

Grand Colorado on Peak 8
Financial Report
December 31, 2019 and 2018



**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Grand Colorado on Peak 8
Breckenridge, CO**

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Colorado on Peak 8 (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Colorado on Peak 8 as of December 31, 2019, 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.

Member: American Institute of Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Grand Colorado on Peak 8
Breckenridge, CO**

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on pages 14 – 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
April 30, 2020**

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2019
(With Comparative Totals for 2018)

	2019			2018	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Assets:					
Cash in banks	1,966,337	193,560	344,107	2,504,004	1,480,872
Investments	-	271,726	483,070	754,796	437,125
Member assessments receivable (net of allowance for doubtful accounts of \$42,867 in 2019 and \$17,189 in 2018)	67,871	-	-	67,871	56,601
Accrued interest receivable	2,902	-	-	2,902	-
Accounts receivable - Other	29,517	-	-	29,517	(3,678)
Unit supplies inventory	29,024	-	-	29,024	24,619
Prepaid expenses	13,070	-	-	13,070	7,726
Due from (to) Gold Point	261	-	-	261	-
Due from (to) Grand Timber Lodge	441	-	-	441	-
Due from (to) Grand Lodge on Peak 7	-	-	-	-	452
Due from (to) other funds	(724,699)	316,320	408,379	-	-
Fixed assets (net of accumulated depreciation of \$23,957 in 2019 and \$9,091 in 2018)	50,372	-	-	50,372	65,238
Total Assets	<u>1,435,096</u>	<u>781,606</u>	<u>1,235,556</u>	<u>3,452,258</u>	<u>2,068,955</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	62,887	-	-	62,887	57,909
Deferred assessment revenue	116,403	-	-	116,403	121,283
Property taxes payable	540,255	-	-	540,255	445,509
Due to (from) Grand Timber Lodge	-	-	-	-	768
Due to (from) Grand Lodge on Peak 7	21,470	-	-	21,470	-
Due to (from) Management Companies	338,225	-	-	338,225	301,127
Reserve study payable	2,000	-	-	2,000	2,000
Total Liabilities	<u>1,081,240</u>	<u>-</u>	<u>-</u>	<u>1,081,240</u>	<u>928,596</u>
Fund Balances (Deficit)	<u>353,856</u>	<u>781,606</u>	<u>1,235,556</u>	<u>2,371,018</u>	<u>1,140,359</u>
Total Liabilities and Fund Balances (Deficit)	<u>1,435,096</u>	<u>781,606</u>	<u>1,235,556</u>	<u>3,452,258</u>	<u>2,068,955</u>

