The Grand Lodge on Peak 7 Owners Association, Inc.

Financial Report

December 31, 2024

(With Comparative Totals for 2023)

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2024
(With Comparative Totals for 2023)

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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, 2024, 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, 2024, 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

We have also audited The Grand Lodge on Peak 7 Owners Association, Inc.’s December 31, 2023 financial statements, and expressed an unmodified opinion on those financial statements in our report dated April 11, 2024. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2023, 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 16, 2025

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2024
(With Comparative Totals for 2023)

	2024				2023
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Assets:					
Cash in banks	$ 1,664,851	$ 1,000	$ 23,216	$ 1,689,067	$ 1,725,847
Restricted cash	-	-	250,000	250,000	250,000
Investments	-	1,240,694	2,906,968	4,147,662	3,311,692
Member assessments receivable (net of allowance for credit losses of $90,396 and $81,254 in 2024 and 2023)	510,657	-	-	510,657	428,150
Accounts receivable - other	23,675	-	-	23,675	14,236
Unit supplies inventory	54,622	-	-	54,622	49,388
Prepaid expenses	337,699	-	-	337,699	343,202
Due from (to) other funds	142,178	8,365	(150,543)	-	-
Total Assets	$ 2,733,682	$ 1,250,059	$ 3,029,641	$ 7,013,382	$ 6,122,515
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 79,686	$ -	$ -	$ 79,686	$ 159,279
Accounts payable - other	24,105	-	-	24,105	-
Deferred assessment revenue	658,930	-	-	658,930	466,564
Income taxes payable	71,169	-	-	71,169	70,000
Property taxes payable	803,061	-	-	803,061	816,015
Reserve study payable	3,000	-	-	3,000	2,000
Due to (from) Grand Timber Lodge	(192)	-	-	(192)	(874)
Due to Grand Colorado on Peak 8	363	-	-	363	976
Due to Management Companies	977,998	-	-	977,998	831,926
Total Liabilities	2,618,120	-	-	2,618,120	2,345,886
Fund Balances	115,562	1,250,059	3,029,641	4,395,262	3,776,629
Total Liabilities and Fund Balances	$ 2,733,682	$ 1,250,059	$ 3,029,641	$ 7,013,382	$ 6,122,515

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, 2024
(With Comparative Totals for 2023)

	2024				2023
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	$ 11,692,187	$ 858,299	$ 963,074	$ 13,513,560	$ 12,422,308
Deed in lieu income	11,504	-	-	11,504	11,007
Vacation experience fee	171,390	-	-	171,390	168,124
Investment income	184,997	77,003	163,157	425,157	356,434
Late fee revenue	163,747	-	-	163,747	155,336
Miscellaneous income	72,245	-	-	72,245	72,900
Rental resort fee	544,982	-	-	544,982	514,878
Total Revenues	12,841,052	935,302	1,126,231	14,902,585	13,700,987
Expenses:					
Activities	74,979	-	-	74,979	53,861
Assessment servicing fees	129,249	-	-	129,249	110,375
Cleaning	3,874,993	-	-	3,874,993	3,832,987
Common area amenities	132,118	-	-	132,118	115,026
Credit card fees	101,349	-	-	101,349	94,004
Credit losses	35,505	-	-	35,505	65,505
Dues and subscriptions	26,152	-	-	26,152	39,394
Elevator maintenance	61,971	-	-	61,971	91,257
Employee housing reimbursement	46,901	-	-	46,901	29,124
Fire alarm maintenance	24,799	-	-	24,799	20,764
Guest services	1,045,619	-	-	1,045,619	962,195
BGV operation fee	186,423	-	-	186,423	176,976
Hot tub and pool maintenance	89,032	-	-	89,032	100,831
Income tax expense	56,453	-	-	56,453	70,000
Insurance	711,675	-	-	711,675	650,750
Landscaping	21,552	-	-	21,552	20,624
Management fee	1,126,213	-	-	1,126,213	1,112,916
Master Association dues	102,408	-	-	102,408	71,879
Owner relations fee	1,208,820	-	-	1,208,820	1,175,004
Printing and key fobs	84,078	-	-	84,078	73,852
Professional fees	28,799	-	-	28,799	26,981
Property tax expense	803,060	-	-	803,060	808,831
Resort operation fee	576,846	-	-	576,846	535,228
Short term rental taxes and fees	185,555	-	-	185,555	186,555
Snow removal	420	-	-	420	1,713
Television	30,621	-	-	30,621	27,669
Trash removal	45,913	-	-	45,913	43,245
Travel and entertainment	6,075	-	-	6,075	6,838
Unit maintenance	1,212,562	-	-	1,212,562	1,173,126
Unit telephones and wifi	45,850	-	-	45,850	40,565
Unit utilities	458,070	-	-	458,070	485,323
Water and sanitation	201,637	-	-	201,637	179,563
Common reserve - building exterior	-	193,895	-	193,895	371,416
Common reserve - common area finishes	-	1,058,282	-	1,058,282	363,985
Common reserve - elevators	-	2,172	-	2,172	-
Common reserve - pools and spas	-	55,790	-	55,790	32,307
Unit reserve - appliances	-	-	96,134	96,134	85,070
Unit reserve - furniture	-	-	107,141	107,141	1,058,927
Unit reserve - contingency	-	-	34,841	34,841	-
Total Expenses	12,735,697	1,310,139	238,116	14,283,952	14,294,666
Revenues Over (Under) Expenses	105,355	(374,837)	888,115	618,633	(593,679)
Beginning Fund Balances	10,207	1,624,896	2,141,526	3,776,629	4,370,308
Ending Fund Balances	$ 115,562	$ 1,250,059	$ 3,029,641	$ 4,395,262	$ 3,776,629

