

Grand Colorado on Peak 8 Owners Association, Inc.

Financial Report

December 31, 2022

(With Comparative Totals for 2021)



Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2022
(With comparative totals for 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grand Colorado on Peak 8 Owners Association, Inc.
Breckenridge, Colorado

Opinion

We have audited the accompanying financial statements of Grand Colorado on Peak 8 Owners Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2022, and the related statement of revenues, expenses, and changes in fund balances, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Colorado on Peak 8 Owners Association, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Grand Colorado on Peak 8 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 opinion.

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 Colorado on Peak 8 Owners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Grand Colorado on Peak 8 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 audit.

Report on Summarized Comparative Information

Another firm previously audited Grand Colorado on Peak 8 Owners Association, Inc.'s December 31, 2021 financial statements, and expressed an unmodified opinion on those financial statements in their report dated April 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Grand Colorado on Peak 8 Owners Association, Inc.

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 15 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.

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 page 16 - 17 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.

McNurlin, Hitchcock & Associates, P.C.

McNurlin, Hitchcock & Associates, P.C.
March 29, 2023

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2022
(With Comparative Totals for 2021)

	2022			2021	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Assets:					
Cash in banks	\$ 930,574	\$ -	\$ 1,233	\$ 931,807	\$ 772,340
Investments	-	6,316,479	1,166,222	7,482,701	7,324,354
Member assessments receivable (net of allowance for doubtful accounts of \$64,445 in 2022 and \$73,753 in 2021)	146,930	-	-	146,930	128,204
Accounts receivable - other	144,736	-	-	144,736	20,327
Unit supplies inventory	50,323	-	-	50,323	45,353
Prepaid expenses	281,745	-	-	281,745	82,316
Due from (to) other funds	2,591,700	(4,004,776)	1,413,076	-	-
Right of use asset (Stables Garage)	792,084	-	-	792,084	-
Fixed assets (net of accumulated depreciation of \$124,350 in 2022 and \$89,882 in 2021)	51,754	-	-	51,754	86,221
Total Assets	\$4,989,846	\$2,311,703	\$2,580,531	\$9,882,080	\$8,459,115
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 436,911	\$ -	\$ -	\$ 436,911	\$ 248,310
Deferred assessment revenue	326,887	-	-	326,887	266,863
Property taxes payable	764,708	-	-	764,708	822,162
Lease liability (Stables Garage)	792,084	-	-	792,084	-
Reserve study payable	3,000	-	-	3,000	-
Due to (from) Management Companies	456,149	-	-	456,149	428,141
Total Liabilities	2,779,739	-	-	2,779,739	1,765,476
Fund Balances	2,210,107	2,311,703	2,580,531	7,102,341	6,693,639
TOTAL LIABILITIES AND FUND BALANCES	\$4,989,846	\$2,311,703	\$2,580,531	\$9,882,080	\$8,459,115

See accompanying notes to the financial statements and independent auditors' report.

