

**Grand Timber Lodge Owners Association**

**Financial Statements**

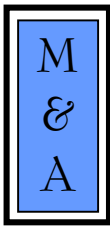
**December 31, 2020 and 2019**



**Grand Timber Lodge Owners Association  
(A Colorado Non-Profit Corporation)  
December 31, 2020 and 2019**

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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, 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 Grand Timber Lodge Owners Association 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  
Grand Timber Lodge Owners Association  
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 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, 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**

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Balance Sheets**  
**December 31, 2020 and 2019**

	2020				2019			
	Operating	Common	Unit	Total	Operating	Common	Unit	Total
	Fund	Reserve	Reserve		Fund	Reserve	Reserve	
<b>Assets:</b>								
<b>Current Assets:</b>								
Cash in banks	1,816,425	548,290	506,115	2,870,830	1,051,007	243,125	297,153	1,591,285
Investments	-	28,488	26,296	54,784	-	251,890	307,867	559,757
Accrued interest	-	-	-	-	1,185	-	-	1,185
Member assessments receivable (net of allowance for doubtful accounts of \$404,046 and \$367,200 in 2020 and 2019)	1,141,799	-	-	1,141,799	864,878	-	-	864,878
Due from (to) Gold Point I Condominium	-	-	-	-	2,774	-	-	2,774
Due from (to) Gold Point II Condominium	-	-	-	-	165	-	-	165
Due from (to) Grand Lodge on Peak 7	122	-	-	122	(1,962)	-	-	(1,962)
Due from (to) Grand Colorado on Peak 8	(1,196)	-	-	(1,196)	-	-	-	-
Note receivable	-	202,100	-	202,100	-	253,620	-	253,620
Unit supplies inventory	46,400	-	-	46,400	27,728	-	-	27,728
Prepaid expenses	25,950	-	-	25,950	17,183	-	-	17,183
<b>Total Current Assets</b>	<u>3,029,500</u>	<u>778,878</u>	<u>532,411</u>	<u>4,340,789</u>	<u>1,962,958</u>	<u>748,635</u>	<u>605,020</u>	<u>3,316,613</u>
<b>Non-Current Assets:</b>								
Fixed assets (net of accumulated depreciation of \$189,553 and \$181,060 in 2020 and 2019)	24,503	-	-	24,503	30,288	-	-	30,288
<b>Total Non-Current Assets</b>	<u>24,503</u>	<u>-</u>	<u>-</u>	<u>24,503</u>	<u>30,288</u>	<u>-</u>	<u>-</u>	<u>30,288</u>
<b>Total Assets</b>	<u>3,054,003</u>	<u>778,878</u>	<u>532,411</u>	<u>4,365,292</u>	<u>1,993,246</u>	<u>748,635</u>	<u>605,020</u>	<u>3,346,901</u>
<b>Liabilities and Fund Balances:</b>								
<b>Liabilities:</b>								
<b>Current Liabilities:</b>								
Accounts payable	114,048	-	-	114,048	141,999	-	-	141,999
Accounts payable - Other	833	50,376	-	51,209	833	-	-	833
Reserve study payable	4,000	-	-	4,000	3,000	-	-	3,000
Due to (from) other funds	797,502	(448,058)	(349,444)	-	(400)	(159,684)	160,084	-
Deferred assessment revenue	303,475	-	-	303,475	224,553	-	-	224,553
Property taxes payable	499,075	-	-	499,075	494,277	-	-	494,277
Due to Management Companies	606,013	-	-	606,013	587,808	-	-	587,808
<b>Total Current Liabilities</b>	<u>2,324,946</u>	<u>(397,682)</u>	<u>(349,444)</u>	<u>1,577,820</u>	<u>1,452,070</u>	<u>(159,684)</u>	<u>160,084</u>	<u>1,452,470</u>
<b>Current Liabilities:</b>								
Line of credit payable	-	360,896	-	360,896	-	451,119	-	451,119
<b>Total Current Liabilities</b>	<u>-</u>	<u>360,896</u>	<u>-</u>	<u>360,896</u>	<u>-</u>	<u>451,119</u>	<u>-</u>	<u>451,119</u>
<b>Fund Balances (Deficit)</b>	<u>729,057</u>	<u>815,664</u>	<u>881,855</u>	<u>2,426,576</u>	<u>541,176</u>	<u>457,200</u>	<u>444,936</u>	<u>1,443,312</u>
<b>Total Liabilities and Fund Balances</b>	<u>3,054,003</u>	<u>778,878</u>	<u>532,411</u>	<u>4,365,292</u>	<u>1,993,246</u>	<u>748,635</u>	<u>605,020</u>	<u>3,346,901</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, 2020 and 2019**

