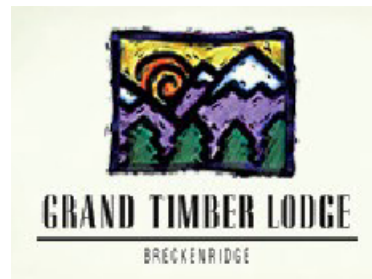


**Grand Timber Lodge Owners Association**

**Financial Statements**

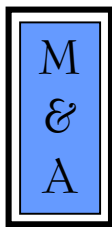
**December 31, 2019 and 2018**



**Grand Timber Lodge Owners Association  
(A Colorado Non-Profit Corporation)  
December 31, 2019 and 2018**

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# McMAHAN AND ASSOCIATES, L.L.C.

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Grand Timber Lodge Owners Association  
Breckenridge, Colorado**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Grand Timber Lodge Owners Association (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 Timber Lodge Owners Association 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*

PAUL J. BACKES, CPA, CGMA  
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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Grand Timber Lodge Owners Association**  
**Breckenridge, Colorado**

***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 12 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 13 - 14 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 30, 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 Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Balance Sheets**  
**December 31, 2019 and 2018**

	2019				2018			
	Operating	Common	Unit		Operating	Common	Unit	
	Fund	Reserve	Reserve	Total	Fund	Reserve	Reserve	Total
	Fund	Fund	Fund		Fund	Fund	Fund	
<b>Assets:</b>								
<b>Current Assets:</b>								
Cash in banks	1,051,007	243,125	297,153	1,591,285	846,094	419,288	230,833	1,496,215
Investments	-	251,890	307,867	559,757	-	28,829	15,871	44,700
Accrued interest	1,185	-	-	1,185	-	-	-	-
Member assessments receivable (net of allowance for doubtful accounts of \$367,200 and \$340,804 in 2019 and 2018)	864,878	-	-	864,878	651,502	-	-	651,502
Due from (to) Gold Point I Condominium	2,774	-	-	2,774	2,512	-	-	2,512
Due from (to) Gold Point II Condominium	165	-	-	165	-	-	-	-
Due from (to) Grand Lodge on Peak 7	(1,962)	-	-	(1,962)	(2,323)	-	-	(2,323)
Due from (to) Grand Colorado on Peak 8	0	-	-	-	767	-	-	767
Accounts receivable - Other	-	-	-	-	417	-	-	417
Note receivable	-	253,620	-	253,620	-	6,525	-	6,525
Unit supplies inventory	27,728	-	-	27,728	27,885	-	-	27,885
Prepaid expenses	17,183	-	-	17,183	15,022	-	-	15,022
<b>Total Current Assets</b>	<u>1,962,958</u>	<u>748,635</u>	<u>605,020</u>	<u>3,316,613</u>	<u>1,541,876</u>	<u>454,642</u>	<u>246,704</u>	<u>2,243,222</u>
<b>Non-Current Assets:</b>								
Fixed assets (net of accumulated depreciation of \$181,060 and \$164,281 in 2019 and 2018)	30,288	-	-	30,288	47,067	-	-	47,067
<b>Total Non-Current Assets</b>	<u>30,288</u>	<u>-</u>	<u>-</u>	<u>30,288</u>	<u>47,067</u>	<u>-</u>	<u>-</u>	<u>47,067</u>
<b>Total Assets</b>	<u>1,993,246</u>	<u>748,635</u>	<u>605,020</u>	<u>3,346,901</u>	<u>1,588,943</u>	<u>454,642</u>	<u>246,704</u>	<u>2,290,289</u>
<b>Liabilities and Fund Balances:</b>								
<b>Liabilities:</b>								
<b>Current Liabilities:</b>								
Accounts payable	141,999	-	-	141,999	191,435	-	-	191,435
Accounts payable - Other	833	-	-	833	-	-	-	-
Reserve study payable	3,000	-	-	3,000	3,000	-	-	3,000
Due to (from) other funds	(400)	(159,684)	160,084	-	(4,456)	254,486	(250,030)	-
Deferred assessment revenue	224,553	-	-	224,553	200,234	-	-	200,234
Property taxes payable	494,277	-	-	494,277	465,143	-	-	465,143
Due to Management Companies	587,808	-	-	587,808	632,392	-	-	632,392
<b>Total Current Liabilities</b>	<u>1,452,070</u>	<u>(159,684)</u>	<u>160,084</u>	<u>1,452,470</u>	<u>1,487,748</u>	<u>254,486</u>	<u>(250,030)</u>	<u>1,492,204</u>
<b>Current Liabilities:</b>								
Line of credit payable	-	451,119	-	451,119	-	107,957	-	107,957
<b>Total Current Liabilities</b>	<u>-</u>	<u>451,119</u>	<u>-</u>	<u>451,119</u>	<u>-</u>	<u>107,957</u>	<u>-</u>	<u>107,957</u>
<b>Fund Balances (Deficit)</b>	<u>541,176</u>	<u>457,200</u>	<u>444,936</u>	<u>1,443,312</u>	<u>101,195</u>	<u>92,199</u>	<u>496,734</u>	<u>690,128</u>
<b>Total Liabilities and Fund Balances</b>	<u>1,993,246</u>	<u>748,635</u>	<u>605,020</u>	<u>3,346,901</u>	<u>1,588,943</u>	<u>454,642</u>	<u>246,704</u>	<u>2,290,289</u>