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			2018	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	6,227,940	316,063	548,099	7,092,102	5,556,013
Developer subsidy	130,000	-	-	130,000	293,657
Developer stop gap	-	-	-	-	140,000
Interest income	6,101	30,793	54,744	91,638	(39,862)
Late fee revenue	95,298	-	-	95,298	52,699
Ski locker income	5,250	-	-	5,250	-
Natural gas reimbursement	13,817	-	-	13,817	-
Exchange resort fee	20,641	-	-	20,641	60
Rental resort fee	64,212	-	-	64,212	955
Miscellaneous income	29,094	-	-	29,094	15,330
Total Revenues	6,592,353	346,856	602,843	7,542,052	6,018,852
Expenses:					
Accounting fees and I.T.	237,654	-	-	237,654	226,334
Activities	27,516	-	-	27,516	57,521
Assessment servicing fees	54,425	-	-	54,425	55,293
Bad debt expense	46,951	-	-	46,951	21,067
BMMA dues	3,138	-	-	3,138	-
Common area amenities	134,442	-	-	134,442	107,456
Credit card fees	44,830	-	-	44,830	31,672
Depreciation	14,866	-	-	14,866	8,339
Elevator maintenance	45,017	-	-	45,017	28,242
Fire alarm maintenance	11,436	-	-	11,436	11,892
Front desk fees	700,737	-	-	700,737	675,322
Hot tub and pool maintenance	43,034	-	-	43,034	38,231
Housekeeping	1,647,569	-	-	1,647,569	1,388,675
HR fees	269,456	-	-	269,456	256,629
Insurance	103,656	-	-	103,656	103,058
Landscaping	11,917	-	-	11,917	8,470
Operations	189,344	-	-	189,344	345,703
Management fee	181,458	-	-	181,458	157,044
Printing and key fobs	32,156	-	-	32,156	41,704
Professional fees	11,052	-	-	11,052	14,397
Property tax expense	540,255	-	-	540,255	445,509
Reservation fees	328,246	-	-	328,246	225,992
Security	111,442	-	-	111,442	114,727
Short term rental tax	9,975	-	-	9,975	9,975
Snow removal	11,211	-	-	11,211	1,365
Sustainability	12,216	-	-	12,216	-
Television	18,371	-	-	18,371	18,323
Trash removal	29,639	-	-	29,639	28,394
Board and annual meetings	14,334	-	-	14,334	11,208
Truck lease	13,123	-	-	13,123	16,710
Engineering	777,299	-	-	777,299	639,114
Unit telephones	45,454	-	-	45,454	38,571
Unit utilities	349,878	-	-	349,878	337,968
Water and sanitation	119,166	-	-	119,166	82,512
Common reserve - Building exterior	-	53,989	-	53,989	24,380
Common reserve - Common area finishes	-	6,487	-	6,487	1,960
Common reserve - Mechanical systems	-	5,667	-	5,667	-
Unit reserve - Furniture	-	-	11,312	11,312	18,093
Unit reserve - Appliances	-	-	42,675	42,675	-
Total Expenses	6,191,263	66,143	53,987	6,311,393	5,591,850
Excess (Deficiency) of Revenues Over Expenses	401,090	280,713	548,856	1,230,659	427,002
Beginning Fund Balances (Deficit)	(47,234)	500,893	686,700	1,140,359	713,357
Ending Fund Balances (Deficit)	353,856	781,606	1,235,556	2,371,018	1,140,359

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			2018	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	6,281,409	316,063	548,099	7,145,571	5,535,797
Interest received	3,199	4,632	8,235	16,066	1,677
Cash received from other sources	263,014	-	-	263,014	450,002
Cash transfers from (to) other funds	746,934	(420,342)	(326,592)	-	-
Cash payments for goods and services	(5,590,879)	(66,143)	(53,987)	(5,711,009)	(4,924,170)
Cash paid for property taxes	(445,509)	-	-	(445,509)	(192,211)
Net Cash Provided (Used) By Operating Activities	<u>1,258,168</u>	<u>(165,790)</u>	<u>175,755</u>	<u>1,268,133</u>	<u>871,095</u>
Cash Flows From Investing Activities:					
Purchases of investments	-	(264,600)	(470,400)	(735,000)	-
Sales and redemptions of investments	-	176,400	313,600	490,000	95,000
Transfer of investment allocation	-	61,198	(61,199)	(1)	-
Purchase of equipment	-	-	-	-	(68,686)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(27,002)</u>	<u>(217,999)</u>	<u>(245,001)</u>	<u>26,314</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,258,168	(192,792)	(42,244)	1,023,132	897,409
Cash and Cash Equivalents - Beginning of Year	708,169	386,352	386,351	1,480,872	583,463
Cash and Cash Equivalents - End of Year	<u>1,966,337</u>	<u>193,560</u>	<u>344,107</u>	<u>2,504,004</u>	<u>1,480,872</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:					
Excess (deficiency) of revenues over expenses	401,090	280,713	548,856	1,230,659	427,002
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:					
Depreciation	14,866	-	-	14,866	8,339
Unrealized (gain) loss on investments	-	(26,161)	(46,509)	(72,670)	41,539
(Increase) decrease in assessments receivable	(36,948)	-	-	(36,948)	(41,120)
Increase (decrease) in allowance for doubtful accounts	25,678	-	-	25,678	14,851
(Increase) decrease in accrued interest	(2,902)	-	-	(2,902)	-
(Increase) decrease in other receivables	(33,195)	-	-	(33,195)	3,678
(Increase) decrease in inventory	(4,405)	-	-	(4,405)	(11,371)
(Increase) decrease in prepaid expenses	(5,344)	-	-	(5,344)	(6,450)
Cash transfers from (to) other funds	746,934	(420,342)	(326,592)	-	-
Increase (decrease) in accounts payable	4,978	-	-	4,978	8,041
Increase (decrease) in deferred assessment revenue	(4,880)	-	-	(4,880)	(31,796)
Increase (decrease) in property taxes payable	94,746	-	-	94,746	252,298
Increase (decrease) in due to related parties	57,550	-	-	57,550	205,084
Increase (decrease) in income taxes payable	-	-	-	-	1,000
Total Adjustments	<u>857,078</u>	<u>(446,503)</u>	<u>(373,101)</u>	<u>37,474</u>	<u>444,093</u>
Net Cash Provided (Used) By Operating Activities	<u>1,258,168</u>	<u>(165,790)</u>	<u>175,755</u>	<u>1,268,133</u>	<u>871,095</u>

