

GRAND TIMBER LODGE OWNERS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



GRAND TIMBER LODGE

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
December 31, 2022 and 2021**

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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 Timber Lodge Owners Association's December 31, 2021 financial statements, and expressed an unmodified opinion on those financial statements in their report dated March 13, 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 Timber Lodge Owners Association

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 the 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 15-16 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.

McNurlin, Hitchcock & Associates, PC

McNurlin, Hitchcock & Associates, P.C.
March 28, 2023

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2022 and 2021

	2022				2021			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
Assets:								
Current Assets:								
Cash in banks	\$ 455,004	\$ 20,486	\$ 6,830	\$ 482,320	\$ 744,483	\$ 20,448	\$ 6,587	\$ 771,518
Restricted cash	-	-	250,000	250,000	-	-	250,000	250,000
Investments	-	950,747	726,260	1,677,007	699,956	-	805,751	1,505,707
Member assessments receivable (net of allowance for doubtful accounts of \$170,816 and \$308,568 in 2022 and 2021)	1,425,539	-	-	1,425,539	1,227,304	-	-	1,227,304
Due from (to) Grand Lodge on Peak 7	4,244	-	-	4,244	-	-	-	-
Due from (to) Grand Colorado on Peak 8	2,673	-	-	2,673	-	-	-	-
Accounts receivable - other	25,858	-	-	25,858	124,447	-	-	124,447
Note receivable	-	101,052	-	101,052	-	151,577	-	151,577
Unit supplies inventory	54,567	-	-	54,567	46,199	-	-	46,199
Prepaid expenses	435,110	-	-	435,110	105,599	-	-	105,599
Total Current Assets	<u>2,402,995</u>	<u>1,072,285</u>	<u>983,090</u>	<u>4,458,370</u>	<u>2,947,988</u>	<u>172,025</u>	<u>1,062,338</u>	<u>4,182,351</u>
Non-Current Assets:								
Fixed assets (net of accumulated depreciation of \$208,561 and \$199,057 in 2022 and 2021)	5,495	-	-	5,495	14,999	-	-	14,999
Total Non-Current Assets	<u>5,495</u>	<u>-</u>	<u>-</u>	<u>5,495</u>	<u>14,999</u>	<u>-</u>	<u>-</u>	<u>14,999</u>
Total Assets	<u>\$ 2,408,490</u>	<u>\$ 1,072,285</u>	<u>\$ 983,090</u>	<u>\$ 4,463,865</u>	<u>\$ 2,962,987</u>	<u>\$ 172,025</u>	<u>\$ 1,062,338</u>	<u>\$ 4,197,350</u>
Liabilities and Fund Balances								
Liabilities:								
Current Liabilities:								
Accounts payable	\$ 143,211	\$ -	\$ -	\$ 143,211	\$ 146,928	\$ -	\$ -	\$ 146,928
Due to (from) other funds	14,852	(14,852)	-	-	908,192	(871,765)	(36,427)	-
Deferred assessment revenue	352,490	-	-	352,490	315,327	-	-	315,327
Property taxes payable	515,069	-	-	515,069	518,662	-	-	518,662
Reserve study payable	1,500	-	-	1,500	-	-	-	-
Due to Management Companies	691,090	-	-	691,090	636,317	-	-	636,317
Total Current Liabilities	<u>1,718,212</u>	<u>(14,852)</u>	<u>-</u>	<u>1,703,360</u>	<u>2,525,426</u>	<u>(871,765)</u>	<u>(36,427)</u>	<u>1,617,234</u>
Other Liabilities:								
Note payable	-	180,449	-	180,449	-	270,673	-	270,673
Total Other Liabilities	<u>-</u>	<u>180,449</u>	<u>-</u>	<u>180,449</u>	<u>-</u>	<u>270,673</u>	<u>-</u>	<u>270,673</u>
Fund Balances	<u>690,278</u>	<u>906,688</u>	<u>983,090</u>	<u>2,580,056</u>	<u>437,561</u>	<u>773,117</u>	<u>1,098,765</u>	<u>2,309,443</u>
Total Liabilities and Fund Balances	<u>\$ 2,408,490</u>	<u>\$ 1,072,285</u>	<u>\$ 983,090</u>	<u>\$ 4,463,865</u>	<u>\$ 2,962,987</u>	<u>\$ 172,025</u>	<u>\$ 1,062,338</u>	<u>\$ 4,197,350</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2022 and 2021

