,131	-	-	-	21,131	25,494
Event revenue and sponsorships	230,207	-	-	-	230,207	276,515
Pavilion at Keystone	84,416	-	-	-	84,416	75,507
Interest income	30,862	58,297	78,586	61,778	229,523	180,306
Commercial trash	142,767	-	-	-	142,767	132,048
Other	83,859	-	-	-	83,859	65,626
Total Revenues	2,548,147	192,511	355,238	61,778	3,157,674	4,121,783
Expenses:						
General and administrative	488,072	-	-	-	488,072	443,813
Depreciation	29,810	-	-	-	29,810	18,589
Security	86,419	-	-	-	86,419	79,217
Road snow removal and maintenance	250,534	-	-	-	250,534	195,572
Plaza snow and litter removal	578,606	-	-	-	578,606	443,143
Common area maintenance	213,988	-	-	-	213,988	214,500
Pool maintenance	98,719	-	-	-	98,719	77,745
Community events	491,198	-	-	-	491,198	464,763
Capital projects	-	8,940	301,288	57,437	367,665	396,297
Transit system	277,034	-	-	-	277,034	277,034
Other	33,767	-	-	-	33,767	28,715
Total Expenses	2,548,147	8,940	301,288	57,437	2,915,812	2,639,388
Excess (Deficiency) of Revenues Over Expenses	-	183,571	53,950	4,341	241,862	1,482,395
Fund Balances - Beginning of Year	1,551,743	1,175,883	1,911,017	1,477,026	6,115,669	4,633,274
Transfer (to) from other Fund(s)	(1,551,743)	691,045	400,000	460,698	-	-
Fund Balances - End of Year	-	2,050,499	2,364,967	1,942,065	6,357,531	6,115,669

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, 2008
(With Comparative Totals For the Year Ended 2007)

	2008				2007	
	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	2,096,644	134,214	276,652	-	2,507,510	3,215,084
Other cash received	541,249	-	-	-	541,249	590,190
Interest received in cash	20,269	54,683	79,534	50,433	204,919	207,837
Cash paid for goods and services	(1,921,774)	(8,940)	(301,288)	(57,437)	(2,289,439)	(2,187,230)
Cash paid for salaries and benefits	(633,151)	-	-	-	(633,151)	(583,050)
Transfers	(1,072,384)	280,057	219,516	572,811	-	-
Net Cash Provided (Used) by Operating Activities	(969,147)	460,014	274,414	565,807	331,088	1,242,831
Cash Flows From Investing Activities:						
Cash payment for purchase of fixed assets	(299,306)	-	-	-	(299,306)	(46,552)
Sale (purchase) of investments, net	9,351	(413,843)	293,425	(571,580)	(682,647)	(430,712)
Net Cash Provided (Used) by Investing Activities	(289,955)	(413,843)	293,425	(571,580)	(981,953)	(477,264)
Net Increase (Decrease) in Cash	(1,259,102)	46,171	567,839	(5,773)	(650,865)	765,567
Cash - Beginning of Year	1,367,490	142,978	65,800	134,553	1,710,821	945,254
Cash - End of Year	108,388	189,149	633,639	128,780	1,059,956	1,710,821
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (deficiency) of revenues over expenses	-	183,571	53,950	4,341	241,862	1,482,395
Adjustments:						
Depreciation	29,810	-	-	-	29,810	18,589
Unrealized (gain) loss on investments	(10,593)	(3,614)	948	(11,345)	(24,604)	-
Transfers to (from) other funds	(1,551,743)	691,045	400,000	460,698	-	-
(Increase) decrease in accounts receivable	100,508	-	-	-	100,508	(148,637)
(Increase) decrease in other receivable	(72,138)	-	-	-	(72,138)	(114,554)
(Increase) decrease in accrued interest receivable	-	-	-	-	-	27,531
(Increase) decrease in prepaid expenses	512	-	-	-	512	12,255
(Increase) decrease in inventory	1,884	-	-	-	1,884	(2,395)
Increase (decrease) in accounts payable	32,602	-	-	-	32,602	(32,379)
Increase (decrease) in other payable	552	-	-	-	552	(12,408)
Increase (decrease) in prepaid assessments	-	-	-	-	-	(2,566)
Increase (decrease) in deposits	20,100	-	-	-	20,100	15,000
Increase (decrease) in due to/from other funds	479,359	(410,988)	(180,484)	112,113	-	-
Total Adjustments	(969,147)	276,443	220,464	561,466	89,226	(239,564)
Net Cash Provided (Used) by Operating Activities	(969,147)	460,014	274,414	565,807	331,088	1,242,831

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, 2008

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) 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 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 (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, 2008, 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, 2008
(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 are depreciated over a twenty year useful life.