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

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019**

1. Organization

Grand Colorado on Peak 8, (the “Association”) is a condominium association organized as a Colorado non-for-profit corporation for the purposes of maintaining and preserving common property of the Association. The Association, which is located in Breckenridge, Colorado, was incorporated on May 30, 2014. The Association began operations on January 1, 2017.

The property was developed by the Declarant, Peak 8 Properties, L.L.C. In accordance with the Association’s declarations and the provisions of the Colorado Common Interest Ownership Act, the period of Declarant control commenced upon filing the Articles of Incorporation and terminates when one of the following events occur:

- a. Sixty days after conveyance of 75% of the units that may be created to owners other than the Declarant;
- b. Two years after the last conveyance of a unit by a Declarant in the ordinary course of business;
- c. Two years after any right to add new units was last exercised,

The Association remained under Declarant control at December 31, 2019.

At December 31, 2019, the Association consisted of 160 units, which included 150 timeshare units and 10 commercial units. The maximum number of units permitted in the Association’s declarations is 268, which include 253 timeshare units and 15 commercial units.

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 December 31, 2019, the Association had the following funds:

Operating – Disbursements from this fund are generally at the discretion of the Board of Directors (the “Board”) and the property manager.

Common Reserve – Disbursements from this fund generally may be made only for designated purposes.

Unit Reserve – Disbursements from this fund are designated for the replacement of unit furniture.

B. Investment Income Allocation

Interest income is recorded in the fund holding the underlying source of investment income.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019**

2. Summary of Significant Accounting Policies (continued)

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 estimated useful lives of five 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 Statement of Cash Flows since all funds are highly liquid with no stated maturities.

F. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposits are intended to fund Replacement Fund expenditures and may provide a ready source of cash when so required, these investments are classified as trading. Accordingly, these investments are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current year earnings.

G. Common Assessments

Common assessments are the primary source of revenue for the Association. An annual budget, which is approved by 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.

H. 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 in the individual funds caused by this accounting policy results in interfund asset and liability accounts on the financial statements.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019**

2. Summary of Significant Accounting Policies (continued)

I. 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. For the year ended December 31, 2019, the Association incurred \$46,951 in bad debt expense and wrote off accounts totaling \$21,273 (net of recoveries totaling \$0).

J. Inventory

Housekeeping supply inventory is valued at cost, which approximates market, 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is composed of payments received in advance of the assessment billings of the next fiscal year.

M. Subsequent Events

Management has evaluated subsequent events through April 30, 2020, the date these financial statements were available to be issued.

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.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are not subject to examination for tax years three years prior by the Internal Revenue Service and for tax years for four years prior by the Colorado Department of Revenue. The Association submitted an initial tax return for the year ending December 31, 2017.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019**

4. Investments

The Association's investments were comprised of the following certificates of deposit at December 31, 2019.

