The Grand Lodge on Peak 7 Owners Association, Inc.

Financial Report

December 31, 2023

(With Comparative Totals for 2022)

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2023
(With Comparative Totals for 2022)

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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, 2023, 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, 2023, 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.

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

We have also audited The Grand Lodge on Peak 7 Owners Association, Inc.’s December 31, 2022 financial statements, and expressed an unmodified opinion on those financial statements in our report dated March 29, 2023. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2022, 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.
April 11, 2024

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2023
(With Comparative Totals for 2022)

	2023				2022
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Assets:					
Cash in banks	$ 1,711,031	$ 998	$ 13,818	$1,725,847	$ 880,000
Restricted cash	-	-	250,000	250,000	250,000
Investments	-	1,253,802	2,057,890	3,311,692	4,283,363
Member assessments receivable (net of allowance for credit losses of $81,254 and $86,139 in 2023 and 2022)	428,150	-	-	428,150	379,794
Accrued interest receivable	-	-	-	-	-
Accounts receivable - other	14,236	-	-	14,236	84,627
Unit supplies inventory	49,388	-	-	49,388	42,725
Prepaid expenses	343,202	-	-	343,202	332,173
Due from (to) other funds	(189,914)	370,096	(180,182)	-	-
Fixed assets, net	-	-	-	-	-
Total Assets	$ 2,356,093	$1,624,896	$2,141,526	$6,122,515	$6,252,682
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 159,279	$ -	$ -	$ 159,279	$ 211,092
Deferred assessment revenue	466,564	-	-	466,564	277,695
Income taxes payable	70,000	-	-	70,000	-
Property taxes payable	816,015	-	-	816,015	625,586
Reserve study payable	2,000	-	-	2,000	1,000
Due to (from) Grand Timber Lodge	(874)	-	-	(874)	4,244
Due to Grand Colorado on Peak 8	976	-	-	976	18,534
Due to Management Companies	831,926	-	-	831,926	744,223
Total Liabilities	2,345,886	-	-	2,345,886	1,882,374
Fund Balances	10,207	1,624,896	2,141,526	3,776,629	4,370,308
Total Liabilities and Fund Balances	$ 2,356,093	$1,624,896	$2,141,526	$6,122,515	$6,252,682

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, 2023
(With Comparative Totals for 2022)

