

The Grand Lodge on Peak 7 Owners Association, Inc.

Financial Report

December 31, 2022

(With Comparative Totals for 2021)



The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2022
(With Comparative Totals for 2021)

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1987 Wadsworth Blvd., Suite A
Lakewood, Colorado 80214



Phone: 303.988.5648
Fax: 303.988.5919

www.mcnurlincpa.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Grand Lodge on Peak 7 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 Lodge on Peak 7 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 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 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 Lodge on Peak 7 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
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 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 Comparative Information

Another firm previously audited The Grand Lodge on Peak 7 Owners Association, Inc.'s December 31, 2021 financial statements, and expressed an unmodified opinion on those financial statements in their report dated March 7, 2022. In our opinion, the 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
The Grand Lodge on Peak 7 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 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.

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 - 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, P.C.

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

The Grand Lodge on Peak 7 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	\$ 865,976	\$ 996	\$ 13,028	\$ 880,000	\$ 727,950
Restricted cash	-	-	250,000	250,000	250,000
Investments	-	2,162,603	2,120,760	4,283,363	4,622,676
Member assessments receivable (net of allowance for doubtful accounts of \$86,139 and \$107,903 in 2022 and 2021)	379,794	-	-	379,794	296,874
Accrued interest receivable	-	-	-	-	4,422
Accounts receivable - other	84,627	-	-	84,627	17,448
Unit supplies inventory	42,725	-	-	42,725	43,495
Prepaid expenses	332,173	-	-	332,173	46,493
Due from (to) other funds	904,199	(724,928)	(179,271)	-	-
Fixed assets (net of accumulated depreciation of \$206,265 in 2022 and \$206,257 in 2021)	-	-	-	-	8
Total Assets	<u>\$2,609,494</u>	<u>\$1,438,671</u>	<u>\$2,204,517</u>	<u>\$6,252,682</u>	<u>\$6,009,366</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 211,092	\$ -	\$ -	\$ 211,092	\$ 504,854
Accounts payable - other	-	-	-	-	11,550
Deferred assessment revenue	277,695	-	-	277,695	271,851
Property taxes payable	625,586	-	-	625,586	641,519
Reserve study payable	1,000	-	-	1,000	-
Due to Grand Timber Lodge	4,244	-	-	4,244	-
Due to Grand Colorado on Peak 8	18,534	-	-	18,534	-
Due to Management Companies	744,223	-	-	744,223	589,920
Total Liabilities	<u>1,882,374</u>	<u>-</u>	<u>-</u>	<u>1,882,374</u>	<u>2,019,694</u>
Fund Balances	<u>727,120</u>	<u>1,438,671</u>	<u>2,204,517</u>	<u>4,370,308</u>	<u>3,989,672</u>
Total Liabilities and Fund Balances	<u>\$2,609,494</u>	<u>\$1,438,671</u>	<u>\$2,204,517</u>	<u>\$6,252,682</u>	<u>\$6,009,366</u>

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

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, 2022
(With Comparative Totals for 2021)