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022			2021	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	\$ 11,352,028	\$ 985,688	\$ 855,298	\$ 13,193,014	\$ 13,095,422
Investment income (loss)	-	(44,975)	(82,790)	(127,765)	(31,926)
Late fee revenue	108,425	-	-	108,425	96,910
Ski locker income	40,338	-	-	40,338	30,544
Natural gas reimbursement	43,649	-	-	43,649	44,240
Vacation experience fee	74,500	-	-	74,500	68,120
Rental resort fee	955,286	-	-	955,286	924,477
Deed in lieu income	15	-	-	15	428
Miscellaneous income	45,662	-	-	45,662	18,925
Total Revenues	<u>12,619,903</u>	<u>940,713</u>	<u>772,508</u>	<u>14,333,124</u>	<u>14,247,140</u>
Expenses:					
Activities	6,002	-	-	6,002	51,647
Assessment servicing fees	70,492	-	-	70,492	70,170
Bad debt expense	11,938	-	-	11,938	32,427
BGV Operations	166,184	-	-	166,184	121,159
BMMA dues	3,049	-	-	3,049	4,400
Board and annual meetings	3,658	-	-	3,658	1,817
Cable TV	35,205	-	-	35,205	35,695
Cell booster	39,392	-	-	39,392	39,492
Common area amenities	167,262	-	-	167,262	140,340
COVID equipment	-	-	-	-	18,875
COVID safety	-	-	-	-	9,943
Credit card fees	77,602	-	-	77,602	59,379
Depreciation	34,468	-	-	34,468	35,221
Dues and subscriptions	36,050	-	-	36,050	27,489
Elevator maintenance	84,444	-	-	84,444	78,918
Employee housing reimbursement	39,323	-	-	39,323	55,608
Engineering	1,159,438	-	-	1,159,438	1,144,573
Fire alarm maintenance	58,720	-	-	58,720	25,713
GC8 Operations	434,050	-	-	434,050	287,664
Guest services	992,791	-	-	992,791	1,017,697
Hot tub and pool maintenance	91,891	-	-	91,891	74,782
Housekeeping	3,304,551	-	-	3,304,551	3,336,305
Insurance	854,553	-	-	854,553	809,112
Landscaping	26,121	-	-	26,121	22,422
Management fee	1,569,852	-	-	1,569,852	1,308,456
Owner relations fee	1,116,589	-	-	1,116,589	960,260
Printing and key fobs	40,545	-	-	40,545	65,218
Professional fees	14,722	-	-	14,722	11,212
Property tax expense	797,868	-	-	797,868	792,504
Short term rental taxes and fees	105,325	-	-	105,325	500
Snow removal	36,444	-	-	36,444	9,869
Stables garage rent	203,969	-	-	203,969	203,969
Trash removal	54,554	-	-	54,554	53,551
Unit electric	479,734	-	-	479,734	428,497
Unit gas	309,142	-	-	309,142	286,778
Unit telephones	7,011	-	-	7,011	7,173
Unit Wi-Fi	41,731	-	-	41,731	54,900
Water and sanitation	217,576	-	-	217,576	209,887
Common reserve - outdoor furniture/grills	-	105,756	-	105,756	-
Common reserve - building exterior	-	-	-	-	243,958
Common reserve - common area finishes	-	243,654	-	243,654	370,802
Common reserve - contingency	-	94,359	-	94,359	1,767
Unit reserve - furniture	-	-	477,252	477,252	144,713
Unit reserve - flooring	-	-	176,209	176,209	5,855
Unit reserve - appliances	-	-	104,303	104,303	48,727
Unit reserve - inventory replacement	-	-	17,461	17,461	2,066
Unit reserve - contingency	-	-	13,182	13,182	-
Total Expenses	<u>12,692,246</u>	<u>443,769</u>	<u>788,407</u>	<u>13,924,422</u>	<u>12,711,510</u>
Excess (Deficiency) of Revenues Over Expenses	(72,343)	496,944	(15,899)	408,702	1,535,630
Beginning Fund Balances	2,282,450	1,814,759	2,596,430	6,693,639	5,158,009
Ending Fund Balances	<u>\$ 2,210,107</u>	<u>\$ 2,311,703</u>	<u>\$ 2,580,531</u>	<u>\$ 7,102,341</u>	<u>\$ 6,693,639</u>

See accompanying notes to the financial statements and independent auditors' report.

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022			2021	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	\$ 11,501,766	\$985,688	\$855,298	\$ 13,342,752	\$ 13,270,838
Interest received	-	-	-	-	928
Cash received from other sources	1,035,026	-	-	1,035,026	1,086,306
Cash transfers from (to) other funds	322,030	(180,090)	(141,940)	-	-
Cash payments for goods and services	(11,902,155)	(443,769)	(788,407)	(13,134,331)	(11,602,355)
Cash paid for property taxes	(797,868)	-	-	(797,868)	(879,543)
Interest paid	-	-	-	-	-
Net Cash Provided By (Used In) Operating Activities	158,799	361,829	(75,049)	445,579	1,876,174
Cash Flows From Investing Activities:					
Sale (purchase) of investments	-	(361,829)	75,717	(286,112)	(6,787,885)
Net Cash Provided By (Used In) Investing Activities	-	(361,829)	75,717	(286,112)	(6,787,885)
Net Increase (Decrease) in Cash and Cash Equivalents	158,799	-	668	159,467	(4,911,711)
Net Cash and Cash Equivalents - Beginning	771,775	-	565	772,340	5,684,051
Net Cash and Cash Equivalents - Ending	930,574	-	1,233	931,807	772,340
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities:					
Excess (deficiency) of revenues over expenses	(72,343)	496,944	(15,899)	408,702	1,535,630
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities:					
Depreciation	34,468	-	-	34,468	35,221
Unrealized (gain) loss on investments	-	44,975	82,790	127,765	32,854
(Increase) decrease in assessments receivable	(18,726)	-	-	(18,726)	3,046
Increase (decrease) in allowance for doubtful accounts	-	-	-	-	(13,077)
(Increase) decrease in other receivables	(124,409)	-	-	(124,409)	6,202
(Increase) decrease in inventory	(4,970)	-	-	(4,970)	23,604
(Increase) decrease in prepaid expenses	(199,429)	-	-	(199,429)	(9,161)
(Increase) decrease in right of use asset	(792,084)	-	-	(792,084)	-
Cash transfers from (to) other funds	322,030	(180,090)	(141,940)	-	-
Increase (decrease) in accounts payable	188,601	-	-	188,601	(24,417)
Increase (decrease) in deferred assessment revenue	60,024	-	-	60,024	75,032
Increase (decrease) in property taxes payable	(57,454)	-	-	(57,454)	(84,039)
Increase (decrease) in lease liability	792,084	-	-	792,084	-
Increase (decrease) in reserve study payable	3,000	-	-	3,000	-
Increase (decrease) in due to related parties	28,008	-	-	28,008	298,279
Increase (decrease) in income taxes payable	-	-	-	-	(3,000)
Total Adjustments	231,143	(135,115)	(59,150)	36,878	340,544
Net Cash Provided By (Used In) Operating Activities	\$ 158,800	\$ 361,829	\$ (75,049)	\$ 445,580	\$ 1,876,174

