

**The Grand Lodge on Peak 7 Owners Association, Inc.**

**Financial Report**

**December 31, 2020 and 2019**



**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**December 31, 2020**

**Table of Contents**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balances	4
Statements of Cash Flow	5
Notes to the Financial Statements	6 - 13
Supplementary Information:	
Operating Fund – Budget (Non-GAAP Basis) to Actual Comparison	14
Supplementary Information on Future Major Repairs And Replacements – Common Reserve Fund	15
Supplementary Information on Future Major Repairs And Replacements – Unit Reserve Fund	16



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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
The Grand Lodge on Peak 7 Owners Association, Inc.  
Breckenridge, Colorado**

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

We have audited the accompanying financial statements of The Grand Lodge on Peak 7 Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2020, 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 The Grand Lodge on Peak 7 Owners Association, Inc. as of December 31, 2020, 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**  
**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**Breckenridge, Colorado**

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the Association adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09), and all subsequent amendments, in 2020. Our opinion is not modified with respect to this matter.

***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 14 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 15 – 16 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 29, 2021**

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Balance Sheets**  
**December 31, 2020**  
**(With Comparative Totals for 2019)**

	<u>2020</u>				<u>2019</u>	
	<u>Operating Fund</u>	<u>Common Reserve Fund</u>	<u>Unit Reserve Fund</u>	<u>A/C Reserve Fund</u>	<u>Total</u>	<u>Total</u>
<b>Assets:</b>						
Cash in banks	2,959,308	1,032,826	497,969	313,536	4,803,639	2,201,162
Investments	-	423,970	204,414	128,706	757,090	1,885,779
Member assessments receivable (net of allowance for doubtful accounts of \$146,950 in 2020 and \$126,639 in 2019)	292,754	-	-	-	292,754	203,597
Accrued interest receivable	4,422	-	-	-	4,422	5,702
Accounts receivable - Other	11,000	-	-	-	11,000	46,004
Due from Grand Timber Lodge	-	-	-	-	-	1,962
Due from Grand Colorado on Peak 8	-	-	-	-	-	21,470
Unit supplies inventory	69,937	-	-	-	69,937	29,839
Prepaid expenses	57,202	-	-	-	57,202	75,852
Due from (to) other funds	(409,831)	49,352	834,553	(474,074)	-	-
Fixed assets (net of accumulated depreciation of \$197,315 in 2020 and \$180,800 in 2019)	8,949	-	-	-	8,949	25,464
<b>Total Assets</b>	<u>2,993,741</u>	<u>1,506,148</u>	<u>1,536,936</u>	<u>(31,832)</u>	<u>6,004,993</u>	<u>4,496,831</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	122,240	-	-	-	122,240	139,724
Accounts payable - Other	98,640	-	-	-	98,640	49,320
Deferred assessment revenue	250,072	-	-	-	250,072	196,689
Property taxes payable	712,717	-	-	-	712,717	673,126
Reserve study payable	5,000	-	-	-	5,000	3,000
Due to Gold Point Condominium	-	-	-	-	-	1,344
Due to Gold Point II Condominium	-	-	-	-	-	1,028
Due to Grand Timber Lodge	122	-	-	-	122	-
Due to Grand Colorado on Peak 8	1,473	-	-	-	1,473	-
Due to (from) Management Companies	551,196	-	-	-	551,196	626,189
Notes payable	-	-	-	-	-	115,201
<b>Total Liabilities</b>	<u>1,741,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741,460</u>	<u>1,805,621</u>
<b>Fund Balances (Deficit)</b>	<u>1,252,281</u>	<u>1,506,148</u>	<u>1,536,936</u>	<u>(31,832)</u>	<u>4,263,533</u>	<u>2,691,210</u>
<b>Total Liabilities and Fund Balances (Deficit)</b>	<u>2,993,741</u>	<u>1,506,148</u>	<u>1,536,936</u>	<u>(31,832)</u>	<u>6,004,993</u>	<u>4,496,831</u>

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

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2020**  
**(With Comparative Totals for 2019)**