	2022			2021	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	\$ 9,454,908	\$ 769,576	\$ 891,929	\$ 11,116,413	\$ 10,219,947
Deed in lieu income	7,112	-	-	7,112	31,871
Vacation experience fee	177,805	-	-	177,805	181,370
Investment income (loss)	-	(48,615)	(125,434)	(174,049)	(44,054)
Late fee revenue	155,034	-	-	155,034	134,829
Miscellaneous income	68,412	-	-	68,412	73,893
Rental resort fee	494,064	-	-	494,064	414,546
Total Revenues	10,357,335	720,961	766,495	11,844,791	11,012,402
Expenses:					
Activities	15,040	-	-	15,040	54,456
Assessment servicing fees	96,154	-	-	96,154	103,082
Bad debt expense	38,415	-	-	38,415	64,729
Cleaning	3,428,289	-	-	3,428,289	3,211,650
Common area amenities	166,532	-	-	166,532	126,675
Common reserve - building exterior	-	11,742	-	11,742	221,167
Common reserve - common area finishes	-	443,579	-	443,579	823,129
Common reserve - pools and spas	-	42,561	-	42,561	5,813
COVID equipment	-	-	-	-	2,847
COVID safety	3,475	-	-	3,475	9,917
Credit card fees	81,178	-	-	81,178	68,190
Depreciation	8	-	-	8	8,941
Dues and subscriptions	14,355	-	-	14,355	8,335
Elevator maintenance	78,034	-	-	78,034	38,110
Employee housing reimbursement	27,817	-	-	27,817	41,682
Fire alarm maintenance	48,170	-	-	48,170	15,795
Guest services	872,310	-	-	872,310	857,396
BGV operation fee	153,704	-	-	153,704	112,056
Hot tub and pool maintenance	73,050	-	-	73,050	61,395
Insurance	583,762	-	-	583,762	526,518
Landscaping	21,235	-	-	21,235	18,185
Management fee	753,175	-	-	753,175	511,865
Master Association dues	26,959	-	-	26,959	61,268
Owner relations fee	1,029,429	-	-	1,029,429	883,274
Printing and key fobs	37,443	-	-	37,443	49,875
Professional fees	13,056	-	-	13,056	10,523
Property tax expense	621,631	-	-	621,631	636,561
Resort operation fee	529,996	-	-	529,996	290,893
Short term rental taxes and fees	91,200	-	-	91,200	11,550
Snow removal	-	-	-	-	1,260
Television	31,506	-	-	31,506	30,868
Trash removal	44,951	-	-	44,951	39,533
Travel and entertainment	6,077	-	-	6,077	1,172
Unit maintenance	1,072,851	-	-	1,072,851	1,079,315
Unit reserve - appliances	-	-	66,713	66,713	44,527
Unit reserve - furniture	-	-	208,878	208,878	567,528
Unit reserve - inventory replacement	-	-	8,597	8,597	8,285
Unit telephones and wifi	48,793	-	-	48,793	55,634
Unit utilities	501,968	-	-	501,968	452,476
Water and sanitation	171,522	-	-	171,522	169,793
Total Expenses	10,682,085	497,882	284,188	11,464,155	11,286,268
Excess (Deficiency) of Revenues Over Expenses	(324,750)	223,079	482,307	380,636	(273,866)
Beginning Fund Balances	1,051,870	1,215,592	1,722,210	3,989,672	4,263,538
Ending Fund Balances	\$ 727,120	\$ 1,438,671	\$ 2,204,517	\$ 4,370,308	\$ 3,989,672

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

The Grand Lodge on Peak 7 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	\$9,377,832	\$ 769,576	\$ 891,929	\$11,039,337	\$11,039,268
Interest received	-	7,709	1,185	8,894	10,161
Cash received from other sources	839,670	-	-	839,670	(68,236)
Cash transfers from (to) other funds	1,044,627	(390,330)	(654,297)	-	-
Cash payments for goods and services	(10,488,520)	(497,882)	(284,188)	(11,270,590)	(10,174,322)
Cash paid for property taxes	(621,631)	-	-	(621,631)	(712,759)
Interest paid	-	-	-	-	-
Net Cash Provided By (Used In) Operating Activities	151,978	(110,927)	(45,371)	(4,320)	94,112
Cash Flows From Investing Activities:					
(Purchase) sale of investments	-	110,927	45,443	156,370	(3,919,801)
Net Cash Provided By (Used In) Investing Activities	-	110,927	45,443	156,370	(3,919,801)
Net Increase (Decrease) in Cash and Cash Equivalents	151,978	-	72	152,050	(3,825,689)
Net Cash and Cash Equivalents - Beginning	713,998	996	12,956	727,950	4,553,639
Net Cash and Cash Equivalents - Ending	865,976	996	13,028	880,000	727,950
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities					
Excess (deficiency) of revenues over expenses	(324,750)	223,079	482,307	380,636	(273,866)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities:					
Depreciation	8	-	-	8	8,941
Unrealized loss on investments	-	56,324	126,619	182,943	54,215
(Increase) decrease in assessments receivable	(61,156)	-	-	(61,156)	34,927
Increase (decrease) in allowance for doubtful accounts	(21,764)	-	-	(21,764)	(39,047)
(Increase) decrease in accrued interest	4,422	-	-	4,422	-
(Increase) decrease in other receivables	(67,179)	-	-	(67,179)	(6,448)
(Increase) decrease in inventory	770	-	-	770	26,442
(Increase) decrease in prepaid expenses	(285,680)	-	-	(285,680)	10,709
Cash transfers from (to) other funds	1,044,627	(390,330)	(654,297)	-	-
Increase (decrease) in accounts payable	(293,762)	-	-	(293,762)	382,619
Increase (decrease) in other payables	(11,550)	-	-	(11,550)	(87,090)
Increase (decrease) in deferred assessment revenue	5,844	-	-	5,844	21,779
Increase (decrease) in property taxes payable	(15,933)	-	-	(15,933)	(71,198)
Increase (decrease) in due to related parties	154,303	-	-	154,303	38,724
Increase (decrease) in due to other associations	22,778	-	-	22,778	(1,595)
Increase (decrease) in reserve study payable	1,000	-	-	-	(5,000)
Total Adjustments	476,728	(334,006)	(527,678)	(385,956)	367,978
Net Cash Provided By (Used In) Operating Activities	\$ 151,978	\$(110,927)	\$ (45,371)	\$ (5,320)	\$ 94,112

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

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(With Comparative Totals for 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, 2022, 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, 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.