Construction-in-progress, which consists principally of architect fees for a proposed performing arts facility, will not be depreciated until the asset is placed into service.

For the year ended December 31, 2008, fixed assets were comprised of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Fixed assets:				
Construction-in-progress	\$ -	257,878	-	257,878
Equipment	160,569	32,928	-	193,497
Tenant improvements	179,107	8,500	-	187,607
Total fixed assets	293,124	299,306	-	638,982
Less: Accumulated depreciation	(118,762)	(29,810)	-	(148,572)
Total fixed assets, net	\$ 192,951	269,496	-	490,410

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, 2008, an allowance of \$74,994 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. 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, 2008
(Continued)

2. Summary of Significant Accounting Policies (continued)

H. Investment Income

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

I. 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.

J. 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, 2007, from which the comparative totals were derived.

3. Investments

Certificates of deposit:

Bearing interest at 2.200% - 3.600% per annum, maturing 2009	\$ 3,203,451
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United States treasuries:

Bearing interest at 3.125% - 4.000% per annum, maturing 2009	825,764
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Bearing interest at 2.125% - 2.750% per annum, maturing 2010	567,025
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Total investments	<u><u>\$ 4,596,240</u></u>
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Included in the Company's investment income for fiscal year 2008 are net unrealized gains totaling \$14,852 in respect to investments held at December 31, 2008.

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 by 29 mills.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2008
(Continued)

4. Assessments and Common Expenses (continued)

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 2008.

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.

On October 10, 2005, the Company signed an agreement with Vail Summit Resorts, Inc. to provide transportation services. The term of the agreement was for one year with a renewal term of an additional year. This agreement has subsequently been renewed for successive one-year periods upon the expiration of the initial agreement. The payment terms are based on \$150 per residential bedroom and \$0.23 per commercial square foot.

Six of the nine members of the Board of Directors are appointed by the Declarant. The Company paid the following expenses in 2008 for services provided from the Declarant and/or its related companies:

Security	\$ 86,419
Common area maintenance	42,422
Plaza maintenance and utilities	10,206
Landscaping	6,195
Pool labor and maintenance	16,580
Event costs	5,760
Office expense	4,004
Other	1,364
Rent	36,675
Transit system	277,034
Total	<u>\$ 486,659</u>

At December 31, 2008, the Company did not have a payable balance to the Declarant 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 2008 totaling \$611,050. At December 31, 2008, the Declarant and/or its related companies owed the Company \$77,767.

The Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2008
(Continued)

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.

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 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.

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 2008, 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 2002, 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 Keystone Neighbourhood Company, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2008
(Continued)

8. Future Major Repairs and Replacement Reserve (continued)

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 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, 2008, the Company contributed \$3,411 to employees who were eligible and participated in the plan.

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 2010. 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. The lease contains a five year renewal option. Rent for the year ended December 31, 2008 was \$36,675.

Future minimum rental payments (base rent) due under terms of the Company's operating lease at December 31, 2008 are as follows:

<u>Year</u>	<u>Minimum Rental Payments</u>
2009	\$ 22,500
2010	3,750
Total	<u><u>\$ 26,250</u></u>

12. Comparative Information

Certain balances in the comparative information for the year fiscal ended January 1, 2007 have been reclassified to conform to the presentation used for the year ended December 31, 2008.

