Grand Colorado on Peak 8 Owners Association, Inc.

Financial Report

December 31, 2023

(With Comparative Totals for 2022)

Grand Colorado on Peak 8 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
Grand Colorado on Peak 8 Owners Association, Inc.
Breckenridge, Colorado

Opinion

We have audited the accompanying financial statements of Grand Colorado on Peak 8 Owners Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 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 Colorado on Peak 8 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 Colorado on Peak 8 Owners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Grand Colorado on Peak 8 Owners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Comparative Information

We have also audited Grand Colorado on Peak 8 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
Grand Colorado on Peak 8 Owners Association, Inc.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental budget schedule on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 16 - 17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McNurlin, Hitchcock & Associates, P.C.

McNurlin, Hitchcock & Associates, P.C.
April 30, 2024

Grand Colorado on Peak 8 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	$1,418,895	$ -	$ -	$1,418,895	$ 931,807
Investments	-	5,941,899	1,234,550	7,176,449	7,482,701
Member assessments receivable (net of allowance for credit losses of $81,655 in 2023 and $64,445 in 2022)	201,559	-	-	201,559	146,930
Accounts receivable - other	20,949	-	-	20,949	144,736
Unit supplies inventory	41,889	-	-	41,889	50,323
Prepaid expenses	318,509	-	-	318,509	281,745
Due from (to) other funds	2,046,770	(3,337,371)	1,290,601	-	-
Right of use asset (Stables Garage)	652,011	-	-	652,011	792,084
Fixed assets (net of accumulated depreciation of $151,232 in 2023 and $124,350 in 2022)	24,872	-	-	24,872	51,754
Total Assets	$4,725,454	$2,604,528	$2,525,151	$9,855,133	$9,882,080
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 559,850	$ -	$ -	$ 559,850	$ 436,911
Deferred assessment revenue	473,790	-	-	473,790	326,887
Income taxes payable	90,000	-	-	90,000	-
Property taxes payable	1,048,435	-	-	1,048,435	764,708
Lease liability (Stables Garage)	652,011	-	-	652,011	792,084
Reserve study payable	4,500	-	-	4,500	3,000
Due to (from) Management Companies	625,385	-	-	625,385	456,149
Total Liabilities	3,453,971	-	-	3,453,971	2,779,739
Fund Balances	1,271,483	2,604,528	2,525,151	6,401,162	7,102,341
TOTAL LIABILITIES AND FUND BALANCES	$4,725,454	$2,604,528	$2,525,151	$9,855,133	$9,882,080