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

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2019 and 2018**

	2019				2018			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
<b>Revenues:</b>								
Assessments, net of discounts	8,036,963	1,058,224	1,277,191	10,372,378	7,547,386	875,799	1,109,546	9,532,731
Late fee revenue	203,732	-	-	203,732	218,468	-	-	218,468
Investment income	17,319	5,946	7,267	30,532	6,991	(675)	1,927	8,243
Exchange resort fee	123,889	-	-	123,889	140	-	-	140
Rental resort fee	89,849	-	-	89,849	1,039	-	-	1,039
Deed in lieu income	34,842	-	-	34,842	103,632	-	-	103,632
Developer amenity project contribution	-	136,940	-	136,940	-	196,070	-	196,070
Miscellaneous income	27,808	-	-	27,808	34,444	-	-	34,444
<b>Total Revenues</b>	<u>8,534,402</u>	<u>1,201,110</u>	<u>1,284,458</u>	<u>11,019,970</u>	<u>7,912,100</u>	<u>1,071,194</u>	<u>1,111,473</u>	<u>10,094,767</u>
<b>Expenses:</b>								
Operations	2,827,565	-	-	2,827,565	2,927,927	-	-	2,927,927
Maintenance	1,395,719	-	-	1,395,719	1,202,142	-	-	1,202,142
Resort Cleaning	2,453,253	-	-	2,453,253	2,443,669	-	-	2,443,669
Utilities	799,422	-	-	799,422	851,313	-	-	851,313
Taxes	514,677	-	-	514,677	485,443	-	-	485,443
Capital	16,779	-	-	16,779	15,131	-	-	15,131
Common reserve expenses	-	958,147	-	958,147	-	1,057,841	-	1,057,841
Common reserve amenity expenses	-	265,881	-	265,881	-	326,662	-	326,662
Unit reserve expenses	-	-	1,035,343	1,035,343	-	-	646,799	646,799
<b>Total Expenses</b>	<u>8,007,415</u>	<u>1,224,028</u>	<u>1,035,343</u>	<u>10,266,786</u>	<u>7,925,625</u>	<u>1,384,503</u>	<u>646,799</u>	<u>9,956,927</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	526,987	(22,918)	249,115	753,184	(13,525)	(313,309)	464,674	137,840
<b>Beginning Fund Balances (Deficit)</b>	<u>101,195</u>	<u>92,199</u>	<u>496,734</u>	<u>690,128</u>	<u>114,720</u>	<u>405,508</u>	<u>32,060</u>	<u>552,288</u>
<b>Transfer to other fund</b>	<u>(87,006)</u>	<u>387,919</u>	<u>(300,913)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending Fund Balances (Deficit)</b>	<u>541,176</u>	<u>457,200</u>	<u>444,936</u>	<u>1,443,312</u>	<u>101,195</u>	<u>92,199</u>	<u>496,734</u>	<u>690,128</u>

