

**WEIDNER
& ASSOCIATES, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS
3002 SOUTH OAK WAY
LAKEWOOD, CO 80227



The Board of Directors and Members
French Creek Townhome Association, Inc
C/O The Colorado Property Management Group
2620 South Parker Road, Suite 105
Aurora, Colorado 80014

June 20, 2009

Dear Board and Members,

We recently completed our audit of the Association's financial statements for the year ended December 31, 2008. During our procedures we noted the following matters to bring to the attention of the Board and Members.

Books and Records

The books and records were in good condition. For the year ended December 31, 2008 all of the adjusting entries were standard audit adjustments. The Board and Members use the monthly statements for analysis and decision-making. When the books are in good condition (as was the case here) the Board and Members have a very good ongoing basis for their decisions and analysis.

Operating/Reserve interfund receivable/(payable)

The December 31, 2008 audited financial statements show that the operating fund owed the reserve fund \$19,500 as of that date. That balance is composed of the following items:

- 1) Only \$49,500 of the budgeted \$54,000 contributions to reserves were made during 2008, a difference of \$4,500.
- 2) The Association transferred \$15,000 from reserves to operating during 2008 to support operating expenses.

The combination of the \$4,500 (described above) and the \$15,000 (also described above) resulted in the \$19,500 operating fund payable to the reserve fund. The Association should either transfer cash from the operating fund to the reserve fund to eliminate this balance or pass a resolution to eliminate the interfund balance (essentially, formally forgive the debt of the operating fund).

Working Capital

The Association collected \$300 in working capital during 2008. Collection of working capital by the Association for second and subsequent sale of residences is contrary to the Association's Declarations (see page 11).

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The Board of Directors and Members
French Creek Townhome Association, Inc
Page two

June 20, 2009

This letter is intended solely for the use of the Board and Members of the Association to assist in management and is not to be used by third parties for any other purposes. We considered the foregoing in our procedures, and this report does not affect the report on the financial statements. We would be pleased to discuss the above paragraphs with the Board, and to answer any other questions concerning the financial statements and tax returns.

Sincerely,

A handwritten signature in black ink that reads "Weidner & Associates, P.C." with a stylized flourish at the end.

Weidner & Associates, P.C.

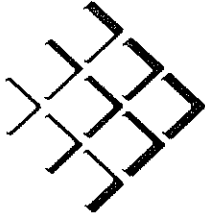
**FRENCH CREEK
TOWNHOME ASSOCIATION, INC.**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITORS' REPORT

For The Year Ended December 31, 2008



WEIDNER
& ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
3002 SOUTH OAK WAY
LAKEWOOD, CO 80227



Independent Auditors' Report

To the Board of Directors and Members
French Creek Townhome Association, Inc.

We have audited the accompanying balance sheet of French Creek Townhome Association, Inc. as of December 31, 2008, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of French Creek Townhome Association, Inc. as of December 31, 2008, 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.

The supplementary information on future major repairs and replacements included in this report is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the supplementary information is in conformity with guidelines established by accounting principles generally accepted in the United States of America.

Weidner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
June 15, 2009

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French Creek Townhome Association, Inc.
 Balance Sheet
 December 31, 2008

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$560	\$48,995	\$49,555
Certificates of deposit		31,730	\$31,730
Total cash	<u>560</u>	<u>80,725</u>	<u>81,285</u>
Accounts receivable - members, net of an allowance for doubtful accounts of \$8,000	6,202		6,202
Other receivable	21,362		21,362
Prepaid expenses	3,172		3,172
Interfund receivable (payable)	<u>(19,500)</u>	<u>19,500</u>	<u>0</u>
	<u>\$11,796</u>	<u>\$100,225</u>	<u>\$112,021</u>
LIABILITIES:			
Accounts payable	\$8,045		\$8,045
Deferred revenue - prepaid assessments	4,402		4,402
	<u>12,447</u>	<u>0</u>	<u>12,447</u>
MEMBERS' EQUITY:			
Fund balances	<u>(651)</u>	<u>100,225</u>	<u>99,574</u>
	<u>\$11,796</u>	<u>\$100,225</u>	<u>\$112,021</u>

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

French Creek Townhome Association, Inc.
Statement of Revenues and Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2008

	Operating Fund	Reserve Fund	Total Funds
REVENUES:			
Assessments - members (Note 3)	\$174,561		\$174,561
Budgeted allocation of assessments to reserve fund	(54,000)	\$54,000	0
Legal fees, late fees and other member charges	5,231		5,231
Interest	52	1,864	1,916
	<u>125,844</u>	<u>55,864</u>	<u>181,708</u>
EXPENDITURES:			
Administrative			
Management fees	\$15,540		\$15,540
Bad debt	11,705		11,705
Legal and audit fees	9,731		9,731
Other administrative costs	1,701		1,701
Utilities			
Water and sewer	42,100		42,100
Trash removal	9,875		9,875
Gas and electric	598		598
Grounds			
Landscape contract	19,318		19,318
Sprinkler Maintenance	5,182		5,182
Snow removal	4,456		4,456
Tree fertilization/spraying	2,025		2,025
Other grounds expenses	2,335		2,335
Insurance	14,133		14,133
Building Maintenance	1,216		1,216
Reserve			
Concrete repairs		\$21,790	21,790
Asphalt repair		11,959	11,959
Reserve landscaping		3,850	3,850
	<u>139,915</u>	<u>37,599</u>	<u>177,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,071)	18,265	4,194
Working capital contributions	300		300
Fund balances - beginning of year	13,120	81,960	95,080
Fund balances - end of year	<u>(\$651)</u>	<u>\$100,225</u>	<u>\$99,574</u>