	2020				2019			
	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	8,592,346	1,130,501	1,378,283	11,101,130	8,036,963	1,058,224	1,277,191	10,372,378
Late fee revenue	209,067	-	-	209,067	203,732	-	-	203,732
Investment income	1,373	4,144	3,824	9,341	17,319	5,946	7,267	30,532
Exchange resort fee	158,495	-	-	158,495	123,889	-	-	123,889
Rental resort fee	97,129	-	-	97,129	89,849	-	-	89,849
Deed in lieu income	42,527	-	-	42,527	34,842	-	-	34,842
Developer amenity project contribution	-	-	-	-	-	136,940	-	136,940
Miscellaneous income	23,199	-	-	23,199	27,808	-	-	27,808
<b>Total Revenues</b>	<u>9,124,136</u>	<u>1,134,645</u>	<u>1,382,107</u>	<u>11,640,888</u>	<u>8,534,402</u>	<u>1,201,110</u>	<u>1,284,458</u>	<u>11,019,970</u>
<b>Expenses:</b>								
Operations	3,134,831	-	-	3,134,831	2,827,565	-	-	2,827,565
Maintenance	1,475,308	-	-	1,475,308	1,395,719	-	-	1,395,719
Resort Cleaning	2,912,333	-	-	2,912,333	2,453,253	-	-	2,453,253
Utilities	778,725	-	-	778,725	799,422	-	-	799,422
Taxes	519,839	-	-	519,839	514,677	-	-	514,677
Capital	15,219	-	-	15,219	16,779	-	-	16,779
Common reserve expenses	-	876,181	-	876,181	-	958,147	-	958,147
Common reserve amenity expenses	-	-	-	-	-	265,881	-	265,881
Unit reserve expenses	-	-	945,188	945,188	-	-	1,035,343	1,035,343
<b>Total Expenses</b>	<u>8,836,255</u>	<u>876,181</u>	<u>945,188</u>	<u>10,657,624</u>	<u>8,007,415</u>	<u>1,224,028</u>	<u>1,035,343</u>	<u>10,266,786</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	287,881	258,464	436,919	983,264	526,987	(22,918)	249,115	753,184
<b>Beginning 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>Transfer to other fund</b>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(87,006)</u>	<u>387,919</u>	<u>(300,913)</u>	<u>-</u>
<b>Ending Fund Balances (Deficit)</b>	<u><u>729,057</u></u>	<u><u>815,664</u></u>	<u><u>881,855</u></u>	<u><u>2,426,576</u></u>	<u><u>541,176</u></u>	<u><u>457,200</u></u>	<u><u>444,936</u></u>	<u><u>1,443,312</u></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, 2020 and 2019**