	2022				2021			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
Revenues:								
Assessments, net of discounts	\$10,221,900	\$1,202,385	\$1,393,161	\$12,817,446	\$9,494,348	\$1,111,911	\$1,391,998	\$11,998,257
Late fee revenue	160,655	-	-	160,655	184,380	-	-	184,380
Investment income (loss)	1,081	(17,553)	(74,256)	(90,728)	391	(26,446)	43	(26,012)
Vacation experience fee	302,871	-	-	302,871	325,560	-	-	325,560
Rental resort fee	516,325	-	-	516,325	452,030	-	-	452,030
Deed in lieu income	10,484	-	-	10,484	35,454	-	-	35,454
Miscellaneous income	44,180	-	-	44,180	28,380	-	-	28,380
Total Revenues	<u>11,257,496</u>	<u>1,184,832</u>	<u>1,318,905</u>	<u>13,761,233</u>	<u>10,520,543</u>	<u>1,085,465</u>	<u>1,392,041</u>	<u>12,998,049</u>
Expenses:								
Operations	5,041,369	-	-	5,041,369	4,448,620	-	-	4,448,620
Maintenance	1,353,680	-	-	1,353,680	1,490,853	-	-	1,490,853
Resort cleaning	3,065,319	-	-	3,065,319	3,485,720	-	-	3,485,720
Utilities	881,051	-	-	881,051	838,285	-	-	838,285
Taxes and fees	653,856	-	-	653,856	539,062	-	-	539,062
Capital	9,504	-	-	9,504	9,504	-	-	9,504
Common reserve expenses	-	1,051,261	-	1,051,261	-	1,128,011	-	1,128,011
Unit reserve expenses	-	-	1,434,580	1,434,580	-	-	1,175,131	1,175,131
Total Expenses	<u>11,004,779</u>	<u>1,051,261</u>	<u>1,434,580</u>	<u>13,490,620</u>	<u>10,812,044</u>	<u>1,128,011</u>	<u>1,175,131</u>	<u>13,115,186</u>
Excess (Deficiency) of Revenues Over Expenses	252,717	133,571	(115,675)	270,613	(291,501)	(42,546)	216,910	(117,137)
Beginning Fund Balances	437,561	773,117	1,098,765	2,309,443	729,062	815,663	881,855	2,426,580
Ending Fund Balances	<u>\$ 690,278</u>	<u>\$ 906,688</u>	<u>\$ 983,090</u>	<u>\$ 2,580,056</u>	<u>\$ 437,561</u>	<u>\$ 773,117</u>	<u>\$ 1,098,765</u>	<u>\$ 2,309,443</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2022 and 2021