	<b>2020</b>				<b>2019</b>	
	<b>Operating Fund</b>	<b>Common Reserve Fund</b>	<b>Unit Reserve Fund</b>	<b>A/C Reserve Fund</b>	<b>Total</b>	<b>Total</b>
<b>Revenues:</b>						
Assessments, net of discounts	8,068,339	737,385	681,237	178,259	9,665,220	9,319,250
Contribution to operating fund	-	-	-	-	-	(1,195)
Investment income	1,832	26,757	12,901	8,121	49,611	95,006
Deed in Lieu income	16,127	-	-	-	16,127	-
Late fee revenue	167,049	-	-	-	167,049	178,600
Exchange resort fee	87,183	-	-	-	87,183	70,925
Rental resort fee	251,565	-	-	-	251,565	79,037
Miscellaneous income	62,396	-	-	-	62,396	46,840
<b>Total Revenues</b>	<b>8,654,491</b>	<b>764,142</b>	<b>694,138</b>	<b>186,380</b>	<b>10,299,151</b>	<b>9,788,463</b>
<b>Expenses:</b>						
Accounting fees and I.T.	-	-	-	-	-	63,893
Activities	75,423	-	-	-	75,423	83,751
Assessment servicing fees	103,412	-	-	-	103,412	101,814
Bad debt expense	41,254	-	-	-	41,254	45,289
Cleaning	2,453,756	-	-	-	2,453,756	2,316,186
Common area amenities	129,315	-	-	-	129,315	211,508
Common reserve - Building exterior	-	-	-	-	-	108,900
Common reserve - Common area finishes	-	183,549	-	-	183,549	388,063
Common reserve - Pools and spas	-	33,700	-	-	33,700	41,239
COVID equipment	142,101	-	-	-	142,101	-
COVID safety	78,870	-	-	-	78,870	-
Credit card fees	66,220	-	-	-	66,220	65,482
Depreciation	16,515	-	-	-	16,515	30,620
Dues and subscriptions	17,347	-	-	-	17,347	-
Elevator maintenance	20,842	-	-	-	20,842	138,580
Employee housing reimbursement	39,120	-	-	-	39,120	-
Fire alarm maintenance	29,741	-	-	-	29,741	48,103
Front desk and reservation fees	-	-	-	-	-	1,015,008
Future equipment replacement	49,320	-	-	-	49,320	49,320
Guest services	734,604	-	-	-	734,604	-
Hot tub and pool maintenance	50,456	-	-	-	50,456	52,476
HR fees	-	-	-	-	-	211,892
Insurance	175,945	-	-	-	175,945	122,392
Interest	-	-	-	1,440	1,440	8,269
Landscaping	18,185	-	-	-	18,185	18,185
Management fees	335,928	-	-	-	335,928	319,926
Master Association dues	69,509	-	-	-	69,509	62,936
Owner relations fee	691,644	-	-	-	691,644	-
Printing and key fobs	73,986	-	-	-	73,986	55,893
Professional fees	19,962	-	-	-	19,962	11,063
Property tax expense	711,060	-	-	-	711,060	675,804
Resort Ops	320,639	-	-	-	320,639	144,920
Short term rental tax	11,375	-	-	-	11,375	11,475
Snow removal	7,104	-	-	-	7,104	-
Sustainability	-	-	-	-	-	18,036
Television	26,150	-	-	-	26,150	28,395
Trash removal	24,414	-	-	-	24,414	47,582
Travel and entertainment	1,852	-	-	-	1,852	10,613
Unit maintenance	941,327	-	-	-	941,327	1,025,966
Unit reserve - Appliances	-	-	60,263	-	60,263	47,408
Unit reserve - Furniture	-	-	365,884	-	365,884	941,188
Unit reserve - Inventory replacement	-	-	6,928	-	6,928	46,164
Unit telephones	40,685	-	-	-	40,685	41,207
Unit utilities	397,430	-	-	-	397,430	445,294
Water and sanitation	159,574	-	-	-	159,574	164,653
<b>Total Expenses</b>	<b>8,075,065</b>	<b>217,249</b>	<b>433,075</b>	<b>1,440</b>	<b>8,726,829</b>	<b>9,219,493</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>579,426</b>	<b>546,893</b>	<b>261,063</b>	<b>184,940</b>	<b>1,572,322</b>	<b>568,970</b>
<b>Beginning Fund Balances (Deficit)</b>	<b>672,855</b>	<b>959,255</b>	<b>1,275,873</b>	<b>(216,772)</b>	<b>2,691,211</b>	<b>2,122,240</b>
<b>Ending Fund Balances (Deficit)</b>	<b>1,252,281</b>	<b>1,506,148</b>	<b>1,536,936</b>	<b>(31,832)</b>	<b>4,263,533</b>	<b>2,691,210</b>