	2023				2022
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	$ 10,648,329	$ 829,244	$ 944,735	$ 12,422,308	$ 11,116,413
Deed in lieu income	11,007	-	-	11,007	7,112
Vacation experience fee	168,124	-	-	168,124	177,805
Investment income (loss)	70,950	149,213	136,271	356,434	(174,049)
Late fee revenue	155,336	-	-	155,336	155,034
Miscellaneous income	72,900	-	-	72,900	68,412
Rental resort fee	514,878	-	-	514,878	494,064
Total Revenues	11,641,524	978,457	1,081,006	13,700,987	11,844,791
Expenses:					
Activities	53,861	-	-	53,861	15,040
Assessment servicing fees	110,375	-	-	110,375	96,154
Cleaning	3,832,987	-	-	3,832,987	3,428,289
Common area amenities	115,026	-	-	115,026	166,532
Common reserve - building exterior	-	371,416	-	371,416	11,742
Common reserve - common area finishes	-	363,985	-	363,985	443,579
Common reserve - pools and spas	-	32,307	-	32,307	42,561
COVID safety	-	-	-	-	3,475
Credit card fees	94,004	-	-	94,004	81,178
Credit losses	65,505	-	-	65,505	38,415
Depreciation	-	-	-	-	8
Dues and subscriptions	39,394	-	-	39,394	14,355
Elevator maintenance	66,733	24,524	-	91,257	78,034
Employee housing reimbursement	29,124	-	-	29,124	27,817
Fire alarm maintenance	20,764	-	-	20,764	48,170
Guest services	962,195	-	-	962,195	872,310
BGV operation fee	176,976	-	-	176,976	153,704
Hot tub and pool maintenance	100,831	-	-	100,831	73,050
Income tax expense	70,000	-	-	70,000	-
Insurance	650,750	-	-	650,750	583,762
Landscaping	20,624	-	-	20,624	21,235
Management fee	1,112,916	-	-	1,112,916	753,175
Master Association dues	71,879	-	-	71,879	26,959
Owner relations fee	1,175,004	-	-	1,175,004	1,029,429
Printing and key fobs	73,852	-	-	73,852	37,443
Professional fees	26,981	-	-	26,981	13,056
Property tax expense	808,831	-	-	808,831	621,631
Resort operation fee	535,228	-	-	535,228	529,996
Short term rental taxes and fees	186,555	-	-	186,555	91,200
Snow removal	1,713	-	-	1,713	-
Television	27,669	-	-	27,669	31,506
Trash removal	43,245	-	-	43,245	44,951
Travel and entertainment	6,838	-	-	6,838	6,077
Unit maintenance	1,173,126	-	-	1,173,126	1,072,851
Unit reserve - appliances	-	-	85,070	85,070	66,713
Unit reserve - furniture	-	-	1,058,927	1,058,927	208,878
Unit reserve - inventory replacement	-	-	-	-	8,597
Unit telephones and wifi	40,565	-	-	40,565	48,793
Unit utilities	485,323	-	-	485,323	501,968
Water and sanitation	179,563	-	-	179,563	171,522
Total Expenses	12,358,437	792,232	1,143,997	14,294,666	11,464,155
Revenues Over (Under) Expenses	(716,913)	186,225	(62,991)	(593,679)	380,636
Beginning Fund Balances	727,120	1,438,671	2,204,517	4,370,308	3,989,672
Ending Fund Balances	$ 10,207	$ 1,624,896	$ 2,141,526	$ 3,776,629	$ 4,370,308

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, 2023
(With Comparative Totals for 2022)

	2023				2022
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	$ 10,788,842	$ 829,244	$ 944,735	$12,562,821	$11,039,337
Interest received	70,950	146,008	70,930	287,888	8,894
Cash received from other sources	992,636	-	-	992,636	839,670
Cash transfers from (to) other funds	1,094,113	(1,095,024)	911	-	-
Cash payments for goods and services	(11,292,655)	(792,232)	(1,143,997)	(13,228,884)	(11,270,590)
Cash paid for property taxes	(808,831)	-	-	(808,831)	(621,631)
Net Cash Provided By (Used In) Operating Activities	845,055	(912,004)	(127,421)	(194,370)	(4,320)
Cash Flows From Investing Activities:					
(Purchase) sale of investments	-	912,006	128,211	1,040,217	156,370
Net Cash Provided By (Used In) Investing Activities	-	912,006	128,211	1,040,217	156,370
Net Increase in Cash and Cash Equivalents	845,055	2	790	845,847	152,050
Net Cash and Cash Equivalents - Beginning	865,976	996	13,028	880,000	727,950
Net Cash and Cash Equivalents - Ending	$ 1,711,031	$ 998	$ 13,818	$ 1,725,847	$ 880,000
Reconciliation of Revenues Over (Under) Expenses to Net Cash Provided By (Used In) Operating Activities					
Revenues over (under) expenses	$ (716,913)	$ 186,225	$ (62,991)	$ (593,679)	$ 380,636
Adjustments to Reconcile Revenues Over (Under) Expenses to Net Cash Provided By (Used In) Operating Activities:					
Depreciation	-	-	-	-	8
Investment (income) loss	-	(3,205)	(65,341)	(68,546)	182,943
(Increase) decrease in assessments receivable	(43,471)	-	-	(43,471)	(61,156)
Increase (decrease) in allowance for credit losses	(4,885)	-	-	(4,885)	(21,764)
(Increase) decrease in accrued interest	-	-	-	-	4,422
(Increase) decrease in other receivables	70,391	-	-	70,391	(67,179)
(Increase) decrease in inventory	(6,663)	-	-	(6,663)	770
(Increase) decrease in prepaid expenses	(11,029)	-	-	(11,029)	(285,680)
Cash transfers from (to) other funds	1,094,113	(1,095,024)	911	-	-
Increase (decrease) in accounts payable	(51,813)	-	-	(51,813)	(293,762)
Increase (decrease) in other payables	-	-	-	-	(11,550)
Increase (decrease) in deferred assessment revenue	188,869	-	-	188,869	5,844
Increase (decrease) in income taxes payable	70,000	-	-	70,000	-
Increase (decrease) in property taxes payable	190,429	-	-	190,429	(15,933)
Increase (decrease) in due to related parties	87,703	-	-	87,703	154,303
Increase (decrease) in due to other associations	(22,676)	-	-	(22,676)	22,778
Increase (decrease) in reserve study payable	1,000	-	-	1,000	-
Total Adjustments	1,561,968	(1,098,229)	(64,430)	399,309	(385,956)
Net Cash Provided By (Used In) Operating Activities	$ 845,055	$ (912,004)	$ (127,421)	$ (194,370)	$ (5,320)

