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To the Board of Directors and Members  
Red Mountain Ranch of Gunnison County Assoc., Inc.

February 9, 2006

The accompanying balance sheets-income tax basis of Red Mountain Ranch of Gunnison County Association, Inc. as of December 31, 2005 and the related statements of revenue and expenses and changes in fund balance-income tax basis for the period ended December 31, 2005, have been compiled by us.

The compilation is in accordance with standards established by the American Institute of Certified Public Accountants (Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants). The financial statements have been prepared on the accounting basis used by the corporation for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements, information that is the representation of the owners. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles, and a statement of cash flows. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who were not informed about such matters.

Douglas B. Gorman  
Certified Public Accountant

RED MOUNTAIN RANCH OF GUNNISON COUNTY ASSOCIATION, INC  
 BALANCE SHEET  
 AS OF DECEMBER 31, 2005

	GENERAL FUND	RESERVE FUND	TOTALS 12/31/2005	TOTALS 12/31/2004
<b>ASSETS</b>				
Cash in Bank	\$18,540.00	\$14,395.00	\$32,935.00	\$81,013.00
Accounts Receivable	\$4,575.00	\$0.00	\$4,575.00	\$0,460.00
Due From General Fund		\$17,334.00	\$17,334.00	
Federal Tax Refund Rec.	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL ASSETS</b>	<u>\$23,115.00</u>	<u>\$31,729.00</u>	<u>\$54,844.00</u>	<u>\$87,463.00</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Due To General Fund	17,334.00		\$17,334.00	
Accrued Income Taxes	\$51.00		\$51.00	\$51.00
<b>TOTAL LIABILITIES</b>	<u>\$17,385.00</u>		<u>\$17,385.00</u>	<u>\$51.00</u>
<b>PRIOR PERIOD ADJ TO FUND BALANCE</b>			\$0.00	\$2,881.00
<b>FUND BALANCE</b>	<u>\$5,730.00</u>	<u>\$31,729.00</u>	<u>\$37,459.00</u>	<u>\$84,731.00</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$23,115.00</u>	<u>\$31,729.00</u>	<u>\$54,844.00</u>	<u>\$87,463.00</u>

UNAUDITED-SEE ACCOUNTANT'S COMPILATION REPORT

RED MOUNTAIN RANCH OF GUNNISON COUNTY ASSOC. , INC.  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
 FOR THE PERIOD JANUARY 1, 2005 TO DECEMBER 31, 2005

	OPERATING FUND	RESERVE FUND
REVENUES		
Assessments	\$ 92,712.00	
Interest Income	<u>\$1,294.00</u>	<u>\$907.00</u>
 TOTAL REVENUES	 \$ 94,006.00	 \$907.00
EXPENSES		
Capital Reserve Exp-Landscaping		16,000.00
Operating (Schedule attached)	<u>\$129,866.00</u>	\$0.00
 TOTAL EXPENSES	 <u>\$129,866.00</u>	 <u>\$15,000.00</u>
 EXCESS OF REVENUES OVER EXPENSES	 \$ (35,860.00)	 (14,093.00)
 BEGINNING FUND BALANCES	 <u>\$41,590.00</u>	 <u>\$45,822.00</u>
ENDING FUND BALANCES	<u>\$ 8,730.00</u>	<u>\$31,729.00</u>

UNAUDITED-SEE ACCOUNTANT'S COMPILATION REPORT

RED MOUNTAIN RANCH OF GUNNISON COUNTY ASSOCIATION, INC.  
 SCHEDULE OF OPERATIONS  
 FOR THE PERIOD JANUARY 1, 2005 TO DECEMBER 31, 2005

	PERIOD ENDED 12/31/2005 ACTUAL	BUDGET	VARIANCE Favorable (Unfavorable)
<b>REVENUES</b>			
Assessments	\$92,712.00	\$91,300.00	\$1,412.00
Design Review		\$750.00	(\$750.00)
Interest Income	\$1,294.00	\$400.00	\$894.00
<b>TOTAL REVENUES</b>	<b>\$94,006.00</b>	<b>\$92,450.00</b>	<b>\$1,556.00</b>
<b>EXPENSES</b>			
Bank Charges	\$30.00	\$0.00	(\$30.00)
Management Fees	\$18,000.00	\$18,000.00	\$0.00
Insurance	\$2,523.00	\$3,000.00	\$477.00
Legal & Professional	\$4,809.00	\$5,000.00	\$191.00
Snow Removal	\$19,038.00	\$18,000.00	(\$1,038.00)
Road Repairs & Maintenance	\$7,187.00	\$8,000.00	\$813.00
Dust Retardent	\$29,598.00	\$36,000.00	\$6,412.00
Utilities	\$286.00	\$300.00	\$14.00
Misc. Expense	\$1,173.00	\$1,500.00	\$327.00
Income Taxes	\$51.00	\$0.00	(\$51.00)
Design Review	\$450.00	\$450.00	\$0.00
Landscaping	\$32,801.00	\$0.00	(\$32,801.00)
Fence Repair	\$14,130.00	\$20,000.00	\$5,870.00
<b>TOTAL EXPENSES</b>	<b>129,866.00</b>	<b>\$110,250</b>	<b>(\$19,616.00)</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b><u>(\$35,860.00)</u></b>	<b><u>(\$17,800.00)</u></b>	<b><u>(\$18,060.00)</u></b>

UNAUDITED-SEE ACCOUNTANTS COMPILATION REPORT