

The Grand Lodge on Peak 7 Owners Association, Inc.

Financial Report

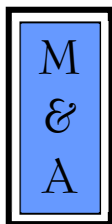
December 31, 2021 and 2020



The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Grand Lodge on Peak 7 Owners Association, Inc., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of revenues and expenses, changes in fund balances, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Grand Lodge on Peak 7 Owners Association, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of The Grand Lodge on Peak 7 Owners Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Grand Lodge on Peak 7 Owners Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
The Grand Lodge on Peak 7 Owners Association, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental budget 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 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 is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
The Grand Lodge on Peak 7 Owners Association, Inc.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on pages 15 and 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
March 7, 2022

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2021
(With Comparative Totals for 2020)

	2021				2020
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total
Assets:					
Cash in banks	713,998	996	262,956	-	977,950
Investments	-	2,329,854	2,292,822	-	4,622,676
Member assessments receivable (net of allowance for doubtful accounts of \$107,903 in 2021 and \$146,950 in 2020)	296,874	-	-	-	296,874
Accrued interest receivable	4,422	-	-	-	4,422
Accounts receivable - Other	17,448	-	-	-	17,448
Unit supplies inventory	43,495	-	-	-	43,495
Prepaid expenses	46,493	-	-	-	46,493
Due from (to) other funds	1,948,826	(1,115,258)	(833,568)	-	-
Fixed assets (net of accumulated depreciation of \$206,256 in 2021 and \$197,315 in 2020)	8	-	-	-	8
Total Assets	3,071,564	1,215,592	1,722,210	-	6,009,366
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	504,854	-	-	-	504,854
Accounts payable - Other	11,550	-	-	-	11,550
Deferred assessment revenue	271,851	-	-	-	271,851
Property taxes payable	641,519	-	-	-	641,519
Reserve study payable	-	-	-	-	-
Due to Grand Timber Lodge	-	-	-	-	-
Due to Grand Colorado on Peak 8	-	-	-	-	-
Due to (from) Management Companies	589,920	-	-	-	589,920
Total Liabilities	2,019,694	-	-	-	2,019,694
Fund Balances (Deficit)	1,051,870	1,215,592	1,722,210	-	4,263,538
Total Liabilities and Fund Balances (Deficit)	3,071,564	1,215,592	1,722,210	-	6,009,366

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, 2021
(With Comparative Totals for 2020)

	2021				2020
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total
					Total
Revenues:					
Assessments, net of discounts	8,578,300	759,553	882,094	-	10,219,947
Deed in Lieu income	31,871	-	-	-	31,871
Vacation experience fee	181,370	-	-	-	181,370
Investment income (loss)	594	-	(44,648)	-	(44,054)
Late fee revenue	134,829	-	-	-	134,829
Miscellaneous income	73,893	-	-	-	73,893
Rental resort fee	414,546	-	-	-	414,546
Total Revenues	9,415,403	759,553	837,446	-	11,012,402
Expenses:					
Activities	54,456	-	-	-	54,456
Assessment servicing fees	103,082	-	-	-	103,082
Bad debt expense	64,729	-	-	-	64,729
Cleaning	3,211,650	-	-	-	3,211,650
Common area amenities	126,675	-	-	-	126,675
Common reserve - Building exterior	-	221,167	-	-	221,167
Common reserve - Common area finishes	-	823,129	-	-	823,129
Common reserve - Pools and spas	-	5,813	-	-	5,813
COVID equipment	2,847	-	-	-	2,847
COVID safety	9,917	-	-	-	9,917
Credit card fees	68,190	-	-	-	68,190
Depreciation	8,941	-	-	-	8,941
Dues and subscriptions	8,335	-	-	-	8,335
Elevator maintenance	38,110	-	-	-	38,110
Employee housing reimbursement	41,682	-	-	-	41,682
Fire alarm maintenance	15,795	-	-	-	15,795
Future equipment replacement	-	-	-	-	-
Guest services	857,396	-	-	-	857,396
BGV Operation fee	112,056	-	-	-	112,056
Hot tub and pool maintenance	61,395	-	-	-	61,395
Insurance	526,518	-	-	-	526,518
Interest	-	-	-	-	-
Landscaping	18,185	-	-	-	18,185
Management fees	511,865	-	-	-	511,865
Master Association dues	61,268	-	-	-	61,268
Owner relations fee	883,274	-	-	-	883,274
Printing and key fobs	49,875	-	-	-	49,875
Professional fees	10,523	-	-	-	10,523
Property tax expense	636,561	-	-	-	636,561
Resort operation fee	290,893	-	-	-	290,893
Short term rental tax	11,550	-	-	-	11,550
Snow removal	1,260	-	-	-	1,260
Television	30,868	-	-	-	30,868
Trash removal	39,533	-	-	-	39,533
Travel and entertainment	1,172	-	-	-	1,172
Unit maintenance	1,079,315	-	-	-	1,079,315
Unit reserve - Appliances	-	-	44,527	-	44,527
Unit reserve - Furniture	-	-	567,528	-	567,528
Unit reserve - Inventory replacement	-	-	8,285	-	8,285
Unit telephones	55,634	-	-	-	55,634
Unit utilities	452,476	-	-	-	452,476
Water and sanitation	169,793	-	-	-	169,793
Total Expenses	9,615,819	1,050,109	620,340	-	11,286,268
Excess (Deficiency) of Revenues Over Expenses	(200,416)	(290,556)	217,106	-	(273,866)
Beginning Fund Balances (Deficit)	1,252,286	1,506,148	1,536,936	(31,832)	4,263,538
Transfers (to) from other fund	-	-	(31,832)	31,832	-
Ending Fund Balances (Deficit)	1,051,870	1,215,592	1,722,210	-	4,263,538