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

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2020**  
**(With Comparative Totals for 2019)**

	2020				2019	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total	Total
<b>Cash Flows From Operating Activities:</b>						
Cash received from assessments	8,534,178	737,385	681,237	178,259	10,131,059	9,641,789
Interest received	3,112	26,757	24,682	(16,313)	38,238	34,979
Cash received from other sources	(20,705)	-	-	-	(20,705)	7,202
Cash transfers from (to) other funds	828,636	(85,518)	(1,115,621)	372,503	-	-
Cash payments for goods and services	(7,251,023)	(217,249)	(433,075)	-	(7,901,347)	(8,372,714)
Cash paid for property taxes	(669,469)	-	-	-	(669,469)	(649,122)
Interest paid	-	-	-	(1,440)	(1,440)	(8,269)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>1,424,729</b>	<b>461,375</b>	<b>(842,777)</b>	<b>533,009</b>	<b>1,576,336</b>	<b>653,865</b>
<b>Cash Flows From Investing Activities:</b>						
Purchase of investments	-	(452,684)	(708,044)	(104,272)	(1,265,000)	(1,475,000)
Sale of investments	-	945,163	1,478,333	-	2,423,496	565,000
Transfer of investment allocation	-	(180,995)	163,841	-	(17,154)	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>311,484</b>	<b>934,130</b>	<b>(104,272)</b>	<b>1,141,342</b>	<b>(910,000)</b>
<b>Cash Flows From Financing Activities:</b>						
Principal paid on notes payable	-	-	-	(115,201)	(115,201)	(200,000)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(115,201)</b>	<b>(115,201)</b>	<b>(200,000)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,424,729</b>	<b>772,859</b>	<b>91,353</b>	<b>313,536</b>	<b>2,602,477</b>	<b>(456,135)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>1,534,579</b>	<b>259,967</b>	<b>406,616</b>	<b>-</b>	<b>2,201,162</b>	<b>2,657,297</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>2,959,308</b>	<b>1,032,826</b>	<b>497,969</b>	<b>313,536</b>	<b>4,803,639</b>	<b>2,201,162</b>
<b>Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:</b>						
Excess (deficiency) of revenues over expenses	579,426	546,893	261,063	184,940	1,572,322	568,970
<b>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:</b>						
Depreciation	16,515	-	-	-	16,515	30,620
Unrealized (gain) loss on investments	-	-	11,781	(24,434)	(12,653)	(54,501)
(Increase) decrease in assessments receivable	(109,468)	-	-	-	(109,468)	(37,277)
Increase (decrease) in allowance for doubtful accounts	20,311	-	-	-	20,311	5,651
(Increase) decrease in accrued interest	1,280	-	-	-	1,280	(5,526)
(Increase) decrease in other receivables	35,004	-	-	-	35,004	(29,229)
(Increase) decrease in inventory	(40,098)	-	-	-	(40,098)	(4,157)
(Increase) decrease in prepaid expenses	18,650	-	-	-	18,650	(11,438)
Cash transfers from (to) other funds	828,636	(85,518)	(1,115,621)	372,503	-	-
Increase (decrease) in accounts payable	(17,482)	-	-	-	(17,482)	20
Increase (decrease) in other payables	49,320	-	-	-	49,320	49,320
Increase (decrease) in deferred assessment revenue	53,383	-	-	-	53,383	31,254
Increase (decrease) in property taxes payable	39,591	-	-	-	39,591	26,682
Increase (decrease) in due to related parties	(74,993)	-	-	-	(74,993)	103,068
Increase (decrease) in due to other associations	22,654	-	-	-	22,654	(19,592)
<b>Total Adjustments</b>	<b>845,303</b>	<b>(85,518)</b>	<b>(1,103,840)</b>	<b>348,069</b>	<b>4,014</b>	<b>84,895</b>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>1,424,729</b>	<b>461,375</b>	<b>(842,777)</b>	<b>533,009</b>	<b>1,576,336</b>	<b>653,865</b>

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

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**

**1. Organization**

The Grand Lodge on Peak 7 Owners 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, which is located in Breckenridge, Colorado, was incorporated on April 20, 2007. The Association began operation on June 1, 2009.

At December 31, 2020, the Association consisted of 239 units, which included 229 timeshare units, 3 wholly owned units, and 6 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, 2020, 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.

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

A/C Reserve – This fund accounts for the Air Conditioning Remodeling project and related notes payable.

**B. Investment Income Allocation**

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

**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 costs 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 expense when incurred.