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, 2024
(With Comparative Totals for 2023)

	2024				2023
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	$ 11,802,046	$ 858,299	$ 963,074	$ 13,623,419	$ 12,562,821
Interest received	184,997	51,026	130,419	366,442	287,888
Cash received from other sources	954,429	-	-	954,429	992,636
Cash transfers from (to) other funds	(332,092)	361,731	(29,639)	-	-
Cash payments for goods and services	(11,852,500)	(1,310,139)	(238,116)	(13,400,755)	(13,228,884)
Cash paid for property taxes	(803,060)	-	-	(803,060)	(808,831)
Net Cash Provided By (Used In) Operating Activities	(46,180)	(39,083)	825,738	740,475	(194,370)
Cash Flows From Investing Activities:					
(Purchase) sale of investments	-	39,085	(816,340)	(777,255)	1,040,217
Net Cash Provided By (Used In) Investing Activities	-	39,085	(816,340)	(777,255)	1,040,217
Net Increase (Decrease) in Cash and Cash Equivalents	(46,180)	2	9,398	(36,780)	845,847
Net Cash and Cash Equivalents - Beginning	1,711,031	998	13,818	1,725,847	880,000
Net Cash and Cash Equivalents - Ending	$ 1,664,851	$ 1,000	$ 23,216	$ 1,689,067	$ 1,725,847
Reconciliation of Revenues Over (Under) Expenses to Net Cash Provided By (Used In) Operating Activities					
Revenues over (under) expenses	$ 105,355	$ (374,837)	$ 888,115	$ 618,633	$ (593,679)
Adjustments to Reconcile Revenues Over (Under) Expenses to Net Cash Provided By (Used In) Operating Activities:					
Unrealized (gain) loss on investment	-	(25,977)	(32,738)	(58,715)	(68,546)
(Increase) decrease in assessments receivable	(91,649)	-	-	(91,649)	(43,471)
Increase (decrease) in allowance for credit losses	9,142	-	-	9,142	(4,885)
(Increase) decrease in other receivables	(9,439)	-	-	(9,439)	70,391
(Increase) decrease in inventory	(5,234)	-	-	(5,234)	(6,663)
(Increase) decrease in prepaid expenses	5,503	-	-	5,503	(11,029)
Cash transfers from (to) other funds	(332,092)	361,731	(29,639)	-	-
Increase (decrease) in accounts payable	(79,593)	-	-	(79,593)	(51,813)
Increase (decrease) in other payables	24,105	-	-	24,105	-
Increase (decrease) in deferred assessment revenue	192,366	-	-	192,366	188,869
Increase (decrease) in income taxes payable	1,169	-	-	1,169	70,000
Increase (decrease) in property taxes payable	(12,954)	-	-	(12,954)	190,429
Increase (decrease) in due to related parties	146,072	-	-	146,072	87,703
Increase (decrease) in due to other associations	69	-	-	69	(22,676)
Increase (decrease) in reserve study payable	1,000	-	-	1,000	1,000
Total Adjustments	(151,535)	335,754	(62,377)	121,842	399,309
Net Cash Provided By (Used In) Operating Activities	$ (46,180)	$ (39,083)	$ 825,738	$ 740,475	$ (194,370)

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, 2024, 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, 2024, 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, 2024, the Association incurred $35,505 in credit losses and wrote off accounts totaling $26,363 (net of recoveries). 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).

