

**Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)**

Financial Statements

December 31, 2010 and 2009

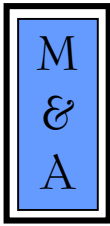
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Financial Statements

December 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Golden Eagle Elderly Housing Corporation
Eagle, Colorado**

We have audited the accompanying statement of financial position of Golden Eagle Elderly Housing Corporation (the "Corporation"), a Colorado non-profit corporation, as of December 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Eagle Elderly Housing Corporation as of December 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Changes in Net Assets – Budget and Actual (page 10) and Schedule of Additional Disclosures (page 11) are presented for purposes of additional analysis and are 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.

**McMahan and Associates, L.L.C.
March 22, 2011**

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Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Financial Position
December 31, 2010 and 2009

	2010	2009
Assets:		
Current Assets:		
Cash and cash equivalents - Unrestricted	39,020	69,128
Accounts receivable	25,962	1,195
Investment	100	100
Total Current Assets	65,082	70,423
Restricted Assets:		
Cash and cash equivalents - Restricted	60,757	50,133
Fixed Assets, Net of Accumulated Depreciation	1,762,929	1,822,747
Total Assets	1,888,768	1,943,303
Liabilities and Net Assets:		
Liabilities:		
Current Liabilities:		
Accounts payable	3,632	7,659
Due to Eagle County	120	37,700
Accrued interest payable on long-term debt	2,455	2,500
Tenant security deposits	15,222	14,509
Current portion of long term debt	7,077	6,668
Total Current Liabilities	28,506	69,036
Long-term debt, net of current portion	1,381,070	1,388,147
Total Liabilities	1,409,576	1,457,183
Net Assets - Unrestricted	479,192	486,120
Total Liabilities and Net Assets	1,888,768	1,943,303

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

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Activities
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
Tenant rents	110,433	103,677
Tenant assistance payments	123,962	127,599
Total - Rental Revenues	<u>234,395</u>	<u>231,276</u>
Miscellaneous	7,674	669
Total Revenues	<u>242,069</u>	<u>231,945</u>
Expenses:		
Repairs and maintenance	36,676	31,680
Utilities	29,981	28,855
General and administration	87,340	88,663
Management fees	7,860	7,860
Insurance	2,100	2,872
Depreciation	74,794	75,322
Total Operating Expenses	<u>238,751</u>	<u>235,252</u>
Income (Loss) from Operations	3,318	(3,307)
Other Revenue (Expense):		
Interest income	21	-
Grant awards	25,555	-
Interest subsidy	47,617	49,462
Interest expense	<u>(83,439)</u>	<u>(83,519)</u>
Change in Net Assets	(6,928)	(37,364)
Unrestricted Net Assets - Beginning	<u>486,120</u>	<u>523,484</u>
Unrestricted Net Assets - Ending	<u><u>479,192</u></u>	<u><u>486,120</u></u>

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

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation and
A Component Unit of Eagle County, Colorado)
Statement of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Cash received for rent	210,341	245,076
Other cash receipts	7,674	669
Cash paid for employees	(52,669)	(43,745)
Cash paid for goods and services	(152,894)	(103,256)
Net Cash Provided (Used) By Operating Activities	<u>12,452</u>	<u>98,744</u>
Cash Flows From Financing Activities:		
Cash received from grant awards	25,555	-
Cash received from interest subsidy	47,617	49,462
Principal repaid on long-term debt	(6,669)	(6,285)
Interest paid	(83,484)	(83,519)
Net Cash Provided (Used) By Financing Activities	<u>(16,981)</u>	<u>(40,342)</u>
Cash Flows From Investing Activities:		
Interest income received	24	-
Cash paid to purchase capital assets	(14,979)	(3,900)
Net Cash Provided (Used) By Investing Activities	<u>(14,955)</u>	<u>(3,900)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,484)	54,502
Cash and Cash Equivalents - Beginning	<u>119,261</u>	<u>64,759</u>
Cash and Cash Equivalents - Ending	<u>99,777</u>	<u>119,261</u>
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	39,020	69,128
Cash and cash equivalents - Restricted	60,757	50,133
	<u>99,777</u>	<u>119,261</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	<u>3,318</u>	<u>(3,307)</u>
Adjustments to reconcile:		
Depreciation expense	74,794	75,322
(Increase) decrease in accounts receivable	(24,767)	13,805
Increase (decrease) in accounts payable	(4,026)	(5,056)
Increase (decrease) in due to Eagle County	(37,580)	17,984
Increase (decrease) in tenant security deposits	713	(4)
Total Adjustments	<u>9,134</u>	<u>102,051</u>
Net Cash Provided (Used) By Operating Activities	<u>12,452</u>	<u>98,744</u>