See accompanying notes to the financial statements and independent auditors' report.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 2021)

1. Organization

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

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

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

The Association remained under Declarant control at December 31, 2022.

At December 31, 2022, the Association consisted of 268 units, which included 253 timeshare units and 15 commercial units, representing the maximum number of units permitted in the Association’s declarations.

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, 2022, the Association had the following funds:

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

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

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

B. Investment Income Allocation

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

See accompanying independent auditors’ report.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 2021)

2. Summary of Significant Accounting Policies (Continued)

C. Recognition of Assets

The Association recognizes as assets on its financial statements:

- (a) common personal property and;
- (b) common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto.

These assets are recorded at cost and are depreciated using the straight-line method over estimated useful lives of five years.

D. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when assessed or earned and expenses when incurred.

E. Cash and Cash Equivalents

All checking and money market savings accounts are considered cash equivalents by the Association for the purpose of the Statement of Cash Flows since all funds are highly liquid with no stated maturities.

F. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposits are intended to fund Replacement Fund expenditures and may provide a ready source of cash when 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. Revenues 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.

See accompanying independent auditors' report.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 2021)

2. Summary of Significant Accounting Policies (Continued)

G. Revenues and Revenue Recognition (Continued)

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

I. Allowance for Uncollectible Accounts - Assessments

The Association utilizes the allowance method of recognizing the future potential uncollectible, owner assessments receivable. This reserve is calculated based on the estimated percentage of potentially uncollectible accounts 90 or more days overdue. Owners may be charged late fees and interest on delinquent balances, as determined based on the collection policies of the Association, along with any applicable laws and regulations. For the year ended December 31, 2022, the Association incurred \$11,938 in bad debt expense and wrote off accounts totaling \$21,246 (net of recoveries). For the year ended December 31, 2021, the Association incurred \$32,427 in bad debt expense and wrote off accounts totaling \$45,504 (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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Assessment Revenue

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

See accompanying independent auditors' report.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 2021)

2. Summary of Significant Accounting Policies (Continued)

M. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, 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. Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the years ended December 31, 2022 and 2021, the Association was taxed as a homeowners association and filed form 1120-H. As a homeowner's association, exempt function income is not taxable. Nonexempt function income less nonexempt function expenses is taxable if it exceeds \$100.

The Federal income tax returns of the Association are subject to examination by the Internal Revenue Service and Colorado Department of Revenue. The Association has assessed its tax positions for all open tax years and has concluded that there are currently no significant unrecognized tax benefits or liabilities to be recognized.

4. Investments

The Association's investments were comprised of the following certificates of deposit on December 31, 2022.