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, 2021
(With Comparative Totals for 2020)

	2021				2020
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total
					Total
Cash Flows From Operating Activities:					
Cash received from assessments	9,397,621	759,553	882,094	-	11,039,268
Interest received	594	-	9,567	-	10,161
Cash received from other sources	(68,236)	-	-	-	(68,236)
Cash transfers from (to) other funds	(2,358,657)	1,164,610	1,636,289	(442,242)	-
Cash payments for goods and services	(8,503,873)	(1,050,109)	(620,340)	-	(10,174,322)
Cash paid for property taxes	(712,759)	-	-	-	(712,759)
Interest paid	-	-	-	-	(1,440)
Net Cash Provided (Used) By Operating Activities	(2,245,310)	874,054	1,907,610	(442,242)	94,112
Cash Flows From Investing Activities:					
(Purchase) sale of investments	-	(1,905,884)	(2,142,623)	128,706	(3,919,801)
Net Cash Provided (Used) by Investing Activities	-	(1,905,884)	(2,142,623)	128,706	(3,919,801)
Cash Flows From Financing Activities:					
Principal paid on notes payable	-	-	-	-	-
Net Cash Provided (Used) by Financing Activities	-	-	-	-	(115,201)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,245,310)	(1,031,830)	(235,013)	(313,536)	(3,825,689)
Cash and Cash Equivalents - Beginning of Year	2,959,308	1,032,826	497,969	313,536	4,803,639
Cash and Cash Equivalents - End of Year	713,998	996	262,956	-	977,950
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:					
Excess (deficiency) of revenues over expenses	(200,416)	(290,556)	217,106	-	(273,866)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:					
Depreciation	8,941	-	-	-	8,941
Unrealized (gain) loss on investments	-	-	54,215	-	54,215
(Increase) decrease in assessments receivable	34,927	-	-	-	34,927
Increase (decrease) in allowance for doubtful accounts	(39,047)	-	-	-	(39,047)
(Increase) decrease in accrued interest	-	-	-	-	-
(Increase) decrease in other receivables	(6,448)	-	-	-	(6,448)
(Increase) decrease in inventory	26,442	-	-	-	26,442
(Increase) decrease in prepaid expenses	10,709	-	-	-	10,709
Cash transfers from (to) other funds	(2,358,657)	1,164,610	1,636,289	(442,242)	-
Increase (decrease) in accounts payable	382,619	-	-	-	382,619
Increase (decrease) in other payables	(87,090)	-	-	-	(87,090)
Increase (decrease) in deferred assessment revenue	21,779	-	-	-	21,779
Increase (decrease) in property taxes payable	(71,198)	-	-	-	(71,198)
Increase (decrease) in due to related parties	38,724	-	-	-	38,724
Increase (decrease) in due to other associations	(1,595)	-	-	-	(1,595)
Increase (decrease) in reserve study payable	(5,000)	-	-	-	(5,000)
Total Adjustments	(2,044,894)	1,164,610	1,690,504	(442,242)	367,978
Net Cash Provided (Used) By Operating Activities	(2,245,310)	874,054	1,907,610	(442,242)	94,112

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, 2021

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 operations on June 1, 2009.

At December 31, 2021, the Association consisted of 239 units, which included 230 timeshare units, 3 whole 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, 2021, 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. The Air Conditioning Remodel project ended in 2020 and the ending balance has been transferred to the unit Reserve Fund in 2021.

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, 2021
(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, 2021
(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, 2021, the Association incurred \$64,729 in bad debt expense and wrote off accounts totaling \$91,619 (net of recoveries). 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).