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

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, 2023, the Association consisted of 240 units, which included 230 timeshare units, 3 whole owned units, 6 commercial units, and 1 parking unit.

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, 2023, the Association had the following funds:

<u>Operating</u> - Disbursements from this fund are generally at the discretion of the Board of Directors (the "Board") and the property manager.

<u>Common Reserve</u> - Disbursements from this fund generally may be made only for designated purposes.

<u>Unit Reserve</u> - 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.

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.

2. Summary of Significant Accounting Policies (continued)

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.

I. Assessments Receivable, Credit Losses, and Allowance for Credit Losses

On January 1, 2023, the Association adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326), on a modified retrospective basis. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. Financial assets measured at amortized cost, which for the Association are assessments receivable and other receivables, are presented at the net amount expected to be collected by using an allowance for credit losses. No significant changes to credit losses were incurred by the Association as a result of adopting ASU 2016-13.

2. Summary of Significant Accounting Policies (continued)

I. Assessments Receivable, Credit Losses, and Allowance for Credit Losses (continued)

The Association calculates the allowance for credit losses based on the estimated percentage of 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 on the underlying title to the property. For the year ended December 31, 2023, the Association incurred $65,505 in credit losses and wrote off accounts totaling $82,287 (net of recoveries). For the year ended December 31, 2022, the Association incurred $38,415 in credit losses and wrote off accounts totaling $60,179 (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. Homeowner associations may be taxed either as homeowner associations under Internal Revenue Code Section 528 or as regular corporations under Internal Revenue Code Section 277. For the year ended December 31, 2023, the Association was taxed as a regular corporation and filed Form 1120. As a regular corporation the Association qualifies under Section 277 of the Internal Revenue Code. According to Internal Revenue Service (IRS) regulations, any excess “common” revenues over “common” expenses can be applied to future assessments. However, any net income unrelated to member assessments is considered to be taxable income and will be taxed according to Internal Revenue Service regulations. The Association recognized income tax expense of $70,000 for the year ended December 31, 2023, and a corresponding income tax payable of $70,000, as no estimates were paid during 2023. For the year ended December 31, 2022, no income tax was paid or owed.

3. Income Taxes (Continued)

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 at December 31, 2023 and 2022, respectively:

	2023	2022
US Treasury Bills (less than one year maturity)	$ 2,049,199	$ 2,856,468
Market indexed certificates of deposit, maturing in five to seven years	1,262,493	1,181,113
Certificates of deposit, maturing in within one year, bearing	-	245,782
Total Investments	$ 3,311,692	$ 4,283,363

Included in the Association's investment income for the years ending December 31, 2023 and 2022, are unrealized and realized gains (losses) totaling $68,546 and ($182,943) and interest income of $287,888 and $8,894, respectively.