The accompanying notes are an integral part of these financial statements

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010 and 2009

1. Organization

Golden Eagle Elderly Housing Corporation (the "Corporation") was incorporated on May 3, 2002 as a Colorado non-profit corporation for the operation, maintenance, and development of decent, safe and sanitary housing for the handicapped, aged, and individuals who meet certain living requirements in Eagle County, Colorado (the "County"). The Corporation owns and operates, exclusively on behalf of and for the benefit of the County, a 36-unit elderly housing project in Eagle, Colorado known as Golden Eagle Apartments (the "Project").

The formation of the Corporation was approved by the County, and its operations are governed by a Board of Directors (the "Board") appointed by the County's Board of County Commissioners. The Corporation is considered to be a component unit of the County, and its financial position, activities, and cash flow are included in the County's separate 2010 and 2009 financial statements.

The Corporation began operations in 2003. The acquisition of the Project was financed by a promissory note from Rural Housing Service ("RHS"); a division of the U.S. Department of Agriculture. The note is secured by a pledge of revenues and assets from the Project. The County has no financial obligation for the debt or the operations of the Corporation.

Rents of qualified tenants within the Project are subsidized by RHS, pursuant to a Rental Assistance Agreement.

2. Summary of Significant Accounting Policies

A. Reporting Entity

The Corporation was formed under the laws of the State of Colorado and operates under the direction of the Board. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Corporation. No additional separate governmental units, agencies, or non-profit corporations are included in the financial statements of the Corporation since none were discovered to fall within the oversight responsibility based upon the application of the following criteria: financial accountability, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The Corporation does not exercise oversight responsibility over any other entity. However, the Corporation is a component unit of the County.

B. Basis of Accounting

The Corporation utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

C. Cash Equivalents

For the purposes of the Statement of Cash Flows, the Corporation defines cash equivalents as all cash, money market, and savings accounts, plus all investments with original maturities of three months or less.

D. Restricted Assets

Certain of the Corporation's assets are classified as restricted assets because their use is restricted to specific purposes by RHS or other legally binding commitments.

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010 and 2009
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. Allowance for Uncollectible Accounts

The Corporation uses the allowance method to recognize the potential uncollectibility of receivables. No allowance for uncollectible accounts was recorded at December 31, 2010 and 2009, since all such amounts were considered collectible.

F. Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives of the underlying assets:

	Years
Buildings	30
Equipment	3 - 5

Land is reported at cost and is not subject to depreciation.

G. Income Taxes

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes on income which is directly related to its organizational purpose.

H. Subsequent Events

Management has evaluated subsequent events through March 22, 2011; the date these financial statements were available to be issued.

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.

3. Cash and Cash Equivalents

	2010	2009
Cash and Cash Equivalents - Unrestricted:		
Cash in bank - Checking	\$ 39,020	\$ 69,128
Total - Cash and Cash Equivalents - Unrestricted	\$ 39,020	\$ 69,128
Cash and Cash Equivalents - Restricted:		
Tenant security deposits - Checking	\$ 14,579	\$ 14,509
Replacement reserve - Checking	46,178	35,624
Total - Cash and Cash Equivalents - Restricted	\$ 60,757	\$ 50,133

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010 and 2009
(Continued)

4. Investment

The Corporation is the sole member of Seniors on Broadway, LLC (the "LLC"), which is the general partner (0.01% interest) in Seniors on Broadway, LP (the "LP"). The LP developed and operates a senior housing facility adjacent to the Project. The Corporation's investment in the LLC is carried at cost. The Corporation has no financial obligation for the debt or the operations of the LP.