	2022	2021
US Treasury Bill(s), interest at 3.02%, maturing March 30, 2023	\$ 6,458,057	\$ -
US Treasury Bill(s), interest at 0.05%, maturing March 30, 2022	-	6,296,589
Market indexed certificates of deposit, maturing in three to seven years	1,024,644	1,027,765
Total Investments	\$ 7,482,701	\$ 7,324,354

Included in the Association's investment income for the fiscal years ending December 31, 2022 and December 31, 2021 are unrealized gains (losses) totaling (\$155,410) and (\$32,854), interest and dividend income totaling \$3,188 and \$928, and realized gains totaling \$24,457 and \$0, respectively.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 2021)

5. Fixed Assets

Fixed assets are summarized below:

Description	2022	2021
Equipment	\$ 146,890	\$ 146,890
Vehicles	29,214	29,214
Less: accumulated depreciation	(124,350)	(89,883)
Net Fixed Assets	\$ 51,754	\$ 86,221

Depreciation expense is computed on a straight-line basis and was \$34,468 and \$35,221 for the years ended December 31, 2022 and 2021.

6. Significant Agreements and Transactions

On January 1, 2018, Peak 8 Properties, L.L.C. entered into an agreement with the Association to purchase all inventory units from the Association (which may be obtained as a result of foreclosure proceedings to collect past due assessments) for the consideration of payment of Association past dues, transfer costs, and any Association dues until resale and otherwise in accordance with the term and conditions of the agreement. This agreement may be terminated by either party by giving ninety days advance written notice. During the year ended December 31, 2022, the Association did not receive any amount from Peak 8 Properties, L.L.C. for the purchase of inventory units. At December 31, 2022, the Association did not own any inventory units.

Peak 8 Properties, L.L.C. pays assessments relating to its owned unit weeks throughout the year. The Association earned \$3,966,065 and \$4,698,256 of revenue from Peak 8 Properties, L.L.C through assessments for the years ended December 31, 2022 and 2021. Peak 8 Properties, L.L.C's assessments excluded cleaning fees of \$179,588 and \$394,556 for the years ended December 31, 2022 and 2021, related to services not incurred in unoccupied units. For the years ended December 31, 2022 and 2021, the Association earned 28% and 33% of its total revenue from Peak 8 Properties, L.L.C.

Effective August 15, 2015, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by the Peak 8 Properties, L.L.C., to provide all services and personnel required to administer the affairs of the Association. The initial term of the management agreement was for 10 years and later extended to 2030. The management fee was equal to 2.5% of the Association annual budget during the initial two years, and after the initial two years was increased up to 5% at the beginning of each following annual budget year; provided, however, that in the event the Project is expanded to include additional phases four and five the annual management fee shall automatically be increased to 10% of the Association annual budget for any such budget year upon closing of the real property required for the additional phases four and five of the Project and shall thereafter increase by up to 5% at the beginning of each following annual budget year; provided, however, in no event shall the management fee exceed 15% during the initial two years or any renewal term.

After the initial term, the agreement automatically renews for five-year periods, under the same terms and conditions as the original agreement, unless cancelled by either party. This agreement may be terminated by the Association for cause, as defined in the agreement. Breckenridge Grand Vacations may resign as manager with or without cause. However, Breckenridge Grand Vacations cannot resign until the Association obtains a substitute managing agent or until 180 days from the resignation notification date.

See accompanying independent auditors' report.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 2021)

7. Significant Agreements and Transactions (Continued)

During the year ended December 31, 2022, 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, 2022, and 2021.

	<u>2022</u>	<u>2021</u>
Activities	\$ 6,002	\$ 51,647
Cleaning	3,304,550	3,336,304
Employee housing reimbursement	39,323	55,608
Engineering	1,159,438	1,144,573
Guest services	992,791	1,017,697
GC8 operations	434,050	287,664
BGV operations	166,184	121,159
Management fee	1,569,852	1,308,456
Owner relations fee	1,116,589	960,260
Total Expenses	<u>\$ 8,788,779</u>	<u>\$ 8,283,368</u>

Approximately 63% of the Association’s total 2022 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was \$456,149 on December 31, 2022 and \$428,141 at December 31, 2021.

On October 25, 2016, the Association entered into an agreement with Concord Servicing Corporation to perform billings of assessments. The initial term began from the date of the agreement and is automatically renewed for 12-month terms until written notice of termination. The fee may increase annually by 1.5 times the increase in the Consumer Price Index. For the years ended December 31, 2022, and 2021, the Association paid \$43,321 and \$37,883, respectively, for services provided by Concord Servicing Corporation.

8. 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 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.