	<u>12/31/19</u>	<u>12/31/18</u>
Certificates of deposit, maturing within one year, bearing interest at 2.30% per annum	\$ 245,745	-
Certificates of deposit linked to the Dow Jones Industrial Average, maturing on January 3, 2024	\$ 249,026	223,500
Certificates of deposit linked to the Standard and Poor's 500 index, maturing on January 6, 2025	<u>260,025</u>	<u>213,625</u>
Total Investments	<u>\$ 754,796</u>	<u>437,125</u>

Included in the Association's investment income for the fiscal year ending December 31, 2019 is unrealized gains (losses) totaling \$46,509.

5. Fixed Assets

Fixed assets are summarized below:

<u>Description</u>	<u>12/31/19</u>	<u>12/31/18</u>
Equipment	\$ 45,115	\$ 45,115
Vehicles	29,214	29,214
Less: Accumulated depreciation	(23,957)	(9,091)
Net Fixed Assets	<u>\$ 50,372</u>	<u>\$ 65,238</u>

Depreciation expense is computed on a straight-line basis and was \$14,866 and \$8,339 for the years ended December 31, 2019 and 2018.

6. Significant Agreements and Transactions

On January 1, 2018, Peak 8 Properties, L.L.C. entered into an agreement with the Association to purchase all inventory units from the Association (which may be obtained as a result of foreclosure proceedings to collect past due assessments) for the consideration of payment of Association past dues, transfer costs, and any Association dues until resale and otherwise in accordance with the term and conditions of the agreement. This agreement may be terminated by either party by giving ninety days advance written notice. During the year ended December 31, 2019, the Association did not receive any amount from Peak 8 Properties, L.L.C. for the purchase of inventory units. At December 31, 2019, the Association did not own any inventory units.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019**

6. Significant Agreements and Transactions (continued)

The Association's Declarations requires all owners to be assessed based upon the number of units completed (150) at the start of the fiscal year. Based upon the budget approved by the board of directors, the owners (with the exception of the commercial units) are actually being assessed as if all units were completed for the common area and amenity expenses. Based upon the approved budget, Peak 8 Properties, L.L.C. has agreed to pay the difference in the form of a developer subsidy.

Peak 8 Properties, L.L.C. pays assessments relating to its owned unit weeks throughout the year. The Association earned \$1,524,607 of 2019 revenue from Peak 8 Properties, L.L.C through assessments. Peak 8 Properties, L.L.C's assessments excluded cleaning fees of \$352,291 related to services not incurred in unoccupied units. Peak 8 Properties, L.L.C contributed an additional \$130,000 to the Association to help fund operations during the year ended December 31, 2019. The Association earned 22% of its total 2019 revenue from Peak 8 Properties, L.L.C.

Effective August 15, 2015, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by the Peak 8 Properties, L.L.C., to provide all services and personnel required to administer the affairs of the Association. The management fee is equal to 2.5% of the Association annual budget during the initial two years, and after the initial two years will increase up to 5% at the beginning of each following annual budget year; provided, however, that in the event the Project is expanded to include additional phases four and five the annual management fee shall automatically be increased to 10% of the Association annual budget for any such budget year upon closing of the real property required for the additional phases four and five of the Project and shall thereafter increase up to 5% at the beginning of each following annual budget year; provided, however, in no event shall the management fee exceed 15% during the initial two years or any renewal term. After the initial term, the agreement automatically renews for five year periods, under the same terms and conditions as the original agreement, unless cancelled by either party. 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 from the resignation notification date.

During the year ended December 31, 2019, the Association incurred various expenses that were payable to Breckenridge Grand Vacations and Peak 8 Properties, L.L.C. (collectively referred to as "Management Companies"). The following is a schedule of transactions between the Association and the Management Companies for the year ended December 31, 2019.