5. Capital Assets

For the year ended December 31, 2010, the Corporation had the following activity related to capital assets:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
Capital assets not being depreciated:				
Land	\$ 126,000	\$ -	\$ -	\$ 126,000
Total capital assets not being depreciated	<u>126,000</u>	<u>-</u>	<u>-</u>	<u>126,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,072,349	14,976	-	2,087,325
Furniture and equipment	23,507	-	(1,742)	21,765
Total capital assets being depreciated	<u>2,095,856</u>	<u>14,976</u>	<u>(1,742)</u>	<u>2,109,090</u>
Less accumulated depreciation for:				
Buildings and improvements	(382,962)	(69,843)	-	(452,805)
Furniture and equipment	(16,147)	(4,951)	1,742	(19,356)
Total accumulated depreciation	<u>(399,109)</u>	<u>(74,794)</u>	<u>1,742</u>	<u>(472,161)</u>
Total capital assets being depreciated, net	<u>1,696,747</u>	<u>(59,818)</u>	<u>-</u>	<u>1,636,929</u>
Total Capital Assets, Net	<u>\$ 1,822,747</u>	<u>\$ (59,818)</u>	<u>\$ -</u>	<u>\$ 1,762,929</u>

6. Long-term Debt

In connection with the Corporation's acquisition of the Project on March 14, 2003, the Corporation assumed \$1,063,478 of promissory notes payable to RHS (the "2003 Note"). The 2003 Note is secured by the Project, and other assets and revenues of the Corporation. The 2003 Note bears interest at 6% per annum and is due in monthly blended installments of \$5,600. The Corporation receives varying monthly interest subsidies from RHS. During the year ended December 31, 2010, these subsidies totaled \$34,279 (2009 – \$36,124). The 2003 Note is amortized over 50 years, with a balloon payment of unpaid principal and accrued interest due March 14, 2033. The outstanding principal balance on the 2003 Note at December 31, 2010 was \$1,030,606 (2009 – \$1,035,796).

On December 8, 2006, the Corporation executed another promissory note for \$362,870 with RHS (the "2006 Note"); the proceeds of which were used to fund capital improvements. The 2006 Note is secured by the Project, and other assets and revenues of the Corporation. The 2006 Note bears interest at 5.875% per annum and is due in monthly blended installments of \$773. The Corporation receives a monthly interest subsidy of \$1,111 from the RHS. During the year ended December 31, 2010, these subsidies totaled \$13,337 (2009 – \$13,337). Monthly payments are due beginning February 1, 2007, with a balloon payment of unpaid principal and accrued interest due January 1, 2037. The outstanding principal balance on the 2006 Note at December 31, 2010 was \$357,541 (2009 – \$359,019).

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010 and 2009
(Continued)

6. Long-term Debt (continued)

For the year ended December 31, 2010, the Corporation had the following activity related to long-term debt:

	<u>Balance</u> <u>12/31/09</u>	<u>Principal</u> <u>Payments</u>	<u>Balance</u> <u>12/31/10</u>	<u>Due Within</u> <u>One Year</u>
2003 USDA promissory note	\$ 1,035,796	\$ (5,190)	\$ 1,030,606	\$ 5,510
2006 USDA promissory note	359,019	(1,478)	357,541	1,567
	<u>\$ 1,394,815</u>	<u>\$ (6,668)</u>	<u>\$ 1,388,147</u>	<u>\$ 7,077</u>

The following is a schedule of the Corporation's aggregate future debt service requirements at December 31, 2010 to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 7,077	\$ 69,389	\$ 76,466
2012	7,512	68,955	76,467
2013	7,973	68,494	76,467
2014	8,462	68,004	76,466
2015	8,982	67,485	76,467
2016 - 2020	53,887	328,445	382,332
2021 - 2025	72,587	309,746	382,333
2026 - 2030	97,776	284,557	382,333
2031 - 2035	852,778	126,367	979,145
2035 - 2037	271,113	2,675	273,788
	<u>\$ 1,388,147</u>	<u>\$ 1,394,117</u>	<u>\$ 2,782,264</u>

7. Related Party Transactions

Effective January 1, 2010, the Corporation entered into a three-year agreement with Eagle County Housing and Development Authority ("ECHDA"; a component unit of the County), pursuant to which the County is to provide management of the day-to-day operations of the Project. During 2009, the Corporation was party to a similar management agreement with the County. Under the terms of the agreement, ECHDA is to be reimbursed for all charges, including staffing, incurred on behalf of the Corporation in managing the Project. The agreement also provides for ECHDA to be paid an initial management fee of \$7,860, with annual increases as allowed.