	2022				2021			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
Cash Flows From Operating Activities:								
Cash received from owners	\$11,187,015	\$ 1,252,910	\$1,393,161	\$ 13,833,086	\$ 10,314,174	\$ 1,162,434	\$1,391,998	\$ 12,868,606
Interest received	1,081	6,639	3,462	11,182	391	(26,446)	43	(26,012)
Cash paid for property taxes	(653,856)	-	-	(653,856)	(523,475)	-	-	(523,475)
Cash transfers from (to) other funds	(893,340)	856,913	36,427	-	110,690	(423,707)	313,017	-
Cash payments for goods and services	(10,630,335)	(1,051,261)	(1,434,580)	(13,116,176)	(10,273,766)	(1,178,388)	(1,175,131)	(12,627,285)
Net Cash Provided (Used) By Operating Activities	<u>(989,435)</u>	<u>1,065,201</u>	<u>(1,530)</u>	<u>74,236</u>	<u>(371,986)</u>	<u>(466,107)</u>	<u>529,927</u>	<u>(308,166)</u>
Cash Flows From Financing Activities:								
Payments on the note payable	-	(90,224)	-	(90,224)	-	(90,223)	-	(90,223)
Net Cash Used by Financing Activities	<u>-</u>	<u>(90,224)</u>	<u>-</u>	<u>(90,224)</u>	<u>-</u>	<u>(90,223)</u>	<u>-</u>	<u>(90,223)</u>
Cash Flows From Investing Activities:								
(Purchase) sale of investments	699,956	(974,939)	1,773	(273,210)	(699,956)	28,488	(779,455)	(1,450,923)
Net Cash Provided (Used) by Investing Activities	<u>699,956</u>	<u>(974,939)</u>	<u>1,773</u>	<u>(273,210)</u>	<u>(699,956)</u>	<u>28,488</u>	<u>(779,455)</u>	<u>(1,450,923)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(289,479)	38	243	(289,198)	(1,071,942)	(527,842)	(249,528)	(1,849,312)
Net Cash and Cash Equivalents - Beginning	744,483	20,448	6,587	771,518	1,816,425	548,290	256,115	2,620,830
Net Cash and Cash Equivalents - Ending	<u>455,004</u>	<u>20,486</u>	<u>6,830</u>	<u>482,320</u>	<u>744,483</u>	<u>20,448</u>	<u>6,587</u>	<u>771,518</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) By Operating Activities								
Excess (deficiency) of revenues over expenses	252,717	133,571	(115,675)	270,613	(291,501)	(42,546)	216,910	(117,137)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) By Operating Activities:								
Depreciation	9,504	-	-	-	9,504	-	-	9,504
Unrealized (gain) loss on investments	-	24,192	77,718	101,910	-	-	-	-
Increase (decrease) in interfund balances	(893,340)	856,913	36,427	-	110,690	(423,707)	313,017	-
(Increase) decrease in assessments receivable	(60,483)	-	-	(198,235)	9,974	-	-	9,974
(Increase) decrease in other accounts receivable	98,589	50,525	-	98,589	(124,447)	50,523	-	(73,924)
(Increase) decrease in due to Grand Lodge on Peak 7	(6,917)	-	-	(6,917)	(1,073)	-	-	(1,073)
Increase (decrease) in allowance for doubtful accounts	(137,752)	-	-	(137,752)	(95,478)	-	-	(95,478)
(Increase) decrease in prepaid expenses	(329,511)	-	-	(329,511)	(79,649)	-	-	(79,649)
(Increase) decrease in inventory	(8,368)	-	-	(8,368)	201	-	-	201
Increase (decrease) in due to GPLR	54,773	-	-	54,773	30,304	-	-	30,304
Increase (decrease) in other liabilities	-	-	-	-	(833)	-	-	(833)
Increase (decrease) in accounts payable	(3,717)	-	-	(3,717)	32,883	(50,377)	-	(17,494)
Increase (decrease) in taxes payable	(3,593)	-	-	(3,593)	15,587	-	-	15,587
Increase (decrease) in reserve study payable	1,500	-	-	1,500	-	-	-	-
Increase (decrease) in deferred assessment revenue	37,163	-	-	37,163	11,852	-	-	11,852
Total Adjustments	<u>(1,242,152)</u>	<u>931,630</u>	<u>114,145</u>	<u>(394,158)</u>	<u>(80,485)</u>	<u>(423,561)</u>	<u>313,017</u>	<u>(191,029)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (989,435)</u>	<u>\$ 1,065,201</u>	<u>\$ (1,530)</u>	<u>\$ (123,545)</u>	<u>\$ (371,986)</u>	<u>\$ (466,107)</u>	<u>\$ 529,927</u>	<u>\$ (308,166)</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022 and 2021