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

French Creek Townhome Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2008

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenditures	(\$14,071)	\$18,265	\$4,194
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	1,827		1,827
(Increase) decrease in prepaid expenses	(56)		(56)
(Increase) decrease in other receivable	(21,362)		(21,362)
Change in interfund receivable (payable)	19,500	(19,500)	0
Increase (decrease) in accounts payable	3,742		3,742
Increase (decrease) in income taxes payable	(354)		(354)
Increase (decrease) in prepaid assessments	(741)		(741)
Total adjustments	<u>2,556</u>	<u>(19,500)</u>	<u>(16,944)</u>
Net cash provided by (used in) operating activities	<u>(11,515)</u>	<u>(1,235)</u>	<u>(12,750)</u>
Working capital contributions	300		300
Cash at beginning of year	<u>11,775</u>	<u>81,960</u>	<u>93,735</u>
Cash at end of year	<u><u>\$560</u></u>	<u><u>\$80,725</u></u>	<u><u>\$81,285</u></u>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u><u>\$726</u></u>	<u><u>\$0</u></u>	<u><u>\$726</u></u>
Interest paid during the year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

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

French Creek Townhome Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2008
Unaudited

An independent engineer conducted a study in 2007 to estimate the remaining useful lives and the repair and replacement costs of the components of common property. The following information is based on the study and presents significant information about the components of common property. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study. Some of the items in the following table may have already been repaired or replaced as of the date of this report.

	<u>As of October, 2007</u>	
<u>Component / Activity</u>	<u>Next Scheduled Major Repair/ Replacement</u>	<u>Estimated Repair and Replacement Costs to be Incurred At Next Scheduled Major Repair/ Replacement</u>
Site grading	June 2010	\$2,500
Asphalt driving area - seal coat and fill	June 2008	5,690
Asphalt driving area - replace	June 2016	54,685
Concrete walkways	June 2008	3,960
Concrete stoops	June 2008	2,043
Concrete drain pans	June 2009	13,896
Wood retaining walls	June 2008	18,000
Stone retaining walls	June 2009	1,000
Split rail fencing	June 2008	12,829
Entrance signs - repair	June 2009	1,600
Entrance signs - replace	June 2019	5,000
Irrigation system	June 2020	6,000
Wood siding	June 2009	55,040
Wood balconies	June 2009	3,000
Gutters, downspouts and extensions	June 2012	6,776
Chimney caps	June 2013	25,600
Total		\$217,619
Reserve fund balance at December 31, 2008		\$100,225

French Creek Townhome Association, Inc.
Notes to Financial Statements
December 31, 2008

NOTE 1. ORGANIZATION

French Creek Townhome Association, Inc. ("The Association") is a residential management association incorporated on April 29, 1984 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Aurora, Colorado and consists of the owners of 71 residences. The Members elect the Association's Board of Directors. The Board volunteers its time to manage the affairs of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association's two funds are operating and reserve. The operating fund is used to account for the general operations of the Association. The reserve fund is used to account for money set aside and related expenditures for major repairs and replacements.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations the Association's property is not capitalized in these financial statements. That property is commonly owned by the resident-owners, cannot be detached from the development and sold, and is not used by the Association to generate cash.

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, liabilities, revenues and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

French Creek Townhome Association, Inc.
Notes to Financial Statements
December 31, 2008

NOTE 3. ASSESSMENTS

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners were \$190 per month for January and February 2008. Assessments increased to \$207.86 for the remainder of 2008. Assessments for the year included amounts designated in the Association's budget for the reserve fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

NOTE 4. RESERVE FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that a reserve fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of reserve fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the reserve fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements."

The Association's budget for 2008 allocated \$54,000 of assessment revenues to the reserve fund. The budgeted allocation is included in reserve fund revenues in the Statement of Revenues and Expenditures and Changes in Fund Balances for the year. The gross amount transferred to the reserve fund during 2008 was \$49,500. The difference between the budgeted allocation of assessments to the reserve fund and actual transfers to the reserve fund is \$4,500. The Association's reserve fund also loaned the operating fund of \$15,000 during the year. The total of those items is \$19,500 which is the year-end interfund balance on the Balance Sheet.

Future allocations of assessment revenues to the reserve fund may vary from allocations needed for the repair and replacement of the major components of the Association's common property. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had no net taxable income for federal or Colorado purposes for the year.