**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

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

**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.

**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. Revenue and Revenue Recognition**

Common assessments are the primary source of revenue for the Association. The Board, together with the Managing Agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from various administrative fees and fines as earned upon provision of the underlying goods or service. All such revenues are non-refundable.

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 approval of the membership, transferred to the Replacement Fund.

**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 the accounting policy results in interfund asset and liability accounts on the financial statements.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

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

**I. Allowance for Uncollectible Accounts – Assessments**

The Association utilizes the allowance method of recognizing the future potential uncollectability 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, 2020, the Association incurred \$41,254 in bad debt expense and wrote off accounts totaling \$20,942 (net of recoveries). For the year ended December 31, 2019, the Association incurred \$45,289 in bad debt expense and wrote off accounts totaling \$39,638 (net of recoveries).

**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 amount 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 composed of payments received in advance of the assessment billing of the next fiscal year.

**M. Subsequent Events**

Management has evaluated subsequent events through April 29, 2021, 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 no longer subject to examination for tax years prior to 2017 by the Internal Revenue Service and for tax years prior to 2016 by the Colorado Department of Revenue.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**4. Investments**

The Association's investments were comprised of the following certificates of deposit at December 31, 2020 and 2019, respectively:

	<b>12/31/20</b>	<b>12/31/19</b>
Certificates of deposit, maturing within one year, bearing interest at 1.750% per annum	\$ 249,180	\$ 491,288
Certificates of deposit, maturing in more than year, bearing interest at 1.850% per annum	253,585	1,288,248
Certificates of deposit linked to the Standard and Poors 500 index, maturing on January 6, 2022	254,325	106,243
<b>Total Investments</b>	<b>\$ 757,090</b>	<b>1,885,779</b>

Included in the Association's investment income for the fiscal years ending December 31, 2020 and 2019 are unrealized gains (losses) totaling (\$11,781) and \$54,501, respectively, with respect to investments held at December 31, 2020 and 2019.

**5. Fixed Assets**

Fixed assets are summarized below:

<b>Description</b>	<b>12/31/20</b>	<b>12/31/19</b>
Equipment	\$ 206,265	\$ 206,265
Buildings	-	-
Vehicles	-	-
Less: Accumulated depreciation	(197,316)	(180,801)
<b>Net Fixed Assets</b>	<b>\$ 8,949</b>	<b>\$ 25,464</b>

Depreciation expense is computed on the straight-line basis and was \$16,515 and \$30,620 for the years ended December 31, 2020 and 2019.

**6. Promissory Note – Air Conditioning Project**

During 2013, the Association began a major remodeling project installing air conditioners in each unit. On May 23, 2013 the Association obtained a multiple advance term promissory note for the project, up to the amount of \$1,375,920. The loan bears interest at an annual fixed rate of five percent. The note matured on March 1, 2020. The note is collateralized by a security agreement, the Association's deposit accounts, and a collateral assignment of assessments. The note was paid off during the year ending December 31, 2020.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**7. Revenue from Contracts with Customers**

For the year ended December 31, 2020, revenue recognized for goods transferred or performance obligations met at a point in time were \$10,299,151. There were no revenues recognized for goods transferred or performance obligations met over time during 2020. Revenues may be affected by general economic conditions and inflationary pressures. Revenues are primarily collected from members of the Association.

**8. Significant Agreements and Transactions**

On January 1, 2018, Peak 7, L.L.C. entered into a renegotiated 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 years ended December 31, 2020 and 2019 the Association did not receive any amount from Peak 7 L.L.C for the purchase of inventory units. At December 31, 2020 and 2019, the Association did not own any inventory units.

Peak 7 L.L.C. pays assessments relating to its owned unit weeks throughout the year. The Association earned \$414,810 of 2020 revenue from Peak 7 L.L.C through assessments. Peak 7 L.L.C's assessments excluded cleaning fees of \$102,805 related to services not incurred in unoccupied units. The Association earned 4% of its total 2020 revenue from Peak 7 L.L.C.

