

Gold Point Homeowners Association, Inc.

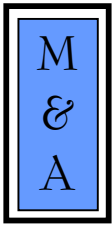
Financial Statements

July 31, 2008



Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Financial Statements
July 31, 2008
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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Gold Point Homeowners Association, Inc.
Breckenridge, Colorado**

We have audited the accompanying balance sheets of Gold Point Homeowners Association, Inc. (the "Association"), a Colorado non-profit corporation, as of July 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 Association'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 September 17, 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 Gold Point Homeowners Association, Inc. as of July 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Operating Fund budgetary comparison schedule on page 10 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 Supplementary Information on Future Major Repairs and Replacements on pages 11 and 12 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 consist 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.
September 30, 2008**

Performing services for resort communities throughout Colorado

*D. Jerry McMahan, C.P.A.
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Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
July 31, 2008
(With Comparative Totals for 2007)

	2008				2007	
	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Commons Building Fund	Total	Total
Assets:						
Cash in banks	76,599	216,831	239,695	79,881	613,006	528,864
Member assessments receivable (net of allowance for doubtful accounts of \$16,710 and \$15,580)	67,612	-	-	-	67,612	84,005
Due from (to) other funds	5,397	(60,226)	73,935	(19,106)	-	-
Due from (to) Grand Timber Lodge	1,954	-	-	-	1,954	(450)
Unit supplies inventory	12,788	-	-	-	12,788	12,069
Prepaid expenses	6,634	-	-	-	6,634	6,590
Commons building (net of accumulated depreciation of \$169,144 and \$158,572)	-	-	-	253,716	253,716	264,287
Total Assets	170,984	156,605	313,630	314,491	955,710	895,365
Liabilities and Equity:						
Liabilities:						
Accounts payable	6,006	-	-	-	6,006	4,581
Deferred assessment revenue	20,541	-	-	-	20,541	27,159
Due to Gold Point II Condominium	1,169	-	-	-	1,169	3,360
Due to GPLR, Inc.	45,359	-	-	-	45,359	35,257
Total Liabilities	73,075	-	-	-	73,075	70,357
Equity	97,909	156,605	313,630	314,491	882,635	825,008
Total Liabilities and Equity	170,984	156,605	313,630	314,491	955,710	895,365

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

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended July 31, 2008
(With Comparative Totals for 2007)

	2008				2007	
	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Commons Building Fund	Total	Total
Revenues:						
Assessments	703,895	48,869	107,146	3,536	863,446	839,606
Late fee revenue	24,708	-	-	-	24,708	22,417
Interest income	-	6,237	6,589	2,540	15,366	18,245
Office rental income	-	-	-	10,388	10,388	10,200
Miscellaneous	11,945	-	-	-	11,945	86
Total Revenues	740,548	55,106	113,735	16,464	925,853	890,554
Expenses:						
Bank service charges	-	-	-	-	-	187
Bad debt expense	7,335	-	-	-	7,335	3,420
Accounting and consulting fees	17,136	-	-	-	17,136	16,799
Cable television	15,055	-	-	-	15,055	12,634
Spring/fall cleaning	23,175	-	-	-	23,175	18,935
Common area expenses	54,398	-	-	-	54,398	47,600
Commons Building expenses	-	-	-	20,217	20,217	15,422
Depreciation	-	-	-	10,571	10,571	10,571
Fire alarm maintenance	5,344	-	-	-	5,344	3,856
Furniture and inventory replacement	-	-	38,487	-	38,487	108,794
Health club dues	10,480	-	-	-	10,480	8,401
Hot tub maintenance	4,136	-	-	-	4,136	7,536
Income taxes	2,867	-	-	-	2,867	8,175
Insurance	36,085	-	-	-	36,085	35,524
Management fee - GPLR, Inc.	34,706	-	-	-	34,706	34,706
Miscellaneous	4,786	-	-	-	4,786	595
Other long-term reserve expenses	-	72,671	-	-	72,671	39,649
Office expense	7,510	-	-	-	7,510	7,187
Professional fees	16,120	-	-	-	16,120	5,260
Property tax expense	37,216	-	-	-	37,216	28,812
Front desk and reservationists	90,943	-	-	-	90,943	89,156
Snow removal	515	-	-	-	515	239
Trash removal	9,437	-	-	-	9,437	9,625
Travel and entertainment	761	-	-	-	761	532
Unit expenses	329,550	-	-	-	329,550	305,367
Water and sanitation	18,725	-	-	-	18,725	24,867
Total Expenses	726,280	72,671	38,487	30,788	868,226	843,849
Excess (Deficiency) of Revenues Over Expenses	14,268	(17,565)	75,248	(14,324)	57,627	46,705
Beginning Fund Balances	83,641	174,170	238,382	328,815	825,008	778,303
Ending Fund Balances	97,909	156,605	313,630	314,491	882,635	825,008