	2020				2019			
	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	8,837,058	1,282,021	1,378,283	11,497,362	8,271,981	1,335,988	976,278	10,584,247
Interest received	2,558	1,712	1,580	5,850	16,134	3,512	4,292	23,938
Cash paid for property taxes	(514,041)	-	-	(514,041)	(485,543)	-	-	(485,543)
Cash transfers from (to) other funds	797,902	(288,374)	(509,528)	-	4,056	(414,170)	410,114	-
Cash payments for goods and services	(8,348,625)	(825,805)	(945,188)	(10,119,618)	(7,601,715)	(1,224,028)	(1,035,343)	(9,861,086)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>774,852</b>	<b>169,554</b>	<b>(74,853)</b>	<b>869,553</b>	<b>204,913</b>	<b>(298,698)</b>	<b>355,341</b>	<b>261,556</b>
<b>Cash Flows From Financing Activities:</b>								
Proceeds from Line of Credit	-	(90,223)	-	(90,223)	-	343,162	-	343,162
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>-</b>	<b>(90,223)</b>	<b>-</b>	<b>(90,223)</b>	<b>-</b>	<b>343,162</b>	<b>-</b>	<b>343,162</b>
<b>Cash Flows From Investing Activities:</b>								
Purchase of investments	-	(290,250)	(354,750)	(645,000)	-	(155,250)	(189,750)	(345,000)
Sale of investments	-	335,250	409,750	745,000	-	110,250	134,750	245,000
Transfer of investment allocation	-	180,834	228,815	409,649	-	(175,627)	(234,021)	(409,648)
Purchase of fixed assets	(9,434)	-	-	(9,434)	-	-	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(9,434)</b>	<b>225,834</b>	<b>283,815</b>	<b>500,215</b>	<b>-</b>	<b>(220,627)</b>	<b>(289,021)</b>	<b>(509,648)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>765,418</b>	<b>305,165</b>	<b>208,962</b>	<b>1,279,545</b>	<b>204,913</b>	<b>(176,163)</b>	<b>66,320</b>	<b>95,070</b>
<b>Net Cash and Cash Equivalents - Beginning</b>	<b>1,051,007</b>	<b>243,125</b>	<b>297,153</b>	<b>1,591,285</b>	<b>846,094</b>	<b>419,288</b>	<b>230,833</b>	<b>1,496,215</b>
<b>Net Cash and Cash Equivalents - Ending</b>	<b>1,816,425</b>	<b>548,290</b>	<b>506,115</b>	<b>2,870,830</b>	<b>1,051,007</b>	<b>243,125</b>	<b>297,153</b>	<b>1,591,285</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	287,881	258,464	436,919	983,264	526,987	(22,918)	249,115	753,184
<b>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:</b>								
Depreciation	18,719	-	-	18,719	16,779	-	-	16,779
Unrealized (gain) loss on investments	-	(2,432)	(2,244)	(4,676)	-	(2,434)	(2,975)	(5,409)
Increase (decrease) in interfund balances	797,902	(288,374)	(509,528)	-	4,056	(414,170)	410,114	-
(Increase) decrease in accrued interest	1,185	-	-	1,185	(1,185)	-	-	(1,185)
(Increase) decrease in assessments receivable	(313,766)	-	-	(313,766)	(239,772)	-	-	(239,772)
(Increase) decrease in other accounts receivable	-	51,520	-	51,520	417	(247,095)	-	(246,678)
(Increase) decrease in due to Gold Point I, Gold Point II, and Grand Lodge on Peak 7	2,051	-	-	2,051	(22)	-	-	(22)
Increase (decrease) in allowance for doubtful accounts	36,846	-	-	36,846	26,396	-	-	26,396
(Increase) decrease in prepaid expenses	(8,767)	-	-	(8,767)	(2,161)	-	-	(2,161)
(Increase) decrease in inventory	(18,672)	-	-	(18,672)	157	-	-	157
Increase (decrease) in due to GPLR, Inc.	18,205	-	-	18,205	(44,584)	-	-	(44,584)
Increase (decrease) in other liabilities	-	-	-	-	833	-	-	833
Increase (decrease) in accounts payable	(27,952)	50,376	-	22,424	(49,435)	-	-	(49,435)
Increase (decrease) in taxes payable	5,798	-	-	5,798	29,134	-	-	29,134
Increase (decrease) in deferred assessment revenue	78,922	-	-	78,922	24,319	-	-	24,319
<b>Total Adjustments</b>	<b>486,971</b>	<b>(88,910)</b>	<b>(511,772)</b>	<b>(113,711)</b>	<b>(322,074)</b>	<b>(275,780)</b>	<b>106,226</b>	<b>(491,628)</b>
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>774,852</b>	<b>169,554</b>	<b>(74,853)</b>	<b>869,553</b>	<b>204,913</b>	<b>(298,698)</b>	<b>355,341</b>	<b>261,556</b>

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, 2020 and 2019**

**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, 2020 and 2019, 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, 2020 and 2019  
(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. 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 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.

**Grand Timber Lodge Owners Association  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2020 and 2019  
(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 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, 2020, the Association incurred \$87,707 in bad debt expense and wrote off accounts totaling \$50,860 (net of recoveries). 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).

**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 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 29, 2021, the date these financial statements were available to be issued.

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**3. Investments**

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

	<u>12/31/20</u>	<u>12/31/19</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>54,784</u>	<u>49,805</u>
<b>Total Investments</b>	<u><u>\$ 54,784</u></u>	<u><u>150,109</u></u>

Included in the Association's investment income for the fiscal years ended December 31, 2020 and 2019 are unrealized gains (losses) totaling \$4,676 and \$5,409, respectively, with respect to investments held at December 31, 2020 and 2019.

**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 2017 by the Internal Revenue Service and for tax years prior to 2016 by the Colorado Department of Revenue.

**5. Fixed Assets**

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

<u>Description</u>	<u>12/31/20</u>	<u>12/31/19</u>
Equipment	\$ 102,254	99,546
Vehicles	34,946	34,946
Computer software	76,856	76,856
Less: accumulated depreciation	<u>(189,553)</u>	<u>(181,060)</u>
<b>Net Fixed Assets</b>	<u><u>\$ 24,503</u></u>	<u><u>30,288</u></u>

Depreciation expense is computed on the straight-line basis and was \$18,719 and \$16,779 for the years ended December 31, 2020 and 2019, respectively.