Effective January 1, 2020, 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 manage and operate the project and the timeshare program as contemplated by the Declarations. The Association will reimburse the Manager for any and all costs incurred by the Manager in connection with performance of its duties under the agreement. The initial term of the agreement is for ten years, and will elapse on December 31, 2029. 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 have elapsed from the resignation notification date.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

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

During the fiscal year ended December 31, 2020, 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, 2020 and 2019 respectively:

	<b>2020</b>	<b>2019</b>
Accounting fees and I.T.	\$ -	\$ 63,893
Front desk and reservation fees	-	1,015,008
Owner relations fee	691,644	-
Employee housing reimbursement	39,120	-
Resorts operations	77,325	-
BGV operations	99,936	-
Guest services	754,949	-
HR fees	-	211,892
Maintenance	967,813	1,026,985
Management fees	335,928	319,926
Common area amenities	3,103	219,480
Spa concierge	39,925	33,698
Activities	75,423	83,751
Cleaning	2,519,448	2,313,594
Security	156,492	144,920
<b>Total Expenses</b>	<b><u>\$ 5,761,106</u></b>	<b><u>\$ 5,433,147</u></b>

Approximately 66% of the Association's total 2020 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was \$551,196 and \$626,189 at December 31, 2020 and 2019, respectively.

The Association is a member of the Breckenridge Mountain Master Association (the "Master Association"). The Association paid dues of \$69,509 and \$62,936 during 2020 and 2019, and had a prepaid balance of \$42,105 and \$39,434 at December 31, 2020 and 2019, respectively. The purpose of the Master Association is to maintain all common grounds and to govern the community in accordance with the provisions of its legal documents.

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, 2020 and 2019, the Association paid \$52,452 and \$58,690, respectively for services provided by Concord Servicing Corporation.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**9. 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.

During the year ended December 31, 2020, management performed an internal update of the most recent Level I - Full Service Reserve Study, completed in 2011 and updated 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 reserve components of common property.

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 \$737,385 and \$681,237 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2020. During the year ended December 31, 2019, the Association levied assessments of \$679,269 and \$796,549 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.

**10. Concentration**

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") at December 31, 2020 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution. At December 31, 2020, the Association's uninsured cash balances totaled \$3,342,389.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020**  
**(Continued)**

**11. New Accounting Standard**

Effective January 1, 2020, the Association implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09), issued by the Financial Accounting Standards Board (“FASB”), and all subsequent amendments. ASU 2014-09 requires enhanced disclosures of the Association’s revenue recognition policies. The implementation of ASU 2014-09 has been applied retrospectively to all periods presented, with no effect to net assets or previously issued financial statements.

**12. Subsequent Event – Amendment to Management Agreement**

Effective January 1, 2021, the Association entered into a revision to the agreement with Breckenridge Grand Vacations (“Manager”) which is owned and operated by the Peak 8 Properties, L.L.C., who manage and operate the project and the timeshare program as contemplated by the Declarations.

**13. Subsequent Event – Reserve Study Update**

The Association has commissioned a new Reserve study to take place during 2021.

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(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, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020		Variance	2019
	Budget (Unaudited)	Actual	Favorable (Unfavorable)	Actual
<b>Revenues:</b>				
Assessments, net of discounts	8,056,681	8,068,339	11,658	7,621,065
Deed in lieu income	20,693	16,127	(4,566)	-
Interest income	15,225	1,832	(13,393)	16,128
Late fee revenue	151,067	167,049	15,982	178,600
Exchange resort fee	123,089	87,183	(35,906)	70,925
Rental resort fee	245,754	251,565	5,811	79,037
Miscellaneous income	46,739	62,396	15,657	46,840
<b>Total Revenues</b>	<u>8,659,248</u>	<u>8,654,491</u>	<u>(4,757)</u>	<u>8,012,595</u>
<b>Expenses:</b>				
Accounting fees and I.T.	-	-	-	63,893
Activities	85,904	75,423	10,481	83,751
Assessment servicing fees	102,789	103,412	(623)	101,814
Bad debt expense	101,076	41,254	59,822	45,289
Cleaning	2,604,002	2,453,756	150,246	2,316,186
Common area amenities	140,513	129,315	11,198	211,508
COVID equipment	-	142,101	(142,101)	-
COVID safety	-	78,870	(78,870)	-
Credit card fees	65,289	66,220	(931)	65,482
Dues and subscriptions	22,200	17,347	4,853	-
Elevator maintenance	69,781	20,842	48,939	138,580
Employee housing reimbursement	39,120	39,120	-	-
Fire alarm maintenance	68,776	29,741	39,035	48,103
Front desk and reservation fees	-	-	-	1,015,008
Future equipment replacement	49,320	49,320	-	49,320
Guest services	808,995	734,604	74,391	-
Hot tub and pool maintenance	47,942	50,456	(2,514)	52,476
HR Fees	-	-	-	211,892
Insurance	183,926	175,945	7,981	122,392
Landscaping	20,000	18,185	1,815	18,185
Management fees	335,928	335,928	-	319,926
Master Association dues	77,474	69,509	7,965	62,936
Owner relations fee	691,644	691,644	-	-
Printing and key fobs	105,436	73,986	31,450	55,893
Professional fees	37,850	19,962	17,888	11,063
Property tax expense	699,645	711,060	(11,415)	675,804
Resort Ops	343,895	320,639	23,256	144,920
Short term rental tax	13,723	11,375	2,348	11,475
Snow removal	-	7,104	(7,104)	-
Sustainability	-	-	-	18,036
Television	32,360	26,150	6,210	28,395
Trash removal	40,465	24,414	16,051	47,582
Travel and entertainment	9,800	1,852	7,948	10,613
Unit maintenance	1,128,093	941,327	186,766	1,025,966
Unit telephones	46,996	40,685	6,311	41,207
Unit utilities	475,743	397,430	78,313	445,294
Water and sanitation	176,390	159,574	16,816	164,653
<b>Total Expenses</b>	<u>8,625,075</u>	<u>8,058,550</u>	<u>566,525</u>	<u>7,607,642</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenses - Budget Basis</b>		595,941		404,953
<b>Adjustments to Budget Basis:</b>				
Depreciation expense		(16,515)		(30,620)
<b>Total Adjustments</b>		<u>(16,515)</u>		<u>(30,620)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenses - GAAP Basis</b>		<u>579,426</u>		<u>374,333</u>