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

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2019 and 2018**

	2019				2018			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
<b>Cash Flows From Operating Activities:</b>								
Cash received from owners	8,271,981	1,335,988	976,278	10,584,247	7,749,826	1,065,344	1,109,546	9,924,716
Interest received	16,134	3,512	4,292	23,938	7,024	1,199	2,958	11,181
Cash paid for property taxes	(485,543)	-	-	(485,543)	(434,997)	-	-	(434,997)
Cash transfers from (to) other funds	4,056	(414,170)	410,114	-	205,426	230,411	(435,837)	-
Cash received from other sources	-	-	-	-	-	-	-	-
Cash payments for goods and services	(7,601,715)	(1,224,028)	(1,035,343)	(9,861,086)	(7,031,317)	(1,384,503)	(646,799)	(9,062,619)
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>204,913</u>	<u>(298,698)</u>	<u>355,341</u>	<u>261,556</u>	<u>495,962</u>	<u>(87,549)</u>	<u>29,868</u>	<u>438,281</u>
<b>Cash Flows From Financing Activities:</b>								
Proceeds from Line of Credit	-	343,162	-	343,162	-	107,957	-	107,957
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>-</u>	<u>343,162</u>	<u>-</u>	<u>343,162</u>	<u>-</u>	<u>107,957</u>	<u>-</u>	<u>107,957</u>
<b>Cash Flows From Investing Activities:</b>								
Purchase of investments	-	(155,250)	(189,750)	(345,000)	-	-	-	-
Sale of investments	-	110,250	134,750	245,000	-	163,510	81,595	245,105
Transfer of investment allocation	-	(175,627)	(234,021)	(409,648)	-	-	-	-
Purchase of fixed assets	-	-	-	-	(24,720)	-	-	(24,720)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>(220,627)</u>	<u>(289,021)</u>	<u>(509,648)</u>	<u>(24,720)</u>	<u>163,510</u>	<u>81,595</u>	<u>220,385</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>204,913</u>	<u>(176,163)</u>	<u>66,320</u>	<u>95,070</u>	<u>471,242</u>	<u>183,918</u>	<u>111,463</u>	<u>766,623</u>
<b>Net Cash and Cash Equivalents - Beginning</b>	<u>846,094</u>	<u>419,288</u>	<u>230,833</u>	<u>1,496,215</u>	<u>374,852</u>	<u>235,370</u>	<u>119,370</u>	<u>729,592</u>
<b>Net Cash and Cash Equivalents - Ending</b>	<u><u>1,051,007</u></u>	<u><u>243,125</u></u>	<u><u>297,153</u></u>	<u><u>1,591,285</u></u>	<u><u>846,094</u></u>	<u><u>419,288</u></u>	<u><u>230,833</u></u>	<u><u>1,496,215</u></u>
<b>Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) By Operating Activities:</b>								
Excess (deficiency) of revenues over expenses	<u>526,987</u>	<u>(22,918)</u>	<u>249,115</u>	<u>753,184</u>	<u>(13,525)</u>	<u>(313,309)</u>	<u>464,674</u>	<u>137,840</u>
<b>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:</b>								
Depreciation	16,779	-	-	16,779	15,131	-	-	15,131
Unrealized (gain) loss on investments	-	(2,434)	(2,975)	(5,409)	-	1,874	1,031	2,905
Increase (decrease) in interfund balances	4,056	(414,170)	410,114	-	205,426	230,411	(435,837)	-
(Increase) decrease in accrued interest	(1,185)	-	-	(1,185)	33	-	-	33
(Increase) decrease in assessments receivable	(239,772)	-	-	(239,772)	(90,394)	-	-	(90,394)
(Increase) decrease in other accounts receivable	417	(247,095)	-	(246,678)	5,417	(6,525)	-	(1,108)
(Increase) decrease in due to Gold Point I, Gold Point II, and Grand Lodge on Peak 7	(22)	-	-	(22)	1,919	-	-	1,919
Increase (decrease) in allowance for doubtful accounts	26,396	-	-	26,396	168,137	-	-	168,137
(Increase) decrease in prepaid expenses	(2,161)	-	-	(2,161)	1,741	-	-	1,741
(Increase) decrease in inventory	157	-	-	157	(14,281)	-	-	(14,281)
Increase (decrease) in due to GPLR, Inc.	(44,584)	-	-	(44,584)	162,003	-	-	162,003
Increase (decrease) in other liabilities	833	-	-	833	-	-	-	-
Increase (decrease) in accounts payable	(49,435)	-	-	(49,435)	9,220	-	-	9,220
Increase (decrease) in taxes payable	29,134	-	-	29,134	50,446	-	-	50,446
Increase (decrease) in deferred assessment revenue	24,319	-	-	24,319	(5,311)	-	-	(5,311)
<b>Total Adjustments</b>	<u>(322,074)</u>	<u>(275,780)</u>	<u>106,226</u>	<u>(491,628)</u>	<u>509,487</u>	<u>225,760</u>	<u>(434,806)</u>	<u>300,441</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u><u>204,913</u></u>	<u><u>(298,698)</u></u>	<u><u>355,341</u></u>	<u><u>261,556</u></u>	<u><u>495,962</u></u>	<u><u>(87,549)</u></u>	<u><u>29,868</u></u>	<u><u>438,281</u></u>