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

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended July 31, 2008
(With Comparative Totals for 2007)

	2008				2007	
	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Commons Building Fund	Total	Total
Cash Flow From Operating Activities:						
Cash received from owners	731,043	48,869	107,146	3,536	890,594	845,516
Interest received	-	6,237	6,589	2,540	15,366	18,246
Other receipts of cash	11,945	-	-	10,388	22,333	10,284
Cash transfers from (to) other account	(86,436)	58,802	16,341	11,293	-	-
Cash payments for goods and services	(675,560)	(72,671)	(38,487)	(20,217)	(806,935)	(849,558)
Cash payments for property taxes	(37,216)	-	-	-	(37,216)	(28,812)
Net Cash Provided (Used) by Operating Activities	(56,224)	41,237	91,589	7,540	84,142	(4,324)
Net Increase (Decrease) in Cash and Cash Equivalents	(56,224)	41,237	91,589	7,540	84,142	(4,324)
Net Cash and Cash Equivalents - Beginning of Year	132,823	175,594	148,106	72,341	528,864	533,188
Net Cash and Cash Equivalents - End of Year	76,599	216,831	239,695	79,881	613,006	528,864
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (Deficiency) of Revenues Over Expenses	14,268	(17,565)	75,248	(14,324)	57,627	46,705
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Depreciation	-	-	-	10,571	10,571	10,571
(Increase) decrease in interfund balances	(86,436)	58,802	16,341	11,293	-	-
(Increase) decrease in assessments receivable	15,263	-	-	-	15,263	(24,030)
Increase (decrease) in allowance for doubtful accounts	1,130	-	-	-	1,130	(6,238)
(Increase) decrease in due from Grand Timber Lodge	(2,404)	-	-	-	(2,404)	1,539
(Increase) decrease in prepaid expenses	(44)	-	-	-	(44)	441
(Increase) decrease in housekeeping inventory	(719)	-	-	-	(719)	(12,069)
Increase (decrease) in due to Gold Point II Condominium	(2,191)	-	-	-	(2,191)	9,070
Increase (decrease) in due to GPLR, Inc.	10,102	-	-	-	10,102	(49,202)
Increase (decrease) in accounts payable	1,425	-	-	-	1,425	1,713
Increase (decrease) in deferred revenue	(6,618)	-	-	-	(6,618)	17,176
Total Adjustments	(70,492)	58,802	16,341	21,864	26,515	(51,029)
Net Cash Provided (Used) by Operating Activities	(56,224)	41,237	91,589	7,540	84,142	(4,324)

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

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
July 31, 2008

1. Organization

Gold Point Homeowners Association, Inc., (the "Association") is a condominium association organized as a Colorado not-for-profit corporation for the purposes of maintaining and preserving common property of the Association. The Association consists of 36 units which include 27 time-span units with 50 owners per unit ("timeshare and fractional") and 9 whole-unit owners. The Association, which is located in Breckenridge, Colorado, began its operations in 1981.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses fund accounting, which requires that funds be classified separately for accounting and reporting purposes. As of July 31, 2008, the Association had the following funds:

Operating - Disbursements from this fund are generally at the discretion of the Board of Directors and property manager.

Long-term Reserve - Disbursements from this fund generally may be made only for designated purposes.

Timeshare Furniture - Disbursements from this fund are designated for the replacement of unit furniture.

Commons Building - Disbursements from this fund are designated for operational costs of the Commons Building.

B. Investment Income Allocation

Interest is recorded in the fund in which it was earned.

C. Recognition of Assets

The Association recognizes as assets on its financial statements:

- (a) common personal property and;
- (b) common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto.

These assets are recorded at cost and are depreciated using the straight-line method over an estimated useful life of forty years.

D. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when assessed or earned and expenses when incurred.

E. Cash and Cash Equivalents

All checking and money market savings accounts are considered cash equivalents by the Association for the purpose of the Statements of Cash Flows since all funds are highly liquid with no stated maturities.

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
July 31, 2008
(Continued)

2. Summary of Significant Accounting Policies (continued)

F. Common Assessments

Common assessments are the primary source of revenue for the Association. An annual budget, which is approved by the Board of Directors (the "Board"), is prepared to estimate the annual expenses of maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association 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 Board, transferred to the Replacement Funds.