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

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023				2022
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	$ 12,010,998	$ 1,036,951	$ 899,995	$ 13,947,944	$ 13,193,014
Investment income (loss)	70,920	343,385	70,648	484,953	(127,765)
Late fee revenue	115,523	-	-	115,523	108,425
Ski locker income	89,250	-	-	89,250	40,338
Natural gas reimbursement	47,677	-	-	47,677	43,649
Vacation experience fee	77,685	-	-	77,685	74,500
Rental resort fee	901,032	-	-	901,032	955,286
Deed in lieu income	2,152	-	-	2,152	15
Miscellaneous income	84,027	-	-	84,027	45,662
Total Revenues	13,399,264	1,380,336	970,643	15,750,243	14,333,124
Expenses:					
Activities	6,843	-	-	6,843	6,002
Assessment servicing fees	79,260	-	-	79,260	70,492
BGV Operations	191,352	-	-	191,352	166,184
BMMA dues	13,300	-	-	13,300	3,049
Board and annual meetings	2,751	-	-	2,751	3,658
Cable TV	37,197	-	-	37,197	35,205
Cell booster	37,737	-	-	37,737	39,392
Common area amenities	180,357	-	-	180,357	167,262
Credit card fees	93,065	-	-	93,065	77,602
Credit losses	58,696	-	-	58,696	11,938
Depreciation	26,882	-	-	26,882	34,468
Dues and subscriptions	44,583	-	-	44,583	36,050
Elevator maintenance	123,370	-	-	123,370	84,444
Employee housing reimbursement	35,412	-	-	35,412	39,323
Engineering	1,239,430	-	-	1,239,430	1,159,438
Fire alarm maintenance	29,858	-	-	29,858	58,720
GC8 Operations	497,136	-	-	497,136	434,050
Guest services	1,114,973	-	-	1,114,973	992,791
Hot tub and pool maintenance	116,647	3,418	-	120,065	91,891
Housekeeping	3,730,294	-	-	3,730,294	3,304,551
Income tax expense	90,000	-	-	90,000	-
Insurance	976,318	-	-	976,318	854,553
Landscaping	23,000	-	-	23,000	26,121
Management fee	1,675,080	-	-	1,675,080	1,569,852
Owner relations fee	1,273,992	-	-	1,273,992	1,116,589
Printing and key fobs	71,179	-	-	71,179	40,545
Professional fees	23,582	-	-	23,582	14,722
Property tax expense	1,017,720	-	-	1,017,720	797,868
Short term rental taxes and fees	204,343	-	-	204,343	105,325
Snow removal	15,385	-	-	15,385	36,444
Stables garage rent	214,465	-	-	214,465	203,969
Trash removal	64,860	-	-	64,860	54,554
Unit electric	471,853	-	-	471,853	479,734
Unit gas	284,661	-	-	284,661	309,142
Unit telephones	9,358	-	-	9,358	7,011
Unit Wi-Fi	34,443	-	-	34,443	41,731
Water and sanitation	228,506	-	-	228,506	217,576
Common reserve - outdoor furniture/grills	-	96,333	-	96,333	105,756
Common reserve - building exterior	-	35,039	-	35,039	-
Common reserve - common area finishes	-	875,617	-	875,617	243,654
Common reserve - contingency	-	77,104	-	77,104	94,359
Unit reserve - furniture	-	-	778,010	778,010	477,252
Unit reserve - flooring	-	-	128,776	128,776	176,209
Unit reserve - appliances	-	-	86,748	86,748	104,303
Unit reserve - inventory replacement	-	-	20,598	20,598	17,461
Unit reserve - contingency	-	-	11,891	11,891	13,182
Total Expenses	14,337,888	1,087,511	1,026,023	16,451,422	13,924,422
Revenues Over (Under) Expenses	(938,624)	292,825	(55,380)	(701,179)	408,702
Beginning Fund Balances	2,210,107	2,311,703	2,580,531	7,102,341	6,693,639
Ending Fund Balances	$ 1,271,483	$ 2,604,528	$ 2,525,151	$ 6,401,162	$ 7,102,341

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

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 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	$ 12,220,947	$ 1,036,951	$ 899,995	$ 14,157,893	$ 13,342,752
Interest received	70,920	301,136	30,217	402,273	$ -
Cash received from other sources	1,323,458	-	-	1,323,458	1,035,026
Cash transfers from (to) other funds	544,930	(667,405)	122,475	-	-
Cash payments for goods and services	(12,654,214)	(1,087,511)	(1,026,023)	(14,767,748)	(13,134,331)
Cash paid for property taxes	(1,017,720)	-	-	(1,017,720)	(797,868)
Net Cash Provided By (Used In) Operating Activities	488,321	(416,829)	26,664	98,156	445,579
Cash Flows From Investing Activities:					
Sale (purchase) of investments	-	416,829	(27,897)	388,932	(286,112)
Net Cash Provided By (Used In) Investing Activities	-	416,829	(27,897)	388,932	(286,112)
Net Increase (Decrease) in Cash and Cash Equivalents	488,321	-	(1,233)	487,088	159,467
Net Cash and Cash Equivalents - Beginning	930,574	-	1,233	931,807	772,340
Net Cash and Cash Equivalents - Ending	$ 1,418,895	$ -	$ -	$ 1,418,895	$ 931,807
Reconciliation of Revenues Over (Under) Expenses to Net Cash Provided By (Used In) Operating Activities:					
Revenues over (under) expenses	$ (938,624)	$ 292,825	$ (55,380)	$ (701,179)	$ 408,702
Adjustments to Reconcile Revenues Over Under Expenses to Net Cash Provided By (Used In) Operating Activities:					
Depreciation	26,882	-	-	26,882	34,468
Unrealized (gain) loss on investments	-	(42,249)	(40,431)	(82,680)	127,765
(Increase) decrease in assessments receivable	(71,839)	-	-	(71,839)	(18,726)
Increase (decrease) in allowance for credit losses	17,210	-	-	17,210	-
(Increase) decrease in other receivables	123,787	-	-	123,787	(124,409)
(Increase) decrease in inventory	8,434	-	-	8,434	(4,970)
(Increase) decrease in prepaid expenses	(36,764)	-	-	(36,764)	(199,429)
(Increase) decrease in right of use asset	140,073	-	-	140,073	(792,084)
Cash transfers from (to) other funds	544,930	(667,405)	122,475	-	-
Increase (decrease) in accounts payable	122,939	-	-	122,939	188,601
Increase (decrease) in deferred assessment revenue	146,903	-	-	146,903	60,024
Increase (decrease) in property taxes payable	90,000	-	-	90,000	-
Increase (decrease) in income taxes payable	283,727	-	-	283,727	(57,454)
Increase (decrease) in lease liability	(140,073)	-	-	(140,073)	792,084
Increase (decrease) in reserve study payable	1,500	-	-	1,500	3,000
Increase (decrease) in due to related parties	169,236	-	-	169,236	28,008
Total Adjustments	1,426,945	(709,654)	82,044	799,335	36,878
Net Cash Provided By (Used In) Operating Activities	$ 488,321	$ (416,829)	$ 26,664	$ 98,156	$ 445,580