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, 2022 and 2021, 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 is recorded in the fund holding the underlying sources 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 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.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022 and 2021

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 various fixed income securities. Because these investments 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, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

I. Allowance for Uncollectible Accounts – Assessments

The Association utilizes the allowance method of recognizing the future potential uncollectible accounts of 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. The Association has the right to pursue legal action in collecting delinquent balances, including placing a lien of the underlying title to the property. For the year ended December 31, 2022, the Association incurred \$72,292 in bad debt expense and wrote off accounts totaling \$198,010 (net of recoveries). For the year ended December 31, 2021, the Association incurred \$132,326 in bad debt expense and wrote off accounts totaling \$169,951 (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 the date on the audit report, which is 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, 2022 and 2021

3. Investments

The Association's investments were comprised of the following securities at December 31, 2022 and 2021, respectively:

	2022	2021
US Treasury Bill(s), interest at 3.02%, maturing March 30, 2023	\$ 1,034,920	\$ -
US Treasury Bill(s), interest at 0.05%, maturing March 30, 2022	-	977,939
Market indexed certificates of deposit, maturing in three to seven years	642,087	527,768
Total Investments	\$ 1,677,007	\$ 1,505,707

Included in the Association's investment income for the fiscal years ended December 31, 2022 and 2021 are unrealized gains (losses) totaling (\$101,910) and (\$27,016) and interest income of \$11,182 and \$1,005, respectively.

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. 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.

5. Fixed Assets

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

Description	2022	2021
Equipment	\$ 102,254	\$ 102,254
Vehicles	34,946	34,946
Computer software	76,856	76,856
Less: accumulated depreciation	(208,561)	(199,057)
Net Fixed Assets	\$ 5,495	\$ 14,999

Depreciation expense is computed on the straight-line basis and was \$9,504 and \$9,504 for the years ended December 31, 2022, and 2021, respectively.

See accompanying auditors' report.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022 and 2021

6. Significant Agreements and Transactions

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.

Manager shall provide the services required of it hereunder, for which services the Association shall pay to the Manager an annual management fee equal to not more than five percent (5.0%) of the Association annual budget during the first year of the Initial Term and shall thereafter increase by up to five percent (5.0%) of the Association annual budget at the beginning of each following annual budget year; provided, however, in no event shall the management fee exceed fifteen percent (15%) during the Initial Term or any renewal term of this Agreement. Payment of the annual management fee shall be in addition to any other reimbursable expenses paid to the Manager by the Association pursuant to the terms of this Agreement.

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, 2022, and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Owner relations	\$ 1,401,827	\$ 1,191,880
Guest services	893,471	921,433
Employee housing reimbursement	30,817	54,239
Activities	62,827	90,532
Resort operations	422,335	223,792
BGV operations	208,880	152,292
Engineering	1,101,010	1,085,461
Management fee	697,059	508,308
Shuttle	265,077	252,542
Resort cleaning	3,065,319	3,485,720
Total Expenses	<u>\$ 8,148,622</u>	<u>\$ 7,966,199</u>

Approximately 60% of the Association’s total 2022 and 2021 expenses were related to services provided by related parties. The net amount owed by the Association to the Management Companies for these services was \$691,090 and \$636,317 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the Association received \$396,240 and \$455,999, respectively from GPLR for the purchase of inventory units. At December 31, 2022 and 2021, the Association did not own any inventory units.

See accompanying auditors’ report.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022 and 2021

6. Significant Agreements and Transactions (Continued)

GPLR pays assessments relating to its owned unit weeks throughout the fiscal year. This amount totaled \$289,857 and \$349,756, during the years ended December 31, 2022 and 2021, respectively. The Association earned approximately 2% and 3% of its revenue from GPLR in 2022 and 2021, 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, 2022 and 2021, the Association paid \$61,080 and \$58,876, 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 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.