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, 2008
(With Comparative Actual Amounts For the Year Ended 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Real estate assessments	1,342,139	1,330,152	(11,987)	1,340,811
Less: Allocation to reserve funds	(1,302,639)	(410,866)	891,773	(484,214)
Real estate transfer assessments	1,537,817	882,694	(655,123)	1,879,900
Sales assessments	166,469	152,925	(13,544)	145,576
Recreation assessments	26,853	21,131	(5,722)	25,494
Event revenue and sponsorships	266,120	230,207	(35,913)	276,515
Pavilion at Keystone	72,400	84,416	12,016	75,507
Interest income	1,747	30,862	29,115	52,069
Commercial trash	136,240	142,767	6,527	132,048
Other	53,832	83,859	30,027	65,626
Total Revenues	<u><u>2,300,978</u></u>	<u><u>2,548,147</u></u>	<u><u>247,169</u></u>	<u><u>3,509,332</u></u>
Expenses:				
General and administrative:				
Payroll and benefits	185,151	183,008	2,143	227,756
Audit and tax preparation	10,920	12,000	(1,080)	11,292
Legal	12,240	4,047	8,193	10,752
Insurance	58,636	49,901	8,735	67,405
Income taxes	-	51,136	(51,136)	36,513
Bad debt expense	-	74,994	(74,994)	620
Office expense	80,811	112,986	(32,175)	89,475
Total general and administrative	<u><u>347,758</u></u>	<u><u>488,072</u></u>	<u><u>(140,314)</u></u>	<u><u>443,813</u></u>
Security:				
Commercial & residential	86,419	86,419	-	79,217
Total security	<u><u>86,419</u></u>	<u><u>86,419</u></u>	<u><u>-</u></u>	<u><u>79,217</u></u>
Road snow removal and maintenance:				
Snow removal and hauling	68,000	103,397	(35,397)	62,429
Trail Head Drive utilities	125,000	142,418	(17,418)	91,636
Road repairs	6,500	4,720	1,780	6,005
Total road snow removal and maintenance	<u><u>199,500</u></u>	<u><u>250,535</u></u>	<u><u>(51,035)</u></u>	<u><u>160,070</u></u>
Plaza snow and litter removal:				
Commercial trash	47,000	41,093	5,907	43,162
Labor	363,651	434,633	(70,982)	339,873
Machine time/service	22,000	69,264	(47,264)	43,238
Snowmelt utilities	25,000	33,616	(8,616)	16,870
Total plaza snow and litter removal	<u><u>457,651</u></u>	<u><u>578,606</u></u>	<u><u>(120,955)</u></u>	<u><u>443,143</u></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, 2008
(With Comparative Actual Amounts For the Year Ended 2007)
(Continued)

	2008		Variance Positive (Negative)	2007
	Budget (Unaudited)	Actual		Actual
Expenses (continued):				
Common area maintenance:				
Plaza maintenance	11,500	4,847	6,653	8,584
Plaza utilities	23,000	41,844	(18,844)	37,085
Restroom cleaning	30,700	43,061	(12,361)	27,723
Signage	5,000	1,998	3,002	867
Summer landscaping	172,000	121,603	50,397	136,324
Streetscaping	5,000	635	4,365	3,917
Total common area maintenance	247,200	213,988	33,212	214,500
Pool maintenance:				
Restroom cleaning	7,000	13,046	(6,046)	5,437
Labor	15,600	15,510	90	15,420
Chemicals	14,000	12,343	1,657	12,619
Utilities	40,000	47,660	(7,660)	33,252
Maintenance and repair	14,068	10,160	3,908	11,017
Total pool maintenance	90,668	98,719	(8,051)	77,745
Community events:				
Community events	392,141	368,102	24,039	344,808
Pavilion at Keystone	142,525	123,095	19,430	119,955
Total community events	534,666	491,197	43,469	464,763
Design Review, Transit & other:				
Design review	28,332	33,738	(5,406)	28,715
Other	-	29	(29)	-
Transit	283,784	277,034	6,750	277,034
Depreciation	25,000	29,810	(4,810)	18,589
Total Expenses	2,300,978	2,548,147	(247,169)	2,207,589

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, 2008
(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 12/31/08	Actual Reserves at 12/31/08	Annual Funding Required to Fully Fund Reserves
Architectural	744,635	396,057	42,393
Site work	4,620,932	3,199,610	342,479
Landscaping	166,773	81,354	8,708
Other areas	504,034	464,743	49,745
Mechanical	366,329	165,269	17,690
Total	6,402,703	4,307,033	461,015

Schedule of Actual Reserves at December 31, 2008:

Community Capital Reserve Fund	2,364,967
Community Improvements Fund	1,942,065
Total	4,307,032

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