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 March 7, 2022, 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 2018 by the Internal Revenue Service and for tax years prior to 2017 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, 2021
(Continued)

4. Investments

The Association's investments were comprised of the following certificates of deposit at December 31, 2021 and 2020, respectively:

	<u>12/31/21</u>	<u>12/31/20</u>
U.S. Treasury Bill, maturing on March 31, 2022	\$ 3,169,752	\$ -
Market Linked Certificates of Deposit, due in less than one year	493,699	254,325
Market Linked Certificates of Deposit, due in more than one year	959,225	-
Certificates of deposit, maturing within one year, bearing interest at 1.750% per annum		249,180
Certificates of deposit, maturing in more than year, bearing interest at 1.850% per annum	-	253,585
Total Investments	<u>\$ 4,622,676</u>	<u>757,090</u>

Included in the Association's investment income for the fiscal years ending December 31, 2021 and 2020 are unrealized gains (losses) totaling (\$54,215) and (\$11,781), respectively, with respect to investments held at December 31, 2021 and 2020.

5. Fixed Assets

Fixed assets are summarized below:

<u>Description</u>	<u>12/31/21</u>	<u>12/31/20</u>
Equipment	\$ 206,265	\$ 206,265
Less: Accumulated depreciation	(206,257)	(197,316)
Net Fixed Assets	<u>\$ 8</u>	<u>\$ 8,949</u>

Depreciation expense is computed on the straight-line basis and was \$8,941 and \$16,515 for the years ended December 31, 2021 and 2020.

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 and the associated fund is closed in 2021.

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)

7. Revenue from Contracts with Customers

For the year ended December 31, 2021, revenue recognized for goods transferred or performance obligations met at a point in time were \$11,012,402. There were no revenues recognized for goods transferred or performance obligations met over time during 2021. 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, 2021 and 2020 the Association did not receive any amount from Peak 7 L.L.C for the purchase of inventory units. At December 31, 2021 and 2020, 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 \$468,980 of 2021 revenue from Peak 7 L.L.C through assessments. The Association earned 4% of its total 2021 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, 2021
(Continued)

8. Significant Agreements and Transactions (continued)

During the fiscal year ended December 31, 2021, 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, 2021 and 2020 respectively:

	<u>2021</u>	<u>2020</u>
Owner relations fee	\$ 883,274	\$ 691,644
Employee housing reimbursement	41,682	39,120
Guest services	857,396	754,949
Resorts operations	290,893	256,428
BGV operations	112,056	77,325
Maintenance	1,079,315	967,813
Management fees	511,865	335,928
Common area amenities	15,975	3,103
Spa concierge	55,747	39,925
Activities	54,456	75,423
Cleaning	<u>3,211,650</u>	<u>2,519,448</u>
Total Expenses	<u>\$ 7,114,309</u>	<u>\$ 5,761,106</u>

Approximately 63% of the Association's total 2021 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was \$589,920 and \$551,196 at December 31, 2021 and 2020, respectively.

The Association is a member of the Breckenridge Mountain Master Association (the "Master Association"). The Association paid dues of \$61,268 and \$69,509 during 2021 and 2020, and had a prepaid balance of \$0 and \$42,105 at December 31, 2021 and 2020, respectively. BMMA waived their 21/22 Common Assessment due to extremely high real estate transfer fee revenue and a favorable variance to budget. 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, 2021 and 2020, the Association paid \$52,850 and \$52,452, 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, 2021
(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 review 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.

A Level I – Full Service Reserve Study was completed in 2011 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 2021, an internal review and update was performed, as well as an external review conducted by OAC Management. The internal and external reviews ascertained future replacement cost from industry standard estimating manuals and 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 \$759,553 and \$882,094 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2021. During the year ended December 31, 2020, the Association levied assessments of \$737,385 and \$681,237 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, 2021 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution. At December 31, 2021, the Association's uninsured cash balances totaled \$12,476.

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, 2021
(With Comparative Actual Amounts for 2020)