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

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**1. Organization**

Grand Timber Lodge Owners Association (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 164 units, which include 159 timeshare units, 2 whole ownership units, and 3 commercial units. The Association, which is located in Breckenridge, Colorado, was incorporated on February 22, 1999.

**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 and 2018, the Association had the following funds:

Operating - Disbursements from this fund are generally at the discretion of the Board of Managers (the "Board") and 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**

Investment income for the Replacement Funds is allocated between these two funds on a 50/50 basis.

**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 three to 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 Statements of Cash Flows since all funds are highly liquid with no stated maturities.



**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**F. Investments**

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposit 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 accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, these differences in the individual funds are shown as interfund asset and liability accounts.

**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. Owner assessment accounts that are 120 or more days past due are sent to a collection agency by the Association. For the year ended December 31, 2019, the Association incurred \$56,045 in bad debt expense and wrote off accounts totaling \$29,649 (net of recoveries totaling \$0). For the year ended December 31, 2018, the Association incurred \$227,715 in bad debt expense and wrote off accounts totaling \$196,864 (net of recoveries totaling \$137,286).

**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.

**Grand Timber Lodge Owners Association  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2019 and 2018  
(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**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

**L. Deferred Assessment Revenue**

Deferred revenue represents prepaid assessments, and is primarily composed of payments received in advance for the billing 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. Investments**

The Association's investments were comprised of the following certificates of deposit and \$409,648 of U.S. Treasury Notes at December 31, 2019 and 2018, respectively:

	<u>12/31/19</u>	<u>12/31/18</u>
Certificates of deposit, maturing within one year, bearing interest at 2.30% per annum	\$ 100,304	-
Certificates of deposit, linked to the Dow Jones Industrial Average Index Interest, maturing in more than one year	<u>49,805</u>	<u>44,700</u>
<b>Total Investments</b>	<u><u>\$ 150,109</u></u>	<u><u>44,700</u></u>

Included in the Association's investment income for the fiscal years ended December 31, 2019 and 2018 are unrealized gains (losses) totaling \$5,409 and (\$2,905), respectively, with respect to investments held at December 31, 2019 and 2018.