Grand Colorado on Peak 8 Owners Association Inc.
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December 31, 2022
(With Comparative Totals for 2021)

8. Future Major Repairs and Replacements (Continued)

A Level I - Full-Service Reserve Study was completed in 2016 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 update of the reserve study was completed by OAC Management. During the year ending December 31, 2022, management performed the annual internal inspection to update the estimate. 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. The tables included in the unaudited Supplementary Information on Future Major Repairs and Replacements are based on the external study and internal update. 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 for anticipated costs, and accumulating funds in reserve to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Funds. Assessments of \$985,688 and \$855,298 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2022. Assessments of \$973,016 and \$844,696 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2021. The Association's Common Reserve Expenses for 2022 and 2021 were incurred primarily for refurbishments of the building's exterior and other common area refurbishments. The Association's Unit Reserve Expenses for 2022 and 2021 were incurred for furniture, appliance, and flooring replacements in units, along with other unit refurbishments.

Funds being accumulated in the Common Reserve Fund and Units Reserve Funds are based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, the 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.

9. Operating Lease

Effective January 1, 2022, the Association adopted FASB ASC 842, Leases, which requires the recognition of operating leases as an asset and a liability on the Balance Sheets. Operating lease right-of-use ("ROU") assets represent the Association's right to use an underlying asset for the lease term. Operating lease liabilities represent the Association's obligation to make lease payments arising from the lease. This guidance was adopted on a modified retrospective method, which allows the Association to present comparative periods under the legacy guidance in ASC 840, Leases.

Grand Colorado on Peak 8 Owners Association Inc.
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(With Comparative Totals for 2021)

9. Operating Lease (Continued)

The Association determines if a contract contains a lease at the inception of the lease based on whether or not the Association has the right to control the asset during the contract period and other facts and circumstances. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the Balance Sheets and are expensed on a straight-line basis over the lease term in the Statements of Revenue, Expenses, and Changes in Fund Balances. The Association's leases do not provide an implicit interest rate. As such, the Association's incremental borrowing rate at the time of renewal of the lease has been used to determine the present value of future payments.

The Association leases real property (the Stables Garage) under a lease agreement that is renewed effective January 1, 2023, and extends through the end of December 31, 2027. The lease agreement requires monthly payments of \$15,312 over the five-year term. At the end of the lease term, the lease has one renewal term of five years.

Future minimum lease payments under the operating lease described above are:

<u>Year</u>	<u>Amount</u>
2023	\$ 183,744
2024	183,744
2025	183,744
2026	183,744
2027	183,744
	<u>\$ 918,720</u>

See accompanying independent auditors' report.

Grand Colorado on Peak 8 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, 2022
(With Comparative Actual Amounts for 2021)

	2022		Variance Favorable (Unfavorable)	2021
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments, net of discounts	\$ 11,493,196	\$ 11,352,028	\$ (141,168)	\$ 11,277,710
Investment income	231	-	(231)	849
Late fee revenue	98,480	108,425	9,945	96,910
Ski locker income	8,750	40,338	31,588	30,544
Natural gas reimbursement	58,000	43,649	(14,351)	44,240
Vacation experience fee	54,466	74,500	20,034	68,120
Rental resort fee	840,707	955,286	114,579	924,477
Deed in lieu income	2,000	15	(1,985)	428
Miscellaneous Income	15,906	45,662	29,756	18,925
Total Revenues	12,571,736	12,619,903	48,167	12,462,203
Expenses:				
Activities	20,654	6,002	14,652	51,647
Assessment servicing fees	70,371	70,492	(121)	70,170
Bad debt expense	78,000	11,938	66,062	32,427
BMMA dues	3,175	3,049	126	4,400
BGV Operations	166,184	166,184	-	121,159
Board and annual meetings	4,600	3,658	942	1,817
Cable TV	36,600	35,205	1,395	35,695
Cell booster	44,844	39,392	5,452	39,492
Common area amenities	171,627	167,262	4,365	140,340
COVID equipment	-	-	-	18,875
COVID safety	-	-	-	9,943
Credit card fees	61,623	77,602	(15,979)	59,379
Dues and subscriptions	43,416	36,050	7,366	27,489
Elevator maintenance	77,662	84,444	(6,782)	78,918
Employee housing reimbursement	39,323	39,323	-	55,606
Engineering	1,350,152	1,159,438	190,714	1,144,575
Fire alarm maintenance	28,796	58,720	(29,924)	25,713
GC8 Operations	475,446	434,050	41,396	287,664
Guest services	1,149,203	992,791	156,412	1,017,697
Hot tub and pool maintenance	62,423	91,891	(29,468)	74,782
Insurance	994,294	854,553	139,741	809,112
Keys, postage and printing	48,500	40,545	7,955	65,218
Landscaping	27,000	26,121	879	22,422
Management fee	1,569,852	1,569,852	-	1,308,456
Owner relations fee	1,116,589	1,116,589	-	960,260
Professional fees	33,235	14,722	18,513	11,212
Property tax expense	911,454	797,868	113,586	792,504
Resort cleaning	3,106,584	3,304,551	(197,967)	3,336,305
Short term rental taxes and fees	12,144	105,325	(93,181)	500
Snow removal	20,000	36,444	(16,444)	9,869
Stables garage rent	204,124	203,969	155	203,969
Trash removal	78,000	54,554	23,446	53,551
Unit electric	467,465	479,734	(12,269)	428,497
Unit gas	313,350	309,142	4,208	286,778
Unit telephones	8,700	7,011	1,689	7,173
Unit Wi-Fi	55,188	41,731	13,457	54,900
Water and sanitation	221,158	217,576	3,582	209,887
Total Expenses	13,071,736	12,657,778	413,958	11,858,401
Excess (Deficiency) of Revenues				
Other Expenses - Budget Basis	\$ (500,000)	(37,875)	\$ 462,125	603,802
Adjustments to Budget Basis:				
Depreciation expense		(34,468)		(35,221)
Total Adjustments		(34,468)		(35,221)
Excess (Deficiency) of Revenues				
Over Expenses - (GAAP) Basis		\$ (72,343)		\$ 568,581