	2021		Variance	2020
	Budget (Unaudited)	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	8,526,872	8,578,300	51,428	8,068,339
Deed in lieu income	11,795	31,871	20,076	16,127
Vacation experience fee	207,272	181,370	(25,902)	87,183
Interest income	3,564	594	(2,970)	1,832
Late fee revenue	168,311	134,829	(33,482)	167,049
Miscellaneous income	66,735	73,893	7,158	62,396
Rental resort fee	406,743	414,546	7,803	251,565
Total Revenues	<u>9,391,292</u>	<u>9,415,403</u>	<u>24,111</u>	<u>8,654,491</u>
Expenses:				
Activities	76,791	54,456	22,335	75,423
Assessment servicing fees	102,029	103,082	(1,053)	103,412
Bad debt expense	85,076	64,729	20,347	41,254
BGV Operations	112,056	112,056	-	-
Cleaning	3,479,386	3,211,650	267,736	2,453,756
Common area amenities	116,264	126,675	(10,411)	129,315
COVID equipment	9,300	2,847	6,453	142,101
COVID safety	84,000	9,917	74,083	78,870
Credit card fees	65,663	68,190	(2,527)	66,220
Dues and subscriptions	11,400	8,335	3,065	17,347
Elevator maintenance	72,034	38,110	33,924	20,842
Employee housing reimbursement	41,682	41,682	-	39,120
Fire alarm maintenance	58,276	15,795	42,481	29,741
Future equipment replacement	-	-	-	49,320
Guest services	899,801	857,396	42,405	734,604
Hot tub and pool maintenance	48,906	61,395	(12,489)	50,456
Insurance	214,589	526,518	(311,929)	175,945
Landscaping	20,000	18,185	1,815	18,185
Management fees	511,865	511,865	-	335,928
Master Association dues	75,188	61,268	13,920	69,509
Owner relations fee	883,274	883,274	-	691,644
Printing and key fobs	31,832	49,875	(18,043)	73,986
Professional fees	41,178	10,523	30,655	19,962
Property tax expense	736,909	636,561	100,348	711,060
Resort Operations	252,482	290,893	(38,411)	320,639
Short term rental tax	15,095	11,550	3,545	11,375
Snow removal	6,000	1,260	4,740	7,104
Television	32,360	30,868	1,492	26,150
Trash removal	41,514	39,533	1,981	24,414
Travel and entertainment	9,292	1,172	8,120	1,852
Unit maintenance	1,144,320	1,079,315	65,005	941,327
Unit telephones	54,857	55,634	(777)	40,685
Unit utilities	503,518	452,476	51,042	397,430
Water and sanitation	179,356	169,793	9,563	159,574
Total Expenses	<u>10,016,293</u>	<u>9,606,878</u>	<u>409,415</u>	<u>8,058,550</u>
Excess (Deficiency) of Revenues Over Expenses - Budget Basis	<u>(625,001)</u>	<u>(191,475)</u>	<u>(433,526)</u>	<u>595,941</u>
Adjustments to Budget Basis:				
Depreciation expense		(8,941)		(16,515)
Total Adjustments		<u>(8,941)</u>		<u>(16,515)</u>
Excess (Deficiency) of Revenues Over Expenses - GAAP Basis		<u>(200,416)</u>		<u>579,426</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, 2021
(Unaudited)

A Level I – Full Service Reserve Study was completed in 2011 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 2021, an internal review and update was performed, as well as an external review conducted by OAC Management. The internal and external reviews ascertained future replacement cost from industry standard estimating manuals and 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, 2021, has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2021
Amenity	0 - 18	1,014,137	
Aquatics	0 - 9	386,812	
Boilers	0 - 18	1,353,822	
Contingency	0 - 1	40,000	
Doors	1 - 17	2,054,970	
Electronics	0 - 2	47,093	
Elevators	0 - 23	1,496,428	
Flooring	0 - 16	902,043	
Furnishings	0 - 11	236,060	
Housekeeping	0 - 4	23,647	
HVAC	1 - 26	936,760	
IT	0 - 2	81,647	
Lighting	10 - 20	151,893	
Paint	0 - 4	609,553	
Par	1 - 1	6,273	
Roof	0 - 16	1,911,975	
Safety	0 - 11	127,519	
Siding	0	33,000	
Signs	8 - 11	240,904	
Theaters	0 - 14	423,917	
Trim	9 - 12	1,458,403	
Update	0 - 14	343,065	
Vehicle	2 - 10	225,755	
Windows	2 - 11	4,373,818	
Total		\$ 18,479,494	\$ 1,215,592

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, 2021
(Unaudited)

A Level I – Full Service Reserve Study was completed in 2011 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 2021, an internal review and update was performed, as well as an external review conducted by OAC Management. The internal and external reviews ascertained future replacement cost from industry standard estimating manuals and 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, 2021, has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2021
Appliance	3 - 18	1,013,055	
Contingency	0 - 3	30,000	
Doors	14 - 18	2,683,502	
Drywall	14 - 18	421,470	
Electrical	14 - 18	148,824	
Electronics	0 - 4	268,708	
Flooring	3 - 18	2,089,949	
Furnishings	0 - 18	7,330,585	
HVAC	5 - 18	2,883,307	
Insulation	14 - 18	96,464	
IT	1	336,614	
Labor	14 - 18	1,526,919	
Lighting	0 - 18	239,712	
Paint	1 - 18	441,065	
PAR	0 - 4	325,855	
Permit	14 - 18	187,119	
Plumbing	14 - 18	737,749	
Safety	2 - 6	132,189	
Trim	14 - 18	2,891,597	
Unit	14 - 18	95,212	
Walls	14 - 18	876,431	
Total		\$ 24,756,326	\$ 1,722,210

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