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

1. Organization

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

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

a. Sixty days after conveyance of 75% of the units that may be created to owners other than the Declarant;

b. Two years after the last conveyance of a unit by a Declarant in the ordinary course of business;

c. Two years after any right to add new units was last exercised,

The Association remained under Declarant control at December 31, 2023.

At December 31, 2023, the Association consisted of 268 units, which included 253 timeshare units and 15 commercial units, representing the maximum number of units permitted in the Association's declarations.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses fund accounting, which requires that funds be classified separately for accounting and reporting purposes.

As of December 31, 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 cost and are depreciated using the straight-line method over estimated useful lives of five years.

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

E. Cash and Cash Equivalents

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

F. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposits are intended to fund Replacement Fund expenditures and may provide a ready source of cash when required, these investments are classified as trading. Accordingly, these investments are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current year earnings.

G. Revenues and Revenue Recognition

Common assessments are the primary source of revenue for the Association. The Board, together with the Managing Agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from various administrative fees and fines as earned upon provision of the underlying goods or service. All such revenues are non-refundable.

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.

2. Summary of Significant Accounting Policies (Continued)

H. Due To/From Other Funds

The Association has chosen to record all accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, the differences in the individual funds caused by this accounting policy results in interfund asset and liability accounts on the financial statements.

I. 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.

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 $58,696 in credit losses and wrote off accounts totaling $41,486 (net of recoveries). For the year ended December 31, 2022, the Association incurred $11,938 in credit losses and wrote off accounts totaling $21,246 (net of recoveries).

J. Inventory

Housekeeping supply inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The cost of inventory is recorded as an expense when consumed rather than when purchased.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Assessment Revenue

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

2. Summary of Significant Accounting Policies (Continued)

M. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, the date these financial statements were available to be issued.

3. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. 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 $90,000 for the year ended December 31, 2023, and a corresponding income tax payable of $90,000, as no estimates were paid during 2023. For the year ended December 31, 2022, no income tax was paid or owed.

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

4. Investments

The Association's investments were comprised of the following certificates of deposit on December 31, 2023.

	2023	2022
US Treasury Bills (less than one year maturity)	$ 6,098,603	$ 6,458,057
Market indexed certificates of deposit, maturing in five to seven years	1,077,846	1,024,644
Total Investments	$ 7,176,449	$ 7,482,701

Included in the Association's investment income for the fiscal years ending December 31, 2023 and December 31, 2022 are unrealized gains (losses) totaling $82,536 and ($155,410), interest and dividend income totaling $402,273 and $3,188, and realized gains totaling $144 and $24,457, respectively.

5. Fixed Assets

Fixed assets are summarized below:

Description		2023		2022
Equipment	$	146,890	$	146,890
Vehicles		29,214		29,214
Less: accumulated depreciation		(151,232)		(124,350)
Net Fixed Assets	$	24,872	$	51,754

Depreciation expense is computed on a straight-line basis and was $26,882 and $34,468 for the years ended December 31, 2023 and 2022.

