STAGECOACH TOWNHOUSE ASSOCIATION

FINANCIAL STATEMENTS AND ACCOUNTANTS' REPORT

SEPTEMBER 30, 2005

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INDEPENDENT AUDITOR'S REPORT

April 9, 2007

To the Board of Directors of Stagecoach Townhouse Association
Steamboat Springs, Colorado

We have audited the accompanying balance sheet of Stagecoach Townhouse Association as of September 30, 2005, and the related statements of revenues, expenditures and changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

As more fully explained in note 3 to the financial statements, the Association does not have a replacement funding program for selected common areas. Accordingly, as repairs and replacement become necessary, the Association may increase regular assessments, pass special assessments or delay improvements until funds are available.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stagecoach Townhouse Association as of September 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ingalls, Ingalls & Company, P.C.
Certified Public Accountants

STAGECOACH TOWNHOUSE ASSOCIATION
BALANCE SHEET AS OF
SEPTEMBER 30, 2005

ASSETS	2005		
	Operating Fund	Replacement Fund	Total
Cash, including interest bearing deposits	$ 65,412	$177,887	$243,299
Accounts receivable net of allowance for doubtful accounts of $-0-	10,524	-	10,524
Prepaid expenses	-	-	-
Notes Receivable	-	11,573	11,573
Land	31,170	-	31,170
Total assets	$ 107,106	$189,460	$296,566

LIABILITIES AND FUND BALANCES			
Accounts payable	$ 170	$ 9,096	$ 9,266
Deposits	1,705	-	1,705
Total liabilities	1,875	9,096	10,971
Fund balance	105,231	180,364	285,595
Total liabilities and fund balance	$ 107,106	$189,460	$296,566

See accompanying notes to financial statements.

STAGECOACH TOWNHOUSE ASSOCIATION
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2005		
	Operating Fund	Replacement Fund	Total
REVENUES:			
Regular assessments	$126,111	$ 51,120	$177,231
Late fees	2,384	-	2,384
Special assessments	-	18,710	18,710
Interest income	1,196	2,507	3,703
Miscellaneous	2,784	-	2,784
Total revenues	132,475	72,337	204,812
EXPENDITURES:			
Bank charges	365	-	365
Business manager	19,800	-	19,800
Early payment credit	7,387	-	7,387
Electric	-	-	-
Insurance	8,040	-	8,040
Lawn maintenance	9,510	-	9,510
Legal fees	5,923	-	5,923
Miscellaneous	911	-	911
Property manager	12,000	-	12,000
Repairs and maintenance	7,385	-	7,385
Storage	-	-	-
Sewer maintenance	5,617	-	5,617
Snow removal	12,021	-	12,021
Telephone	1,236	-	1,236
Trash	15,677	-	15,677
Major maintenance	-	99,165	99,165
Total expenditures	105,872	99,165	205,037
Excess (deficiency) revenue over expenditures	26,603	(26,828)	(225)
Fund balance, beginning of year	78,628	231,137	309,765
Distribution to owners	-	(23,945)	(23,945)
Fund balance, end of year	$105,231	$ 180,364	$285,595

See accompanying notes to financial statements.

STAGECOACH TOWNHOUSE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	2005		
	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess revenues over (under) expenditures	$ 26,603	$ (26,828)	$ (225)
Adjustments to reconcile to cash flow:			
Changes in assets & liabilities:			
(Increase) decrease in accounts receivable	19,715		19,715
(Increase) decrease in prepaid expenses		22,690	22,690
(Increase) decrease in notes receivable		(3,454)	(3,454)
Increase (decrease) in accounts payable	35	(6,284)	(6,249)
Increase (decrease) in deposits	711	-	711
Net cash provided (used) in operating activities	47,064	(13,876)	33,188
Cash flows from financing activities:			
Distribution to owners	-	(23,945)	(23,945)
Net cash provided (used) in financing activities	-	(23,945)	(23,945)
Net increase (decrease) in cash	47,064	(37,821)	9,243
Cash, beginning of year	18,348	215,708	234,056
Cash, end of year	$ 65,412	$ 177,887	$ 243,299
Supplemental disclosure			
Cash paid for interest	$ -	$ -	$ -
Cash paid for income tax	$ -	$ -	$ -

See accompanying notes to financial statements

STAGECOACH TOWNHOUSE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

Note 1. Significant accounting policies.

The Association is a non-profit corporation, organized and operated solely to provide for construction, maintenance and management of all common area property at the Stagecoach Townhouses in Steamboat Springs, Colorado. The Stagecoach Townhouses consist of 90 units.

Fund accounting is used to properly account for restrictions on expenditures resulting from actions of the Board of Directors or of the Association voting membership. Substantial additions and improvements to common area property are recorded in the Replacement or Building fund. All other expenditures of the Association are recorded in the Operating fund.

Replacements and improvements to real property are not capitalized on the books of the Association, as they are owned by the owners in common and not by the Association.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

Cash equivalent

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 1. Significant accounting policies (continued).

Concentration of Credit Risk
Financial instruments that potentially subject the Association to credit risk, consist primarily of the following:

> Cash: The Association maintains its cash balances at several financial institutions in Colorado. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $100,000. Uninsured balances are approximately $83,300 at September 30, 2005.

Note 2. Management contract.

The Stagecoach Townhouses Association is operated and managed by Double H Management Group, Inc

Note 3. Replacement reserves.

An independent study to determine a current funding program for the future replacement of Association common areas has not been conducted. Accordingly, the current regular assessments and cash in savings may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the monthly assessments, pass special assessments, or delay improvements until funds are available.

Note 4. Income taxes.

Generally, condominium associations are not taxed on amounts received as assessments from owners. However, other amounts received by the Association, which do not qualify as membership income, are taxed net of related expenses, at normal corporate rates.

The Association had no income tax liability for the fiscal year ending September 30, 2005.

Note 5. Special member assessments.

In addition to the quarterly assessments, the Association may levy special assessments for capital improvements, provided the assessment is approved by a majority of voting members. For the year ended September 30, 2005, the Association assessed a special assessment of $50 per month per unit for all buildings except building #13. This building was assessed $10 per month per unit since they came in during the year. The total assessed was $51,120. In addition the Association assessed building #2 owners $18,710 for siding the building.

Note 6. Related party transactions.

The Association paid the following owners for services during the year ended September 30, 2005. Bjorn Hinders was paid $42,000 for building #2 siding project. Jeff Erickson was paid $54,414 for property maintenance, lawn maintenance, snow removal and various repairs.

Note 7. Distribution to owners

The Association had a distribution to owners for the year ended September 30, 2005 for $23,945. The distribution was in accordance with the Addendum to the Building Fund Policy which allows building funds to be disbursed to each owner in the event of a foreclosure or bankruptcy to recoup loses on unpaid dues.

Note 8. Notes receivable.

The Association had four notes receivable to owners. Notes #1 and #2 were originally for $5,000 for five years at 7% interest. Note #3 is for $4254 for 15 months at 8% interest. Note #4 is for $3118 for five years at 7%. The balance due at September 30, 2005, was:

Note receivable #1	$ 3,126
Note receivable #2	3,126
Note receivable #3	2,717
Note receivable #4	2,603
Total	$ 11,572

Principal payments due for the next five years:

	2006	$ 5,174
	2007	2,756
	2008	2,758
	2009	701
	2010	183
Total		$ 11,572