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 external 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 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 \$1,202,385 and \$1,393,161 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2022. During the year ended December 31, 2021, the Association levied assessments, net of discounts, of \$1,111,911 and \$1,391,998 for the Common Reserve Fund and Unit Reserve Fund, respectively. 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.

See accompanying auditors' report.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022 and 2021

7. Future Major Repairs and Replacements (Continued)

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, 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.

8. Restricted Cash and Prior Year Reclassification

For the years ended December 31, 2022 and 2021, the Association has a deposit account of \$250,000 in an interest-bearing account at a bank which can be liquidated by the Association at any time without penalty, but this deposit balance must first be funded by the developer. This Association deposit relationship with the bank is satisfying a deposit requirement for a signed loan agreement between the bank and the developer. The deposit is not collateral for this loan with the bank. This restricted cash had previously been included in cash and cash equivalents. Certain amounts from the 2021 financial statements have been reclassified to present this cash as restricted.

9. Note Payable and Related-Party Participation Agreement

In September 2018, the Association obtained a line of credit with a financial institution to fund a construction project. The Association was advanced \$451,125, through construction draws, with an interest rate of 2% over the prime rate. After the construction project was completed, no additional draws were available on this line of credit. The note requires monthly payments of all accrued interest and five annual principal payments of \$90,225, beginning on March 1, 2020. All remaining interest and principal are due March 1, 2024. Future minimal principal payments on the note are as follows:

March 1, 2023	\$ 90,225
March 1, 2024	<u>90,225</u>
Total	<u>\$ 180,450</u>

GPLR agreed to help fund these construction improvements, according to the terms of a participation agreement. GPLR agreed to pay 56% of the cost of this construction project. During the years ended December 31, 2022, and 2021, GPLR reimbursed the Association \$50,526 and \$50,526 of the principal portion paid on the note payable. As of December 31, 2022, the Association had a receivable amount due from GPLR totaling \$101,052.

Interest expense on the note payable totaled \$13,411 and \$15,276 during the years ended December 31, 2022, and 2021, respectively, of which GPLR reimbursed the Association \$7,510, and \$8,555, in accordance with the participation agreement.

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, 2022
(With Comparative Actual Amounts for December 31, 2021)