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 expenses when incurred.

See accompanying independent auditors’ report.

The Grand Lodge on Peak 7 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)

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 securities 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 the current year's 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 result in interfund asset and liability accounts on the financial statements.

See accompanying independent auditors' report.

The Grand Lodge on Peak 7 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)

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 \$38,415 in bad debt expense and wrote off accounts totaling \$60,179 (net of recoveries). 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).

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 the date of the audit report, which is 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.

See accompanying independent auditors' report.

The Grand Lodge on Peak 7 Owners Association, Inc.
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4. Investments

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

	2022	2021
US Treasury Bill(s), interest at 3.02%, maturing March 30, 2023	\$ 2,856,468	\$ -
US Treasury Bill(s), interest at 0.05%, maturing March 30, 2022	-	3,169,752
Market indexed certificates of deposit, maturing in three to seven years	1,181,113	1,452,924
Certificates of deposit, maturing in within one year, bearing interest at 1.86% per annum	245,782	-
Total Investments	\$ 4,283,363	\$ 4,622,676

Included in the Association's investment income for the fiscal years ending December 31, 2022 and 2021, are unrealized gains (losses) totaling (\$182,943) and (\$54,215) and interest income of \$8,894 and \$10,161, respectively.

5. Fixed Assets

Fixed assets are summarized below:

Description	2022	2021
Equipment	\$ 206,265	\$ 206,265
Less: accumulated depreciation	(206,265)	(206,257)
Net Fixed Assets	\$ -	\$ 8

Depreciation expense is computed on the straight-line basis and was \$8 and \$8,941 for the years ended December 31, 2022 and 2021.

6. 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.

See accompanying independent auditors' report.

The Grand Lodge on Peak 7 Owners Association, Inc.
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December 31, 2022
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7. 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, 2022 and 2021 the Association did not receive any amount from Peak 7 L.L.C for the purchase of inventory units. At December 31, 2022 and 2021, 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 \$397,874 and \$468,980 of 2022 and 2021 revenue from Peak 7 L.L.C. through assessments. The Association earned 3% of its total 2022 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 the performance of its duties under the agreement. The initial term of the agreement is for ten years and will elapse on December 31, 2029.

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 three percent (3%) of the Association annual budget during the first year of the Initial Term and shall thereafter increase by up to five percent (5%) 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.

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, 2022
(With Comparative Totals for 2021)

7. Significant Agreements and Transactions (Continued)

During the fiscal 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 respectively:

	<u>2022</u>	<u>2021</u>
Owner relations fee	\$ 1,029,429	\$ 883,274
Employee housing reimbursement	27,817	41,682
Guest services	872,310	857,396
Resort operations	529,996	290,893
BGV operations	153,704	112,056
Maintenance	1,072,851	1,079,315
Management fee	753,175	511,865
Grotto concierge	61,218	55,747
Activities	15,040	54,456
Cleaning	3,428,289	3,211,650
Total Expenses	<u>\$ 7,943,829</u>	<u>\$ 7,098,334</u>

Approximately 69% 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 \$744,223 and \$589,920 at December 31, 2022 and 2021, respectively.

The Association is a member of the Breckenridge Mountain Master Association (the “Master Association”). The Association paid dues of \$26,959 and \$61,268 during 2022 and 2021, and had a prepaid balance of \$37,743 and \$0 at December 31, 2022 and 2021, respectively. BMMA waived its 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, 2022 and 2021, the Association paid \$57,379 and \$52,850, 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 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.

See accompanying independent auditors’ report.

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
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 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 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 of \$769,576 and \$891,929 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 of \$759,553 and \$882,094 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 primarily for furniture, appliance, and flooring replacements in units, along with other unit refurbishments.

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.

9. Concentration

During the years ended December 31, 2022, and 2021, the Association maintained funds at a financial institution that at times were in excess of FDIC insurance limits.

See accompanying independent auditors' report.