G. Due To/From Other Funds

The Association has chosen to record all accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, the differences caused by this accounting treatment are shown as interfund asset and liability accounts.

H. Allowance for Uncollectible Accounts - Assessments

The Association utilizes the allowance method of recognizing the future potential uncollectibility of owner assessments receivable. This reserve is calculated based on the estimated percentage of potentially uncollectible accounts 90 or more days overdue. The Association's policy is to charge late fees to owner accounts that are 60 or more days overdue. Owner assessment accounts that are 120 or more days past due are sent to a collection agency by the Association.

I. Due to Gold Point II Condominium

Gold Point II Condominium, Inc. ("Gold Point II") is a timeshare condominium association located adjacent to the Association. Gold Point II and the Association are both managed by Gold Point Lodging and Realty, Inc. Gold Point II pays the Association for their share of expenses related to the operation of the Commons Building. At July 31, 2008, the Association owed Gold Point II \$1,169.

J. Inventories

Housekeeping supply inventory is valued at cost, using the first-in/first-out (FIFO) method. The cost of inventory is recorded as an expense when consumed rather than when purchased.

K. 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.

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
July 31, 2008
(Continued)

2. Summary of Significant Accounting Policies (continued)

L. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund class. 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 statement for the year ended July 31, 2007, from which the comparative totals were derived.

M. Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is primarily composed of payments received in advance for the first quarter's billing of the next fiscal year.

3. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

4. Fixed Assets

Fixed assets are summarized below:

Commons Building:

Description

Commons Building, at cost	\$ 422,859
Less: Accumulated depreciation	<u>(169,143)</u>
Net Commons Building	<u><u>\$ 253,716</u></u>

Depreciation expense is computed on the straight-line basis and was \$10,571 for the year ended July 31, 2008.

5. Related Party Transactions - Gold Point Lodging & Realty, Inc. ("GPLR")

On August 1, 2001, the Association entered into an agreement with Breckenridge Grand Vacations, which is owned by GPLR, for management, accounting, and reservation services. The management, accounting, and reservation fees are negotiated annually. This agreement is for five years terms that automatically renew unless terminated. This agreement may be terminated by the Association for Cause, as defined in the agreement. Breckenridge Grand Vacations may resign as manager with or without cause. However, Breckenridge Grand Vacations cannot resign until the Association obtains a substitute managing agent or until 180 days have elapsed from the resignation notification date.

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
July 31, 2008
(Continued)

5. Related Party Transactions - Gold Point Lodging & Realty, Inc. (continued)

The Association incurs various expenses that are payable to GPLR, the parent company of the managing agent for the Association. The following is a schedule of transactions between the two entities for the year ended July 31, 2008:

Management fee	\$ 34,706
Accounting	17,136
Front desk/reservationist	90,943
Unit cleaning	168,267
Common area cleaning	26,924
Spring/fall cleaning	9,471
Other	3,627
Maintenance labor	<u>87,957</u>
 Total Services	 <u>\$ 439,031</u>

The Association owed GPLR \$45,359 at July 31, 2008, for these services.

The Association entered into an operating lease with GPLR, whereby GPLR rents office space in the Commons Building for management and sales offices. The lease term began on November 1, 1992, and ended on October 31, 2002. This agreement has remained in effect through a verbal renewal. The rent payments may be reviewed and adjusted on an annual basis. The lease automatically terminates with the management agreement. For the year ended July 31, 2008, the lease was amended to require rent of \$10,194. Total rent received by the Association for the year ended July 31, 2008 was \$10,388.

Effective October 25, 2003, the Association entered into an Agreement with GPLR to purchase all inventory units from the Association (which were obtained as a result of foreclosure proceedings to collect past due assessments) at an amount equal to 35% of the net listed sales price, as defined in the agreement. This agreement may be canceled with 90 days written notice. During the year ended July 31, 2008, the Association received \$20,239 from GPLR for the purchase of inventory units. At July 31, 2008, the Association did not own any inventory units.

GPLR pays assessments relating to its owned unit weeks throughout the year. This amount totaled \$1,550 during the fiscal year ended July 31, 2008.

6. Future Major Repairs and Replacements

As permitted by the Association's governing documents, the Association is accumulating funds for future major repairs and replacements of the Association's common property. Accumulated funds are held in separate money market accounts and are generally not available for expenses for normal operations.

The Association's management company conducted a study, which was completed in fiscal year 2007, to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacement costs. The tables included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study. The information has been broken down into long-term reserve and timeshare furniture components of common property.