**4. 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 Federal income tax returns of the Company are subject to examination by the Internal Revenue Service and Colorado Department of Revenue. The company's returns are no longer subject to examination for tax years prior to 2016 by the Internal Revenue Service and for tax years prior to 2015 by the Colorado Department of Revenue.

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**5. Fixed Assets**

Fixed assets for the past two fiscal years are summarized below:

<b>Description</b>	<b>12/31/19</b>	<b>12/31/18</b>
Equipment	\$ 99,546	99,546
Vehicles	34,946	34,946
Computer software	76,856	76,856
Less: accumulated depreciation	(181,060)	(164,281)
<b>Net Fixed Assets</b>	<b>\$ 30,288</b>	<b>47,067</b>

Depreciation expense is computed on the straight-line basis and was \$16,779 and \$15,131 for the years ended December 31, 2019 and 2018, respectively.

**6. Significant Agreements and Transactions**

On April 21, 1999, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by Peak 8 Properties, L.L.C., for management, accounting, and reservation services. The management, accounting, and reservation fees are negotiated annually. The initial term of the agreement was for ten years, and elapsed on April 30, 2009. After the initial term, the agreement automatically renews for three 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 have elapsed from the resignation notification date.

During its fiscal year, 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 years ended December 31, 2019 and 2018, respectively:

	<b>12/31/19</b>	<b>12/31/18</b>
Accounting fees	\$ 32,574	\$ 31,023
Front desk and reservation fees	1,216,382	1,158,459
HR fee	255,921	243,734
Maintenance	1,179,429	1,023,227
Management fees	346,019	329,542
IT support	20,870	19,876
Resident security	85,801	92,379
Shuttle labor	206,203	197,089
Resort cleaning	2,453,253	2,443,669
<b>Total Expenses</b>	<b>\$ 5,796,452</b>	<b>5,538,998</b>

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**6. Significant Agreements and Transactions (continued)**

The net amount owed by the Association to the Management Companies for these services was \$587,808 and \$632,392 for the years ended December 31, 2019 and 2018, respectively.

Effective January 1, 2019, the Association entered into an agreement with Gold Point Lodging and Realty ("GPLR"), whereby GPLR has the option to purchase inventory units from the Association (which may be obtained as a result of foreclosure proceedings to collect past due assessments) for payment of any Association past dues for such property, excluding late fees, fines, and interest charges, and including payment of 50% of the costs incurred by the Association directly as a result of obtaining the property through foreclosure proceedings and payment of any applicable transfer tax. During the years ended December 31, 2019 and 2018, the Association received \$215,955 and \$243,813, respectively from GPLR for the purchase of inventory units. At December 31, 2019 and 2018, the Association did not own any inventory units.

GPLR pays assessments relating to its owned unit weeks throughout the fiscal year. This amount totaled \$206,665 and \$209,958, during the years ended December 31, 2019 and 2018, respectively. The GPLR assessments excluded cleaning fees of \$63,050 related to services not incurred in unoccupied units.

On October 1, 2012, the Association entered into an agreement with Concord Servicing Corporation to perform billing of assessments. The initial term began in October 2012 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 Consumer Price Index. For the years ending December 31, 2019 and 2018, the Association paid \$62,467 and \$57,375, respectively, 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 and investment 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.

During the fiscal year ended December 31, 2019, management performed an internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. The life expectancy of all components was ascertained from visual inspections made during the study. The tables included in the unaudited Supplementary Information on Future Major Repairs and Replacements are based on the study. The information has been broken down into common reserve and unit components of common property.