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, 2022
(With Comparative Totals for 2021)

	2022		2021	
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	\$ 9,440,499	\$ 9,454,908	\$ 14,409	\$ 8,578,300
Deed in lieu income	12,385	7,112	(5,273)	31,871
Vacation experience fee	165,273	177,805	12,532	181,370
Interest income	345	-	(345)	594
Late fee revenue	153,092	155,034	1,942	134,829
Miscellaneous income	73,280	68,412	(4,868)	73,893
Rental resort fee	384,136	494,064	109,928	414,546
Total Revenues	10,229,010	10,357,335	128,325	9,415,403
Expenses:				
Activities	(4,148)	15,040	(19,188)	54,456
Assessment servicing fees	104,996	96,154	8,842	103,082
Bad debt expense	65,588	38,415	27,173	64,729
BGV operations	153,704	153,704	-	112,056
Cleaning	3,364,830	3,428,289	(63,459)	3,211,650
Common area amenities	142,257	166,532	(24,275)	126,675
COVID equipment	-	-	-	2,847
COVID safety	3,600	3,475	125	9,917
Credit card fees	71,651	81,178	(9,527)	68,190
Dues and subscriptions	18,024	14,355	3,669	8,335
Elevator maintenance	68,791	78,034	(9,243)	38,110
Employee housing reimbursement	27,817	27,817	-	41,682
Fire alarm maintenance	24,776	48,170	(23,394)	15,795
Guest services	920,582	872,310	48,272	857,396
Hot tub and pool maintenance	55,892	73,050	(17,158)	61,395
Insurance	651,928	583,762	68,166	526,518
Landscaping	21,780	21,235	545	18,185
Management fee	753,175	753,175	-	511,865
Master Association dues	30,075	26,959	3,116	61,268
Owner relations fee	1,029,429	1,029,429	-	883,274
Printing and key fobs	57,640	37,443	20,197	49,875
Professional fees	43,416	13,056	30,360	10,523
Property tax expense	718,044	621,631	96,413	636,561
Resort operations	522,651	529,996	(7,345)	290,893
Short term rental taxes and fees	11,375	91,200	(79,825)	11,550
Snow removal	6,000	-	6,000	1,260
Television	33,656	31,506	2,150	30,868
Trash removal	38,210	44,951	(6,741)	39,533
Travel and entertainment	4,600	6,077	(1,477)	1,172
Unit maintenance	1,178,427	1,072,851	105,576	1,079,315
Unit telephones and wifi	34,271	48,793	(14,522)	55,634
Unit utilities	504,009	501,968	2,041	452,476
Water and sanitation	171,964	171,522	442	169,793
Total Expenses	10,829,010	10,682,077	146,933	9,606,878
Excess (Deficiency) of Revenues Over Expenses - Budget Basis	\$ (600,000)	(324,742)	\$ 275,258	(191,475)
Adjustments to Budget Basis:				
Depreciation expense		(8)		(8,941)
Total Adjustments		(8)		(8,941)
Excess (Deficiency) of Revenues Over Expenses - (GAAP) Basis		\$ (324,750)		\$ (200,416)

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

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, 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 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:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>Actual Fund Balance at December 31, 2022</u>
Amenity	0 - 17	\$ 1,106,274	
Aquatics	0 - 19	677,009	
Boilers	2 - 17	1,398,117	
Contingency	0 - 1	40,000	
Doors	0 - 16	2,091,634	
Electronics	1 - 4	21,561	
Elevators	1 - 22	1,029,581	
Flooring	0 - 19	1,385,791	
Furnishings	0 - 10	274,472	
Housekeeping	0 - 4	27,279	
HVAC	0 - 25	964,859	
IT	2	54,636	
Lighting	9 - 19	220,697	
Re-surfacing	2 - 9	700,416	
Par	0 - 1	6,461	
Roof	0 - 15	1,970,039	
Safety	0 - 10	171,276	
Siding	4	39,404	
Signs	2 - 18	186,381	
Theaters	1 - 11	495,479	
Trim	7 - 10	1,502,155	
Update	3 - 13	455,493	
Vehicle	1 - 9	234,202	
Windows	1 - 11	4,621,308	
Total		<u>\$ 19,674,524</u>	<u>\$ 1,438,671</u>

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

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, 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 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	1	\$ 12,944	
Contingency	0 - 1	31,828	
Doors	12 - 21	3,064,833	
Drywall	12 - 21	478,745	
Electrical	12 - 21	169,050	
Electronics	0 - 4	286,810	
Flooring	1 - 21	2,451,648	
Furnishings	0 - 21	8,323,164	
HVAC	3 - 21	3,173,837	
Insulation	12 - 21	109,572	
IT	0 - 6	480,044	
Labor	12 - 21	1,734,419	
Lighting	0 - 21	263,334	
Paint	1 - 21	496,970	
PAR	0 - 4	421,464	
Permit	12 - 21	214,324	
Plumbing	12 - 21	838,006	
Safety	0 - 4	140,240	
Trim	12 - 21	3,299,901	
Unit	12 - 21	53,581	
Walls	12 - 21	995,536	
Total		\$ 27,040,250	\$ 2,204,517

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