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**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, 2020 and 2019, respectively:

	<u>12/31/20</u>	<u>12/31/19</u>
Accounting fees	\$ -	\$ 32,574
Owner relations	1,026,012	-
Guest services	346,572	-
Employee housing reimbursement	54,400	-
Activities	77,550	-
Resort operations fee	346,827	-
Engineering	1,031,328	1,179,429
Front desk and reservation fees	-	1,216,382
HR fee	-	255,921
Management fees	363,324	346,019
IT support	-	20,870
Resident security	80,321	85,801
Shuttle labor	200,978	206,203
Resort cleaning	2,912,333	2,453,253
<b>Total Expenses</b>	<u>\$ 6,439,645</u>	<u>5,796,452</u>

The net amount owed by the Association to the Management Companies for these services was \$606,013 and \$587,808 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the Association received \$359,379 and \$215,955, respectively from GPLR for the purchase of inventory units. At December 31, 2020 and 2019, the Association did not own any inventory units.

**Grand Timber Lodge Owners Association**  
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**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

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

GPLR pays assessments relating to its owned unit weeks throughout the fiscal year. This amount totaled \$265,730 and \$206,665, during the years ended December 31, 2020 and 2019, respectively.

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 \$57,785 and \$62,467, 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, 2020, management performed an internal update of the most recent external 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 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, net of discounts, of \$1,130,501 and \$1,378,283 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, net of discounts, of \$1,058,224 and \$1,277,191 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.

**Grand Timber Lodge Owners Association**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**  
**(Continued)**

**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, 2020, the Association's uninsured cash balances totaled \$487,556.

**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 serving 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 \$102,966 for 2020 and \$99,967 for 2019 from the operating fund to the common reserve fund. 2020 is the final year of the energy savings loan payback.

**10. 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 \$11,640,888. 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.

**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 – New Management Agreement**

On October 27, 2020, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by Peak 8 Properties, L.L.C., to be effective January 1, 2021. The agreement is for an initial period of 10 years and will automatically renew for successive 5 year periods.

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

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

**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, 2020**  
**(With Comparative Actual Amounts for December 31, 2019)**