5. Fixed Assets

Fixed assets are summarized below:

Description	2023	2022
Equipment	$ 206,265	$ 206,265
Less: accumulated depreciation	(206,265)	(206,265)
Net Fixed Assets	$ -	$ -

Depreciation expense is computed on the straight-line basis and was $0 and $8 for the years ended December 31, 2023 and 2022.

6. Restricted Cash

For the years ended December 31, 2023 and 2022, 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.

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, 2023 and 2022 the Association received $57,817 and $28,162 from Peak 7 L.L.C for the purchase of inventory units. At December 31, 2023 and 2022, 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 $320,989 and $397,874 of 2023 and 2022 revenue from Peak 7 L.L.C. through assessments. The Association earned approximately 3% of its total 2023 and 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.

7. Significant Agreements and Transactions (Continued)

During the fiscal year ended December 31, 2023, 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, 2023 and 2022 respectively:

	2023	2022
Owner relations fee	$ 1,175,004	$ 1,029,429
Employee housing reimbursement	29,124	27,817
Guest services	962,195	872,310
Resort operations	535,228	529,996
BGV operations	176,976	153,704
Maintenance	1,173,126	1,072,851
Management fee	1,112,916	753,175
Grotto concierge	44,005	61,218
Activities	53,861	15,040
Cleaning	3,832,987	3,428,289
Total Expenses	$ 9,095,422	$ 7,943,829

Approximately 64% of the Association's total 2023 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was $831,926 and $744,223 at December 31, 2023 and 2022, respectively.

The Association is a member of the Breckenridge Mountain Master Association (the "Master Association"). The Association paid dues of $71,879 and $26,959 during 2023 and 2022, and had a prepaid balance of $68,272 and $37,743 at December 31, 2023 and 2022, 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, 2023 and 2022, the Association paid $70,362 and $57,379, 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.

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, 2023, 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 $829,244 and $944,735 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2023. During the year ended December 31, 2022, the Association levied assessments of $769,576 and $891,929 for the Common Reserve Fund and Unit Reserve Fund, respectively. The Association's Common Reserve Expenses for 2023 and 2022 were incurred primarily for refurbishments of the building's exterior and other common area refurbishments. The Association's Unit Reserve Expenses for 2023 and 2022 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, 2023, and 2022, the Association maintained funds at a financial institution that at times were in excess of FDIC insurance limits.

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, 2023
(With Comparative Totals for 2022)