6. Significant Agreements and Transactions

On January 1, 2018, Peak 8 Properties, L.L.C. entered into an agreement with the Association to purchase all inventory units from the Association (which may be obtained as a result of foreclosure proceedings to collect past due assessments) for the consideration of payment of Association past dues, transfer costs, and any Association dues until resale and otherwise in accordance with the term and conditions of the agreement. This agreement may be terminated by either party by giving ninety days advance written notice. During the year ended December 31, 2023 and 2022, the Association received $41,702 and $26,786, respectively, from Peak 8 Properties, L.L.C. for the purchase of inventory units. At December 31, 2023, the Association did not own any inventory units.

Peak 8 Properties, L.L.C. pays assessments relating to its owned unit weeks throughout the year. The Association earned $3,267,835 and $3,966,065 of revenue from Peak 8 Properties, L.L.C through assessments for the years ended December 31, 2023 and 2022. Peak 8 Properties, L.L.C's assessments excluded cleaning fees of $183,551 and $179,588 for the years ended December 31, 2023 and 2022, related to services not incurred in unoccupied units. For the years ended December 31, 2023 and 2022, the Association earned 21% and 28% of its total revenue from Peak 8 Properties, L.L.C.

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

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

6. Significant Agreements and Transactions (Continued)

During the 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.

	2023	2022
Activities	$ 6,843	$ 6,002
Cleaning	3,730,293	3,304,550
Employee housing reimbursement	35,412	39,323
Engineering	1,239,430	1,159,438
Guest services	1,114,973	992,791
GC8 operations	497,136	434,050
BGV operations	191,352	166,184
Management fee	1,675,080	1,569,852
Owner relations fee	1,273,992	1,116,589
Total Expenses	$ 9,764,511	$ 8,788,779

Approximately 60% 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 $625,385 on December 31, 2023 and $456,149 at December 31, 2022.

On October 25, 2016, the Association entered into an agreement with Concord Servicing Corporation to perform billings of assessments. The initial term began from the date of the agreement and is automatically renewed for 12-month terms until written notice of termination. The fee may increase annually by 1.5 times the increase in the Consumer Price Index. For the years ended December 31, 2023, and 2022, the Association paid $54,640 and $43,321, 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.

7. Future Major Repairs and Replacements (Continued)

A Level I - Full-Service Reserve Study was completed in 2016 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 2021, an update of the reserve study was completed by OAC Management. During the year ending December 31, 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 for anticipated costs, and accumulating funds in reserve to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Funds. Assessments of $1,036,951 and $899,995 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2023. Assessments of $985,688 and $855,298 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2022. 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 for furniture, appliance, and flooring replacements in units, along with other unit refurbishments.

Funds being accumulated in the Common Reserve Fund and Units Reserve Funds are based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, the amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

8. Operating Lease

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

8. Operating Lease (Continued)

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

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

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

Year	Amount
2024	$ 183,744
2025	183,744
2026	183,744
2027	183,744
	$ 734,976

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.

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Operating Fund Budget (Non-GAAP Basis) to Actual Comparison
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts for 2022)