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



**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Supplementary Information on Future Major Repairs and Replacements**  
**Common Reserve Fund**  
**December 31, 2020**  
**(Unaudited)**

During the fiscal period ended December 31, 2020, management performed an internal update of the most recent Level I - Full Service Reserve Study, completed in 2011 and updated 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, 2020, 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, 2020</u>
Amenity	0 - 19	1,067,769	
Aquatics	0 - 9	399,329	
Boilers	0 - 19	1,394,162	
Contingency	0 - 1	40,000	
Doors	2 - 18	2,135,630	
Electronics	0 - 3	47,678	
Elevators	1 - 24	1,521,768	
Flooring	0 - 17	867,275	
Furnishings	0 - 12	242,394	
Housekeeping	0 - 4	19,910	
HVAC	2 - 27	964,863	
IT	0 - 3	92,930	
Lighting	0 - 11	214,090	
Paint	1 - 5	487,852	
Roof	1 - 17	1,966,755	
Safety	1 - 12	128,254	
Siding	1	10,300	
Signs	9 - 20	248,130	
Theaters	1 - 13	432,104	
Trim	9 - 12	1,251,796	
Update	0 - 15	351,959	
Vehicle	3 - 11	206,833	
Windows	3 - 12	4,505,033	
<b>Total</b>		<u><u>18,596,814</u></u>	<u><u>1,506,148</u></u>

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

**The Grand Lodge on Peak 7 Owners Association, Inc.**  
**(A Colorado Non-Profit Corporation)**  
**Supplementary Information on Future Major Repairs and Replacements**  
**Unit Reserve Fund**  
**December 31, 2020**  
**(Unaudited)**

During the fiscal period ended December 31, 2020, management performed an internal update of the most recent Level I - Full Service Reserve Study, completed in 2011 and updated 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, 2020, 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, 2020</u>
Appliance	3 - 18	779,743	
Contingency	0 - 3	30,000	
Door	14 - 18	1,932,868	
Doors	14 - 18	309,260	
Drywall	14 - 18	347,291	
Electrical	14 - 18	122,630	
Electronics	0 - 4	253,258	
Flooring	3 - 18	1,823,141	
Furnishings	0 - 18	6,745,701	
HVAC	5 - 18	2,669,804	
Insulation	14 - 18	79,487	
IT	1	336,614	
Labor	14 - 18	1,258,176	
Lighting	0 - 18	212,058	
Paint	1 - 18	431,856	
PAR	0 - 4	306,648	
Permit	14 - 18	154,187	
Plumbing	14 - 18	607,906	
Safety	2 - 6	136,155	
Trim	14 - 18	2,978,345	
Unit	14 - 18	78,455	
Walls	14 - 18	722,178	
<b>Total</b>		<u><u>22,315,761</u></u>	<u><u>1,536,936</u></u>

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