See accompanying notes to the financial statements and independent auditors' report.

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Common Reserve Fund
December 31, 2022
(Unaudited)

A Level I - Full Service Reserve Study was completed in 2016 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 2022, an internal review and update was performed, and an external review conducted by OAC Management was updated in 2021. 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, 2022 has not been designated by the Board for specific components of common property.

The following table is management's presentation based on the internal and external studies and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Actual Fund Balance at December 31, 2022
Amenity	0 - 28	\$ 1,013,167	
Aquatics	1 - 18	1,501,734	
Bellman	0 - 4	142,347	
Boilers	3 - 28	2,151,240	
Other projects	0 - 1	60,000	
Doors	3 - 27	4,047,717	
Electronics	2 - 8	89,823	
Elevators	4 - 28	2,873,834	
Equipment	3 - 12	420,730	
Flooring	0 - 18	1,383,628	
Furnishing	1 - 18	1,334,718	
Furnishings	0 - 12	282,527	
Housekeeping	0 - 4	59,635	
HVAC	2 - 28	904,035	
IT	1 - 6	415,784	
Lighting	10 - 18	676,793	
Resurfacing	1 - 9	592,843	
Par	0 - 4	22,582	
Remodel	15 - 18	1,172,291	
Roof	19 - 24	2,147,198	
Safety	8	16,521	
Signs	9 - 18	286,147	
Stonework	1 - 11	90,444	
Theaters	0 - 15	497,668	
Trim	1 - 2	316,750	
Windows	6 - 26	7,090,542	
Total		<u>\$ 29,590,698</u>	<u>\$ 2,311,703</u>

See accompanying notes to the financial statements and independent auditors' report.

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Unit Reserve Fund
December 31, 2022
(Unaudited)

A Level I - Full Service Reserve Study was completed in 2016 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 2022, an internal review and update was performed, and an external review conducted by OAC Management was updated in 2021. 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, 2022 has not been designated by the Board for specific components of common property.

The following table is management's presentation based on the internal and external studies and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Actual Fund Balance at December 31, 2022
Appliance	0 - 4	\$ 28,670	
Contingency	0 - 1	50,000	
Doors	20 - 27	1,730,588	
Drywall	20 - 27	715,237	
Electrical	20 - 27	255,603	
Electronics	1 - 4	427,089	
Flooring	0 - 27	4,588,284	
Furnishings	0 - 27	10,634,474	
HVAC	20 - 27	1,220,699	
Insulation	20 - 27	341,003	
IT	3 - 8	298,091	
Labor	20 - 27	4,167,903	
Lighting	1 - 25	765,103	
Paint	20 - 27	926,478	
PAR	0 - 4	226,436	
Permit	20 - 27	503,167	
Plumbing	20 - 27	1,885,096	
Safety	0 - 8	98,773	
Trim	20 - 27	2,953,506	
Total		\$ 31,816,200	\$ 2,580,531

See accompanying notes to the financial statements and independent auditors' report.