	2023			2022
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	$ 12,317,256	$ 12,010,998	$ (306,258)	$ 11,352,028
Investment income	430	70,920	70,490	-
Late fee revenue	114,200	115,523	1,323	108,425
Ski locker income	30,000	89,250	59,250	40,338
Natural gas reimbursement	50,600	47,677	(2,923)	43,649
Vacation experience fee	78,705	77,685	(1,020)	74,500
Rental resort fee	752,459	901,032	148,573	955,286
Deed in lieu income	3,000	2,152	(848)	15
Miscellaneous Income	39,000	84,027	45,027	45,662
Total Revenues	13,385,650	13,399,264	13,614	12,619,903
Expenses:				
Activities	(3,593)	6,843	(10,436)	6,002
Assessment servicing fees	113,304	79,260	34,044	70,492
BMMA dues	7,410	13,300	(5,890)	3,049
BGV Operations	191,349	191,352	(3)	166,184
Board and annual meetings	5,456	2,751	2,705	3,658
Cable TV	33,840	37,197	(3,357)	35,205
Cell booster	44,856	37,737	7,119	39,392
Common area amenities	146,000	180,357	(34,357)	167,262
Credit card fees	87,768	93,065	(5,297)	77,602
Credit losses	71,500	58,696	12,804	11,938
Dues and subscriptions	55,500	44,583	10,917	36,050
Elevator maintenance	69,860	123,370	(53,510)	84,444
Employee housing reimbursement	35,417	35,412	5	39,323
Engineering	1,386,124	1,239,430	146,694	1,159,438
Fire alarm maintenance	26,166	29,858	(3,692)	58,720
GC8 Operations	512,106	497,136	14,970	434,050
Guest services	1,137,456	1,114,973	22,483	992,791
Hot tub and pool maintenance	80,568	116,647	(36,079)	91,891
Income tax expense	-	90,000	(90,000)	-
Insurance	965,350	976,318	(10,968)	854,553
Keys, postage and printing	52,904	71,179	(18,275)	40,545
Landscaping	24,748	23,000	1,748	26,121
Management fee	1,675,082	1,675,080	2	1,569,852
Owner relations fee	1,273,988	1,273,992	(4)	1,116,589
Professional fees	31,825	23,582	8,243	14,722
Property tax expense	887,210	1,017,720	(130,510)	797,868
Resort cleaning	3,693,960	3,730,294	(36,334)	3,304,551
Short term rental taxes and fees	188,273	204,343	(16,070)	105,325
Snow removal	20,000	15,385	4,615	36,444
Stables garage rent	214,170	214,465	(295)	203,969
Trash removal	66,300	64,860	1,440	54,554
Unit electric	475,085	471,853	3,232	479,734
Unit gas	292,500	284,661	7,839	309,142
Unit telephones	6,900	9,358	(2,458)	7,011
Unit Wi-Fi	37,020	34,443	2,577	41,731
Water and sanitation	229,248	228,506	742	217,576
Total Expenses	14,135,650	14,311,006	(175,356)	12,657,778
Revenues Over (Under) Expenses - Budget Basis	$ (750,000)	(911,742)	$ (161,742)	(37,875)
Adjustments to Budget Basis:				
Depreciation expense		(26,882)		(34,468)
Total Adjustments		(26,882)		(34,468)
Revenues Over (Under) Expenses - (GAAP) Basis		$ (938,624)		$ (72,343)

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

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Common Reserve Fund
December 31, 2023
(Unaudited)

A Level I - Full Service Reserve Study was completed in 2016 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 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 Common 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 - 27	$ 1,003,221	
Aquatics	0 - 17	1,417,588	
Bellman	0	60,000	
Boilers	2 - 27	2,492,508	
Contingency	0	70,000	
Doors	3 - 26	4,055,394	
Electronics	1 - 7	138,693	
Elevators	3 - 27	2,789,002	
Equipment	0-12	459,664	
Flooring	0 - 17	1,249,296	
Furnishing	0 - 17	1,689,544	
Housekeeping	0 - 4	58,898	
HVAC	1 - 27	829,116	
IT	0 - 5	333,291	
Lighting	9 - 17	656,816	
Painting	0 - 8	713,895	
PAR	0 - 4	139,491	
Remodel	14 - 17	1,137,685	
Roof	18 - 23	2,083,818	
Safety	7	16,034	
Signs	8 - 17	277,699	
Stonework	0 - 10	87,774	
Theaters	2 - 14	284,579	
Trim	0 - 1	307,400	
Windows	5 - 25	6,881,241	
Total		$ 29,232,647	$ 2,604,528
Percent of Estimated Future Replacement Costs			8.9%

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

Grand Colorado on Peak 8 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Unit Reserve Fund
December 31, 2023
(Unaudited)

A Level I - Full Service Reserve Study was completed in 2016 and estimated the remaining useful lives and replacement costs of the components of the unit and common property. During the year ending December 31, 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, 2022
Appliance	0 - 4	$ 30,170	
Contingency	0 - 1	40,000	
Doors	19 - 26	1,729,706	
Drywall	19 - 26	714,996	
Electrical	0 - 26	260,540	
Electronics	0 - 3	414,651	
Flooring	0 - 26	4,448,564	
Furnishings	0 - 26	10,894,314	
HVAC	0 - 26	1,280,699	
Insulation	19 - 26	355,519	
IT	0 - 7	172,712	
Labor	19 - 26	4,140,408	
Lighting	0 - 25	988,248	
Resurfacing	19 - 26	926,295	
PAR	0 - 4	226,436	
Permit	19 - 26	488,514	
Plumbing	19 - 26	1,884,914	
Safety	5 - 8	101,858	
Trim	19 - 26	3,300,071	
Total		$ 32,398,615	$ 2,525,151
Percent of Estimated Future Replacement Costs			7.8%