	<u>2019</u>	<u>2018</u>
Accounting fees and I.T.	\$ 237,654	\$ 226,334
Front desk and reservation fees	1,028,983	901,314
HR fees	269,456	256,629
Engineering	777,299	639,114
Management fees	181,458	157,044
Cleaning	1,647,569	1,388,675
Security	111,442	114,727
Operations	189,344	345,703
Activities	27,516	57,521
Total Expenses	<u>\$ 4,443,205</u>	<u>\$ 4,029,540</u>

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

6. Significant Agreements and Transactions (continued)

Approximately 70% of the Association's total 2019 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was \$338,225 at December 31, 2019.

On October 25, 2016, the Association entered into an agreement with Concord Servicing Corporation to perform billings of assessments. The initial term began from the date of the agreement and is automatically renewed for 12 month terms until written notice of termination. The fee may increase annually by 1.5 times the increase in the Consumer Price Index. For the year ended December 31, 2019, the Association paid \$32,819, for services provided by Concord Servicing Corporation.

7. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future repairs, replacements and maintenance. Accumulated funds are held in separate money market accounts and are generally not available for expenses for normal operations.

The Association has an external reserve study performed every 5 years to update estimates for future repairs and replacements and maintenance. In addition to the formal study Management also performs an annual internal inspection to update these estimates.

The Association internally created a reserve study to estimate the remaining useful lives and replacement costs of the components of common property. Management updates estimates from this reserve study annually through inspection and periodic review by outside consultants. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study.

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 for anticipated costs, and accumulating funds in reserve 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 \$316,063 and \$548,099 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2019.

Funds being accumulated in the Common Reserve Fund and Units Reserve 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.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019**

8. Concentration

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") at December 31, 2019 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution. At December 31, 2019, the Association's uninsured cash balances totaled \$11,457.

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Operating Fund
Budget (Non-GAAP Basis) to Actual Comparison
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2019
(With Comparative Actual Amounts for 2018)

	2019		Variance Favorable (Unfavorable)	2018
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments, net of discounts	6,196,600	6,227,940	31,340	4,785,837
Developer subsidy	130,000	130,000	-	293,657
Developer stop gap	175,000	-	(175,000)	140,000
Interest income	10	6,101	6,091	-
Late fee revenue	47,168	95,298	48,130	52,699
Ski locker income	6,250	5,250	(1,000)	-
Natural gas reimbursement	-	13,817	13,817	-
Exchange resort fee	-	20,641	20,641	60
Rental resort fee	31,157	64,212	33,055	955
Miscellaneous income	61,209	29,094	(32,115)	15,330
Total Revenues	<u>6,647,394</u>	<u>6,592,353</u>	<u>(55,041)</u>	<u>5,288,538</u>
Expenses:				
Accounting fees and I.T.	237,654	237,654	-	226,334
Activities	70,394	27,516	42,878	57,521
Assessment servicing fees	46,004	54,425	(8,421)	55,293
Bad debt expense	37,646	46,951	(9,305)	21,067
BMMA Dues	-	3,138	(3,138)	-
Common area amenities	98,019	134,442	(36,423)	107,456
Credit card fees	54,035	44,830	9,205	31,672
Elevator maintenance	47,095	45,017	2,078	28,242
Fire alarm maintenance	12,347	11,436	911	11,892
Front desk fees	776,641	700,737	75,904	675,322
Hot tub and pool maintenance	39,900	43,034	(3,134)	38,231
Housekeeping	1,801,615	1,647,569	154,046	1,388,675
HR Fees	269,456	269,456	-	256,629
Insurance	113,992	103,656	10,336	103,058
Landscaping	10,200	11,917	(1,717)	8,470
Management fee	181,447	181,458	(11)	157,044
Operations	200,764	189,344	11,420	345,703
Printing and key fobs	36,114	32,156	3,958	41,704
Professional fees	12,100	11,052	1,048	14,397
Property tax expense	588,548	540,255	48,293	445,509
Reservation fees	328,234	328,246	(12)	225,992
Security	105,211	111,442	(6,231)	114,727
Short term rental tax	13,875	9,975	3,900	9,975
Snow removal	3,000	11,211	(8,211)	1,365
Stables lot rent	175,000	-	175,000	-
Sustainability	12,216	12,216	-	-
Television	18,215	18,371	(156)	18,323
Trash removal	30,764	29,639	1,125	28,394
Board and annual meetings	11,550	14,334	(2,784)	11,208
Truck lease	13,123	13,123	-	16,710
Engineering	813,458	777,299	36,159	639,114
Unit telephones	41,170	45,454	(4,284)	38,571
Unit utilities	327,750	349,878	(22,128)	337,968
Water and sanitation	111,700	119,166	(7,466)	82,512
Total Expenses	<u>6,639,237</u>	<u>6,176,397</u>	<u>462,840</u>	<u>5,539,078</u>
Excess (Deficiency) of Revenue Over Expenses - Budget Basis		415,956		(250,540)
Adjustments to Budget Basis:				
Depreciation expense		(14,866)		(8,339)
Total Adjustments		<u>(14,866)</u>		<u>(8,339)</u>
Excess (Deficiency) of Revenues Over Expenses - GAAP Basis		<u>401,090</u>		<u>(258,879)</u>