	2023			2022
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	$ 10,825,407	$ 10,648,329	$ (177,078)	$ 9,454,908
Deed in lieu income	8,000	11,007	3,007	7,112
Vacation experience fee	197,565	168,124	(29,441)	177,805
Interest income	1,960	70,950	68,990	-
Late fee revenue	145,939	155,336	9,397	155,034
Miscellaneous income	90,432	72,900	(17,532)	68,412
Rental resort fee	503,414	514,878	11,464	494,064
Total Revenues	11,772,717	11,641,524	(131,193)	10,357,335
Expenses:				
Activities	7,385	53,861	(46,476)	15,040
Assessment servicing fees	138,681	110,375	28,306	96,154
BGV operations	176,979	176,976	3	153,704
Cleaning	3,985,799	3,832,987	152,812	3,428,289
Common area amenities	123,517	115,026	8,491	166,532
COVID safety	-	-	-	3,475
Credit card fees	81,332	94,004	(12,672)	81,178
Credit losses	82,324	65,505	16,819	38,415
Dues and subscriptions	18,773	39,394	(20,621)	14,355
Elevator maintenance	47,122	66,733	(19,611)	78,034
Employee housing reimbursement	29,125	29,124	1	27,817
Fire alarm maintenance	29,880	20,764	9,116	48,170
Guest services	975,698	962,195	13,503	872,310
Hot tub and pool maintenance	72,060	100,831	(28,771)	73,050
Income tax expense	-	70,000	(70,000)	-
Insurance	592,885	650,750	(57,865)	583,762
Landscaping	24,869	20,624	4,245	21,235
Management fee	1,112,911	1,112,916	(5)	753,175
Master Association dues	65,513	71,879	(6,366)	26,959
Owner relations fee	1,175,008	1,175,004	4	1,029,429
Printing and key fobs	60,770	73,852	(13,082)	37,443
Professional fees	39,420	26,981	12,439	13,056
Property tax expense	617,015	808,831	(191,816)	621,631
Resort operations	547,623	535,228	12,395	529,996
Short term rental taxes and fees	102,750	186,555	(83,805)	91,200
Snow removal	6,000	1,713	4,287	-
Television	28,800	27,669	1,131	31,506
Trash removal	55,758	43,245	12,513	44,951
Travel and entertainment	6,156	6,838	(682)	6,077
Unit maintenance	1,213,032	1,173,126	39,906	1,072,851
Unit telephones and wifi	45,324	40,565	4,759	48,793
Unit utilities	500,531	485,323	15,208	501,968
Water and sanitation	184,677	179,563	5,114	171,522
Total Expenses	12,147,717	12,358,437	(210,720)	10,682,077
Revenues Over (Under) Expenses - Budget Basis	$ (375,000)	(716,913)	$ (341,913)	(324,742)
Adjustments to Budget Basis:				
Depreciation expense		-		(8)
Total Adjustments		-		(8)
Revenues Over (Under) Expenses - (GAAP) Basis		$ (716,913)		$ (324,750)

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, 2023
(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, 2023, 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, 2023, 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, 2023
Amenity	0 - 16	$ 1,081,246	
Aquatics	0 - 18	643,412	
Boilers	1 - 16	1,361,578	
Contingency	0 - 1	40,000	
Doors	0 - 15	2,246,937	
Electronics	0 - 7	27,458	
Elevators	0 - 21	1,055,804	
Flooring	0 - 18	1,556,215	
Furnishings	0 - 9	287,438	
Housekeeping	0 - 4	85,077	
HVAC	0 - 24	943,726	
IT	1	54,636	
Lighting	8 - 18	214,594	
Painting	1 - 8	695,358	
PAR	0 - 2	125,481	
Roof	0 - 14	1,917,220	
Safety	1 - 9	180,308	
Siding	3	38,256	
Signs	1 - 17	184,396	
Theaters	0 - 10	289,968	
Update	2 - 12	442,229	
Vehicle	0 - 10	436,914	
Windows	0 - 10	4,485,841	
Total		$ 18,394,092	$ 1,624,896
Percent of Estimated Future Replacement Costs			8.8%

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, 2023
(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, 2023, 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, 2023, 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, 2023
Appliance	0	$ 11,845	
Contingency	0 - 1	30,000	
Doors	11 - 20	2,903,173	
Drywall	11 - 20	451,306	
Electrical	11 - 20	159,576	
Electronics	0	354,000	
Flooring	0 - 20	2,358,738	
Furnishings	0 -20	7,771,448	
HVAC	2 - 20	3,037,633	
Insulation	11 - 20	103,401	
IT	3 - 9	564,511	
Labor	11 - 20	1,634,223	
Lighting	0 - 20	223,955	
Resurfacing	0 - 20	444,693	
PAR	0 - 4	447,484	
Permit	11 - 20	202,039	
Plumbing	11 - 20	788,736	
Safety	0 - 9	133,784	
Trim	11 - 20	3,107,856	
Unit	11 - 20	50,652	
Walls	11 - 20	938,411	
Total		$ 25,717,464	$ 2,141,526
Percent of Estimated Future Replacement Costs			8.3%