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**  
**(Continued)**

**7. 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 \$1,058,224 and \$1,277,191 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2019. During the year ended December 31, 2018, the Association levied assessments of \$875,799 and \$1,109,546 for the Common Reserve Fund and Unit Reserve Fund, respectively.

Funds being accumulated in the Common Reserve and Unit 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.

**8. Concentration**

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") at December 31, 2013 up to \$250,000 all accounts. At December 31, 2019, the Association's uninsured cash balances totaled \$4,386.

**9. Energy Conservation Study**

During 2014 the Association entered into an agreement with Iconergy Ltd to perform an assessment of energy usage and make recommendations for reductions of that usage. As a result of the study the Association performed several upgrades and repairs as follows:

- Retrofit exterior lighting
- Retrofit parking garage lighting
- Replace boilers servings building heat, pool and snowmelt systems
- Retrofit hot water equipment and piping insulation
- Install a building controls system on the heating plants
- Retrofit parking garage unit heater controls

As part of the agreement, energy savings have been used to pay amounts of \$99,967 for 2019 and \$97,055 for 2018 from the operating fund to the common reserve fund. This amount is budgeted at \$102,966 for 2020, which is the final payment.

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Operating Fund - Budget (Non-GAAP Basis) to Actual**  
**With Reconciliation to GAAP Basis**  
**For the Year Ended December 31, 2019**  
**(With Comparative Actual Amounts for December 31, 2018)**

	2019			2018
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
<b>Revenues:</b>				
Assessments, net of discounts	8,049,212	8,036,963	(12,249)	7,547,386
Late fee revenue	203,695	203,732	37	218,468
Investment income	3,304	17,319	14,015	6,991
Exchange resort fee	-	123,889	123,889	140
Rental resort fee	80,977	89,849	8,872	1,039
Deed in lieu income	-	34,842	34,842	103,632
Miscellaneous income	35,125	27,808	(7,317)	34,444
<b>Total Revenues</b>	<u>8,372,313</u>	<u>8,534,402</u>	<u>162,089</u>	<u>7,912,100</u>
<b>Expenses:</b>				
<b>Operations:</b>				
Accounting fees and I.T.	53,444	53,444	-	50,899
Bad debt expense	164,277	56,045	108,232	227,715
Loan closing fees	-	-	-	7,300
Common area amenities	58,095	63,517	(5,422)	60,639
Credit card fees	73,350	68,745	4,605	61,088
Assessment service fees	105,104	128,216	(23,112)	184,471
Front desk and reservation fees	1,216,381	1,216,382	(1)	1,158,459
Wifi / reservation system maintenance	65,474	64,307	1,167	62,252
Insurance	170,607	180,009	(9,402)	154,606
Management fees	346,019	346,019	-	329,542
H.R. fee	255,923	255,921	2	243,734
Newsletter printing and guest receptions	71,573	61,447	10,126	63,278
Professional fees	30,589	11,295	19,294	19,922
Resident security	93,095	85,801	7,294	92,379
Shuttle service	207,357	206,203	1,154	197,089
Sustainability	18,533	18,528	5	-
Truck lease	-	-	-	1,647
Board and annual meetings	11,650	11,686	(36)	12,907
<b>Subtotal - Operations</b>	<u>2,941,471</u>	<u>2,827,565</u>	<u>113,906</u>	<u>2,927,927</u>
<b>Maintenance:</b>				
Elevator maintenance	37,758	51,824	(14,066)	34,920
Fire alarm maintenance	42,100	70,124	(28,024)	28,096
Hot tub and pool maintenance	87,723	83,602	4,121	106,899
Landscaping	66,500	68,995	(2,495)	38,798
Snow removal	10,000	10,740	(740)	9,000
Resort maintenance	1,079,757	1,110,434	(30,677)	984,429
<b>Subtotal - Maintenance</b>	<u>1,323,838</u>	<u>1,395,719</u>	<u>(71,881)</u>	<u>1,202,142</u>
<b>Resort Cleaning:</b>				
Resort cleaning	2,697,314	2,453,253	244,061	2,443,669
<b>Subtotal - Resort Cleaning</b>	<u>2,697,314</u>	<u>2,453,253</u>	<u>244,061</u>	<u>2,443,669</u>
<b>Utilities:</b>				
Television	26,265	34,152	(7,887)	25,534
Trash removal	78,409	69,403	9,006	83,269
Unit telephones	5,110	9,681	(4,571)	6,741
Resort utilities	486,833	520,778	(33,945)	568,498
Water and sanitation	177,030	165,408	11,622	167,271
<b>Subtotal - Utilities</b>	<u>773,647</u>	<u>799,422</u>	<u>(25,775)</u>	<u>851,313</u>
<b>Taxes:</b>				
Property tax expense	498,836	494,277	4,559	465,043
Short term rental tax	20,550	20,400	150	20,400
<b>Subtotal - Taxes</b>	<u>519,386</u>	<u>514,677</u>	<u>4,709</u>	<u>485,443</u>
<b>Energy Savings:</b>				
Energy savings transferred to Replacement Fund	99,967	99,967	-	97,055
<b>Subtotal - Energy Savings</b>	<u>99,967</u>	<u>99,967</u>	<u>-</u>	<u>97,055</u>
<b>Total Expenses</b>	<u>8,355,623</u>	<u>8,090,603</u>	<u>265,020</u>	<u>8,007,549</u>
<b>Excess (Deficiency) of Revenues Over Expenses - Budget Basis</b>		443,799		(95,449)
<b>Adjustments to Budget Basis:</b>				
Depreciation expense		(16,779)		(15,131)
Transfer to other fund		12,961		97,055
<b>Total Adjustments</b>		<u>(3,818)</u>		<u>81,924</u>
<b>Excess (Deficiency) of Revenues Over Expenses - (GAAP) Basis</b>		<u>439,981</u>		<u>(13,525)</u>