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
July 31, 2008
(Continued)

6. Future Major Repairs and Replacements (continued)

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association'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. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Funds. Assessments of \$48,869 and \$107,146 for the Long-term Reserve Fund and Timeshare Furniture Fund, respectively, were reported during the year ended July 31, 2008.

Funds being accumulated in the Long-term Reserve and Timeshare Furniture Funds are based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

7. Uninsured Deposits

The total cash held by the Association at July 31, 2008, includes \$525,824, as reported by the financial institutions, in banks and money market accounts that are not covered by insurance provided by the federal government.

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Operating Fund Revenues and Expenses - Budget and Actual
For the Year Ended July 31, 2008
(With Comparative Actual Amounts for 2007)

	<u>2008</u>		Variance Positive (Negative)	<u>2007</u>
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments	700,220	703,895	3,675	682,499
Late fee revenue	18,000	24,708	6,708	22,417
Miscellaneous	500	11,945	11,445	84
Total Revenues	<u>718,720</u>	<u>740,548</u>	<u>21,828</u>	<u>705,000</u>
Expenses:				
Bank service charges	60	-	60	187
Bad debt expense	21,963	7,335	14,628	3,420
Accounting and consulting fees	17,136	17,136	-	16,799
Cable television	10,529	15,055	(4,526)	12,634
Spring/fall cleaning	19,425	23,175	(3,750)	18,935
Common area cleaning	21,998	27,240	(5,242)	23,965
Common area - Other	-	626	(626)	235
Common area utilities	25,771	26,532	(761)	23,400
Fire alarm maintenance	5,366	5,344	22	3,856
Health club dues	9,653	10,480	(827)	8,401
Hot tub maintenance	7,875	4,136	3,739	7,536
Income taxes	-	2,867	(2,867)	8,175
Insurance	26,268	36,085	(9,817)	35,524
Management fee - GPLR, Inc.	34,706	34,706	-	34,706
Miscellaneous	1,302	4,786	(3,484)	464
Office expense	9,710	7,510	2,200	7,187
Professional fees	5,260	16,120	(10,860)	5,260
Property taxes	27,000	37,216	(10,216)	28,812
Front desk and reservationists	90,943	90,943	-	89,156
Snow removal	1,500	515	985	239
Trash removal	10,554	9,437	1,117	9,625
Travel and entertainment	-	761	(761)	532
Unit cleaning	158,287	170,905	(12,618)	148,663
Unit utilities	66,663	58,627	8,036	56,452
Unit maintenance	114,840	100,018	14,822	100,252
Water and sanitation	23,006	18,725	4,281	24,867
Total Expenses	<u>709,815</u>	<u>726,280</u>	<u>(16,465)</u>	<u>669,282</u>
Excess of Revenues Over Expenses - GAAP Basis		<u>14,268</u>		<u>35,718</u>

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

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Long-term Reserve Fund
July 31, 2008
(Unaudited)

The Association conducted an informal study during the fiscal year ended July 31, 2007, to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained with input from the management company and the Board's previous experience with the property.

The balance of the Long-Term Reserve Fund at July 31, 2008 has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at July 31, 2008</u>
Long-term Reserve:			
Common area carpet	0	9,270	
Electric door opener	0	10,800	
Entrance doors	7	2,400	
Fire alarm box	12	7,200	
Garage doors	1	16,670	
Gas grill	0	4,800	
Gutters	8	3,000	
Hot tub rooms	23 - 24	114,400	
Paint	0	69,996	
Paving/resurfacing	6	45,000	
Roof	0	84,000	
Unit entry doors	0 - 24	16,675	
Windows	19	144,000	
Total		<u>528,211</u>	<u>156,605</u>

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

Gold Point Homeowners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Timeshare Furniture Fund
July 31, 2008
(Unaudited)

The Association conducted an informal study during the fiscal year ended July 31, 2007, to estimate the remaining useful lives and replacement costs of the furniture components of common property. The estimates were obtained with input from the management company and the Board's previous experience with the property.

The balance of the Timeshare Furniture Fund at July 31, 2008 has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at July 31, 2008</u>
Timeshare Furniture:			
Appliances	0 - 24	113,804	
Artwork	4	18,144	
Entries	4 - 9	7,500	
Bedding	0	17,406	
Flooring	3 - 12	146,835	
Den	0 - 4	10,949	
Dining room	0 - 11	47,178	
Kitchen	0 - 11	105,805	
Living room	0 - 12	134,298	
Master bedroom	0 - 11	52,423	
Spare bedroom	0 - 11	33,370	
Twin bedroom	0 - 16	32,140	
Total		<u>719,852</u>	<u>313,630</u>

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