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Common Reserve Fund
December 31, 2019
(Unaudited)

During the fiscal year ended December 31, 2019, management performed an update of the internally created reserve study, to estimate the remaining useful lives and replacement costs of the components of common property. The life expectancy of all components was ascertained from visual inspections made during the study.

The balance of the Common Reserve Fund at December 31, 2019, 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.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2019
Amenity	0 - 30	\$1,954,738	
Aquatics	4 - 21	1,356,794	
Bellman	2 - 6	28,209	
Boilers	0 - 31	1,693,171	
Contingency	1 - 2	60,000	
Doors	4 - 26	3,619,724	
Electronics	5 - 16	95,131	
Elevators	13 - 31	4,962,504	
Equipment	0	-	
Flooring	1 - 21	883,144	
Furnishing	1 - 21	535,774	
Furnishings	4 - 8	109,337	
Housekeeping	0 - 11	66,214	
HVAC	5 - 31	1,352,952	
IT	0 - 11	328,650	
Lighting	13 - 21	740,447	
Paint	1 - 12	769,383	
Par	3 - 7	24,707	
Remodel	18 - 21	1,282,544	
Roof	3 - 27	2,841,502	
Safety	4 - 16	24,378	
Signs	21 - 31	484,924	
Stonework	8 - 11	90,439	
Theaters	3 - 21	555,647	
Trim	23 - 26	405,217	
Windows	4 - 31	8,589,274	
Total		32,854,804	781,606

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Unit Reserve Fund
December 31, 2019
(Unaudited)

During the fiscal year ended December 31, 2019, management performed an update of the internally created reserve study, to estimate the remaining useful lives and replacement costs of the components of common property. The life expectancy of all components was ascertained from visual inspections made during the study.

The balance of the Unit Reserve Fund at December 31, 2019, 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 Future Replacement Costs</u>	<u>Components of Fund Balance at December 31, 2019</u>
Appliance	23 - 30	\$628,297	
Contingency	1 - 2	50,000	
Doors	23 - 30	605,500	
Drywall	23 - 30	287,650	
Electrical	23 - 30	102,825	
Electronics	3 - 6	682,282	
Flooring	4 - 30	1,973,490	
Furnishing	1 - 30	5,894,829	
HVAC	13 - 30	1,407,500	
Insulation	23 - 30	95,640	
IT	1 - 17	236,125	
Labor	23 - 30	1,675,972	
Lighting	3 - 8	589,450	
Paint	23 - 30	372,500	
PAR	2 - 6	137,725	
Permit	23 - 30	202,400	
Plumbing	23 - 30	758,245	
Safety	8 - 11	64,750	
Trim	23 - 30	978,750	
Total		<u><u>\$16,743,930</u></u>	<u><u>1,235,556</u></u>

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