	2022		2021	
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	\$ 10,262,197	\$ 10,221,900	\$ (40,297)	\$ 9,494,348
Late fee revenue	204,954	160,655	(44,299)	184,380
Investment income (loss)	650	1,081	431	391
Vacation experience fee	279,665	302,871	23,206	325,560
Rental resort fee	386,262	516,325	130,063	452,030
Deed in lieu income	26,000	10,484	(15,516)	35,454
Miscellaneous income	36,764	44,180	7,416	28,380
Total Revenues	<u>11,196,492</u>	<u>11,257,496</u>	<u>61,004</u>	<u>10,520,543</u>
Expenses:				
Operations:				
Bad debt expense	97,125	72,292	24,833	132,326
Dues and subscriptions	43,764	36,504	7,260	30,373
Common area amenities	37,974	26,658	11,316	22,127
Credit card fees	82,970	92,434	(9,464)	74,650
Assessment service fees	164,800	114,237	50,563	127,333
Technology / internet	73,972	79,271	(5,299)	63,481
Insurance	623,042	559,108	63,934	525,326
Management fee	697,059	697,059	-	508,308
Newsletter printing and guest receptions	56,481	58,125	(1,644)	51,500
Owner relations fee	1,401,827	1,401,827	-	1,191,880
Guest services	954,640	893,471	61,169	921,433
Activities	53,029	62,827	(9,798)	90,532
Resort operations	425,418	422,335	3,083	223,792
BGV operations	208,880	208,880	-	152,292
Employee housing reimbursement	30,817	30,817	-	54,239
Professional fees	42,577	13,763	28,814	23,951
Shuttle service	272,296	265,077	7,219	252,542
Board and annual meetings	4,530	6,684	(2,154)	2,535
Subtotal - Operations	<u>5,271,201</u>	<u>5,041,369</u>	<u>229,832</u>	<u>4,448,620</u>
Maintenance:				
Elevator maintenance	58,485	46,180	12,305	118,957
Fire alarm maintenance	55,807	43,758	12,049	131,054
Hot tub and pool maintenance	72,000	85,309	(13,309)	66,587
Landscaping	73,917	73,917	-	80,330
COVID safety	-	-	-	538
Snow removal	10,000	3,506	6,494	7,926
Resort maintenance	1,141,571	1,101,010	40,561	1,085,461
Subtotal - Maintenance	<u>1,411,780</u>	<u>1,353,680</u>	<u>58,100</u>	<u>1,490,853</u>
Resort Cleaning				
Resort cleaning	3,196,658	3,065,319	131,339	3,485,720
Subtotal - Resort Cleaning	<u>3,196,658</u>	<u>3,065,319</u>	<u>131,339</u>	<u>3,485,720</u>
Utilities:				
Television	28,891	25,877	3,014	27,817
Trash removal	43,554	58,568	(15,014)	50,006
Unit telephones	6,500	5,804	696	6,462
Resort utilities	585,914	594,464	(8,550)	570,322
Water and sanitation	194,958	196,338	(1,380)	183,678
Subtotal - Utilities	<u>859,817</u>	<u>881,051</u>	<u>(21,234)</u>	<u>838,285</u>
Taxes				
Property tax expense	535,616	515,705	19,911	518,662
Short term rental taxes and fees	21,420	138,151	(116,731)	20,400
Subtotal - Taxes	<u>557,036</u>	<u>653,856</u>	<u>(96,820)</u>	<u>539,062</u>
Total Expenses	<u>11,296,492</u>	<u>10,995,275</u>	<u>301,217</u>	<u>10,802,540</u>
Excess (Deficiency) of Revenues				
Other Expenses - Budget Basis	<u>\$ (100,000)</u>	262,221	<u>\$ 362,221</u>	(281,997)
Adjustments to Budget Basis:				
Depreciation expense		(9,504)		(9,504)
Total Adjustments		<u>(9,504)</u>		<u>(9,504)</u>
Excess (Deficiency) of Revenues				
Over Expenses - (GAAP) Basis		<u>\$ 252,717</u>		<u>\$ (291,501)</u>

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

Grand Timber Lodge Owners Association
(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 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, 2022, an internal review and update was performed, and an external review conducted by OAC Management was completed 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
Activities Center	2 - 10	\$ 7,659	
Amenity	0 - 10	434,200	
Aquatics	0 - 12	500,325	
Other	0 - 1	40,000	
Doors	0 - 19	2,096,130	
Electronics	1 - 10	19,434	
Flooring	0 - 18	804,717	
Furnishing	0 - 17	710,011	
HVAC	0 - 23	3,606,054	
IT	0 - 4	228,826	
Lighting	0 - 12	312,397	
Painting	0 - 11	507,151	
PAR	0 - 8	98,011	
Roofing	3 - 9	1,495,088	
Safety	0 - 18	1,720,805	
Signs	0 - 10	150,234	
Theater	1 - 6	150,219	
Trim	3 - 17	290,640	
Update	0 - 19	2,255,208	
Vehicle	1 - 4	418,437	
Windows	0 - 24	8,735,229	
Total		\$ 24,580,775	\$ 906,688

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

Grand Timber Lodge Owners Association
(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 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, 2022, an internal review and update was performed, and an external review conducted by OAC Management was completed 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
Contingency	0 - 1	\$ 20,000	
Electrical	11	48,033	
Electronics	2 - 15	330,068	
Furnishings	0 -17	12,863,486	
HVAC	3 - 17	1,336,847	
IT	20	135,458	
Painting	3 - 17	668,073	
PAR	0 - 4	442,812	
Safety	2	25,716	
Unit remodel	0 -17	18,448,150	
Total		\$ 34,318,643	\$ 983,090

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