	2020		Variance	2019
	Budget (Unaudited)	Actual	Favorable (Unfavorable)	Actual
<b>Revenues:</b>				
Assessments, net of discounts	8,680,391	8,592,346	(88,045)	8,036,963
Late fee revenue	208,938	209,067	129	203,732
Investment income	16,197	1,373	(14,824)	17,319
Exchange resort fee	208,362	158,495	(49,867)	123,889
Rental resort fee	82,546	97,129	14,583	89,849
Deed in lieu income	30,156	42,527	12,371	34,842
Miscellaneous income	34,000	23,199	(10,801)	27,808
<b>Total Revenues</b>	<b>9,260,590</b>	<b>9,124,136</b>	<b>(136,454)</b>	<b>8,534,402</b>
<b>Expenses:</b>				
<b>Operations:</b>				
Accounting fees and I.T.	-	-	-	53,444
Bad debt expense	275,536	87,707	187,829	56,045
Dues and subscriptions	28,700	28,655	45	-
Common area amenities	48,075	18,419	29,656	63,517
Credit card fees	68,395	71,916	(3,521)	68,745
Assessment service fees	114,197	132,959	(18,762)	128,216
Front desk and reservation fees	-	-	-	1,216,382
Wifi / reservation system maintenance	68,197	63,173	5,024	64,307
Insurance	267,429	278,063	(10,634)	180,009
Management fees	363,320	363,324	(4)	346,019
H.R. fee	-	-	-	255,921
Newsletter printing and guest receptions	54,400	44,645	9,755	61,447
Owner Relations Fee	1,026,012	1,026,012	-	-
Guest Services	346,572	346,572	-	-
Activities	83,873	77,550	6,323	-
Resort Operations	262,546	246,437	16,109	-
Employee Housing Reimbursement	54,400	54,400	-	-
Professional fees	26,834	12,439	14,395	11,295
Resident security	93,031	80,321	12,710	85,801
Shuttle service	224,512	200,978	23,534	206,203
Sustainability	-	-	-	18,528
Board and annual meetings	10,000	1,261	8,739	11,686
<b>Subtotal - Operations</b>	<b>3,416,029</b>	<b>3,134,831</b>	<b>281,198</b>	<b>2,827,565</b>
<b>Maintenance:</b>				
Elevator maintenance	49,458	52,349	(2,891)	51,824
Fire alarm maintenance	50,500	37,188	13,312	70,124
Hot tub and pool maintenance	87,000	70,202	16,798	83,602
Landscaping	75,000	68,960	6,040	68,995
COVID safety	-	37,187	(37,187)	-
COVID equipment	-	175,581	(175,581)	-
Snow removal	10,000	2,513	7,487	10,740
Resort maintenance	1,164,980	1,031,328	133,652	1,110,434
<b>Subtotal - Maintenance</b>	<b>1,436,938</b>	<b>1,475,308</b>	<b>(38,370)</b>	<b>1,395,719</b>
<b>Resort Cleaning:</b>				
Resort cleaning	2,699,186	2,912,333	(213,147)	2,453,253
<b>Subtotal - Resort Cleaning</b>	<b>2,699,186</b>	<b>2,912,333</b>	<b>(213,147)</b>	<b>2,453,253</b>
<b>Utilities:</b>				
Television	28,654	30,124	(1,470)	34,152
Trash removal	59,002	39,901	19,101	69,403
Unit telephones	6,182	3,090	3,092	9,681
Resort utilities	508,041	523,022	(14,981)	520,778
Water and sanitation	172,435	182,588	(10,153)	165,408
<b>Subtotal - Utilities</b>	<b>774,314</b>	<b>778,725</b>	<b>(4,411)</b>	<b>799,422</b>
<b>Taxes:</b>				
Income tax expense	-	364	(364)	-
Property tax expense	678,481	499,075	179,406	494,277
Short term rental tax	21,578	20,400	1,178	20,400
<b>Subtotal - Taxes</b>	<b>700,059</b>	<b>519,839</b>	<b>180,220</b>	<b>514,677</b>
<b>Energy Savings:</b>				
Energy savings transferred to Replacement Fund	102,966	102,966	-	99,967
<b>Subtotal - Energy Savings</b>	<b>102,966</b>	<b>102,966</b>	<b>-</b>	<b>99,967</b>
<b>Total Expenses</b>	<b>9,129,492</b>	<b>8,924,002</b>	<b>205,490</b>	<b>8,090,603</b>
<b>Excess (Deficiency) of Revenues Over Expenses - Budget Basis</b>		<b>200,134</b>		<b>443,799</b>
<b>Adjustments to Budget Basis:</b>				
Gain (Loss) on disposal of assets		3,500		-
Depreciation expense		(18,719)		(16,779)
Transfer to other fund		2,966		12,961
<b>Total Adjustments</b>		<b>(12,253)</b>		<b>(3,818)</b>
<b>Excess (Deficiency) of Revenues Over Expenses - (GAAP) Basis</b>		<b>187,881</b>		<b>439,981</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**  
**Common Reserve Fund**  
**December 31, 2020**  
**(Unaudited)**

During the fiscal year ended December 31, 2020, management performed an internal update of the most recent external 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 Current Replacement Costs</u>	<u>Actual Fund Balance at December 31, 2020</u>
Activities Center	2 - 9	7,719	
Amenity	0 - 9	364,763	
Aquatics	0 - 14	437,294	
Contingency	0 - 1	40,000	
Doors	0 - 19	1,893,232	
Electronics	2 - 4	21,822	
Flooring	0 - 10	500,917	
Furnishing	1 - 19	581,464	
HVAC	2 - 25	3,757,059	
IT	1 - 2	121,273	
Lighting	0 - 14	314,746	
Paint	0 - 11	489,304	
PAR	0 - 4	76,982	
Roofing	5 - 11	1,321,784	
Safety	0 - 18	1,329,576	
Signs	2 - 12	155,449	
Theater	3 - 8	180,317	
Trim	5 - 19	232,971	
Update	0 - 18	2,588,703	
Windows	0 - 24	7,037,718	
<b>Total</b>		<u><u>21,453,093</u></u>	<u><u>815,664</u></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**  
**Unit Reserve Fund**  
**December 31, 2020**  
**(Unaudited)**

During the fiscal year ended December 31, 2020, management performed an internal update of the most recent external 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 Current Replacement Costs</u>	<u>Actual Fund Balance at December 31, 2020</u>
Appliance	5 - 19	584,065	
Appliances	5 - 19	23,700	
Contingency	0 - 1	20,000	
Electrical	13	17,300	
Electronics	4 - 17	281,625	
Finish	5 - 19	543,100	
Flooring	0 - 19	3,585,352	
Furnishings	0 - 19	13,186,242	
HVAC	5 - 19	961,900	
IT	1	150,000	
Lighting	5 - 19	55,300	
Painting	0 - 5	485,800	
PAR	0 - 4	371,025	
Safety	5	17,015	
Unit	2 - 19	1,819,840	
<b>Total</b>		<u><u>22,102,264</u></u>	<u><u>881,855</u></u>

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