Total expenses, including reimbursements to ECHDA and the County, incurred for management of the Project in 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Salaries and wages - Administration	\$ 52,669	\$ 52,669
Vehicle	-	98
Office and administrative expenses	5,551	3,070
Travel and training	360	445
Maintenance and repairs	11,566	15,830
Management fees	7,860	7,860
Net	<u>\$ 78,006</u>	<u>\$ 79,972</u>

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2010 and 2009
(Continued)

7. Related Party Transactions (continued)

The Corporation had a balance of \$120 payable to ECHDA and the County at December 31, 2010 (2009 – \$37,700).

8. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Corporation expects such amounts, if any, to be immaterial.

9. Housing Assistance Payment Contract

Effective April 1, 2003, the Corporation entered into a Rental Assistance Agreement with RHS that provides subsidy payments for rent on 28 of the 36 units in the Project. The subsidized rent totaled \$123,962 for 2010 (2009 – \$127,599) and represented 51% of the Corporation's operating revenues for the year (2009 – 55%).

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
A Component Unit of Eagle County, Colorado)
Schedule of Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2010
(With Comparative Actual Amounts for 2009)

	<u>2010</u>		<u>Variance Positive (Negative)</u>	<u>2009</u>
	<u>Budget (Unaudited)</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Tenant rents	226,282	110,433	(115,849)	103,677
Tenant assistance payments	-	123,962	123,962	127,599
Total - Rental revenues	<u>226,282</u>	<u>234,395</u>	<u>8,113</u>	<u>231,276</u>
Miscellaneous	1,248	7,674	6,426	669
Total Revenues	<u>227,530</u>	<u>242,069</u>	<u>14,539</u>	<u>231,945</u>
Expenses:				
Repairs and maintenance:				
Maintenance wages	12,000	-	12,000	2,508
Repairs	20,700	36,676	(15,976)	29,172
Total repairs and maintenance	<u>32,700</u>	<u>36,676</u>	<u>(3,976)</u>	<u>31,680</u>
Utilities:				
Utilities	28,800	29,981	(1,181)	28,855
General and administration:				
Salaries and wages	32,572	52,669	(20,097)	41,237
Professional services	10,000	13,500	(3,500)	13,500
Outside services	5,800	14,460	(8,660)	22,223
Vehicle	300	(228)	528	1,112
Telephone	3,000	-	3,000	2,928
Travel and training	2,000	2,296	(296)	872
Office expense	1,680	3,285	(1,605)	5,666
Memberships and dues	-	-	-	341
Other	2,535	1,358	1,177	784
Total general and administration	<u>57,887</u>	<u>87,340</u>	<u>(29,453)</u>	<u>88,663</u>
Management fees:				
Management fees	7,860	7,860	-	7,860
Insurance:				
Insurance	1,730	2,100	(370)	2,872
Depreciation:				
Depreciation	-	74,794	(74,794)	75,322
Total Operating Expenses	<u>128,977</u>	<u>238,751</u>	<u>(109,774)</u>	<u>235,252</u>
Income from Operations	98,553	3,318	(95,235)	(3,307)
Other Income (Expenses):				
Interest income	-	21	21	-
Grant awards	-	25,555	25,555	-
Interest subsidy	-	47,617	47,617	49,462
Interest expense	(36,342)	(83,439)	(47,097)	(83,519)
Change in Net Assets	<u>62,211</u>	<u>(6,928)</u>	<u>(69,139)</u>	<u>(37,364)</u>

Golden Eagle Elderly Housing Corporation
(A Colorado Non-Profit Corporation)
A Component Unit of Eagle County, Colorado)
Schedule of Additional Disclosures
For the Year Ended December 31, 2010

Management Fee Calculation

Total Qualified Units:	<u>36</u>	@ 12 months	432
Less: Rent-free unit vacancies			-
Total Occupied Units			432
Fee per unit	effective	January 1, 2010	\$18.19
Total Management Fee			\$7,860

Insurance Disclosure

	<u>Deductible</u>	<u>Coverage</u>
Property Coverage on Buildings	\$500	\$150,000 / occurrence
Comprehensive Building Liability	\$0	\$250,000 / occurrence
Crime	\$500	\$150,000 / occurrence