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

**Grand Timber Lodge Owners Association**  
**(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 internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. 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:

<b>Components</b>	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>Actual Fund Balance at December 31, 2019</b>
Activities Center	0 - 7	7,276	
Amenity	0 - 14	356,238	
Aquatics	0 - 15	323,235	
Contingency	0 - 1	40,000	
Doors	0 - 20	1,940,105	
Electronics	10- 4	21,541	
Flooring	0 - 11	354,785	
Furnishing	0 - 14	520,413	
Housekeeping	3	5,464	
HVAC	1 - 26	3,860,040	
IT	2 - 3	124,912	
Lighting	0 - 15	305,152	
Paint	0 - 5	555,942	
PAR	0 - 4	66,468	
Roofing	6 - 12	1,361,436	
Safety	0 - 19	2,231,767	
Signs	1 - 13	159,987	
Theater	4 - 9	185,730	
Trim	6 - 20	239,961	
Update	0 - 16	2,088,022	
Windows	0 - 24	8,111,499	
<b>Total</b>		<b>22,859,973</b>	<b>457,200</b>

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

**Grand Timber Lodge Owners Association**  
**(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 internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. 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:

<b>Components</b>	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>Actual Fund Balance at December 31, 2019</b>
Appliance	6 - 20	638,425	
Appliances	6 - 20	24,000	
Contingency	0 - 1	20,000	
Electrical	14	17,300	
Electronics	1 - 18	285,085	
Finish	6 - 20	550,100	
Flooring	0 - 20	3,663,966	
Furnishings	0 - 20	13,093,954	
HVAC	6 - 20	974,000	
IT	1	150,000	
Lighting	6 - 20	56,000	
Painting	0 - 3	520,000	
PAR	0 - 4	396,875	
Safety	0	17,015	
Unit	3 - 20	1,840,100	
<b>Total</b>		<b>22,246,820</b>	<b>444,936</b>

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