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, 2024, 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 $56,453 for the year ended December 31, 2024. For the year ended December 31, 2023, the Association recognized $70,000 in tax expense.

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 fixed income securities at December 31, 2024 and 2023, respectively:

	2024	2023
US Treasury Bills (less than one year maturity)	$ 3,096,180	$ 2,049,199
Market indexed certificates of deposit, maturing in four to six years	1,051,482	1,262,493
Total Investments	$ 4,147,662	$ 3,311,692

Included in the Association's investment income for the years ending December 31, 2024 and 2023, are unrealized gains totaling $58,715 and $68,546, interest income of $342,970 and $287,888, and realized gains totaling $23,472 and $0 respectively.

5. Fixed Assets

Fixed assets are summarized below:

Description	2024	2023
Equipment	$ 206,265	$ 206,265
Less: accumulated depreciation	(206,265)	(206,265)
Net Fixed Assets	$ -	$ -

Depreciation expense is computed on the straight-line basis. No depreciation expense was recognized in the years ended December 31, 2024 and 2023.

6. Restricted Cash

For the years ended December 31, 2024 and 2023, 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, 2024 and 2023 the Association received $91,049 and $57,817 from Peak 7 L.L.C for the purchase of inventory units. At December 31, 2024 and 2023, 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 $283,873 and $320,989 of 2024 and 2023 revenue from Peak 7 L.L.C. through assessments. The Association earned approximately 2% and 3% of its total 2024 and 2023 revenue, respectively 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, 2024, 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, 2024 and 2023 respectively:

	2024	2023
Activities	$ 74,979	$ 53,861
BGV operations	186,423	176,976
Cleaning	3,874,993	3,832,987
Employee housing reimbursement	46,901	29,124
Grotto concierge	41,326	44,005
Guest services	1,045,619	962,195
Maintenance	1,212,562	1,173,126
Management fee	1,126,213	1,112,916
Owner relations fee	1,208,820	1,175,004
Resort operations	576,846	535,228
Total Expenses	$ 9,394,682	$ 9,095,422

Approximately 66% of the Association's total 2024 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was $977,998 and $831,926 at December 31, 2024 and 2023, respectively.

The Association is a member of the Breckenridge Mountain Master Association (the "Master Association"). The Association paid dues of $102,408 and $71,879 during 2024 and 2023, and had a prepaid balance of $51,902 and $68,272 at December 31, 2024 and 2023, respectively. 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, 2024 and 2023, the Association paid $91,641 and $70,362, 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, 2024, 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 $858,299 and $963,074 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2024. During the year ended December 31, 2023, the Association levied assessments of $829,244 and $944,735 for the Common Reserve Fund and Unit Reserve Fund, respectively. The Association's Common Reserve Expenses for 2024 and 2023 were incurred primarily for refurbishments of the building's exterior and other common area refurbishments. The Association's Unit Reserve Expenses for 2024 and 2023 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, 2024, and 2023, 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 to Actual Comparison
For the Year Ended December 31, 2024
(With Comparative Totals for 2023)

	2024			2023
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	$ 11,683,434	$ 11,692,187	$ 8,753	$ 10,648,329
Deed in lieu income	18,000	11,504	(6,496)	11,007
Vacation experience fee	184,102	171,390	(12,712)	168,124
Interest income	15,305	184,997	169,692	70,950
Late fee revenue	152,413	163,747	11,334	155,336
Miscellaneous income	90,500	72,245	(18,255)	72,900
Rental resort fee	524,126	544,982	20,856	514,878
Total Revenues	12,667,880	12,841,052	173,172	11,641,524
Expenses:				
Activities	29,327	74,979	(45,652)	53,861
Assessment servicing fees	123,132	129,249	(6,117)	110,375
BGV operations	186,423	186,423	-	176,976
Cleaning	4,117,321	3,874,993	242,328	3,832,987
Common area amenities	128,167	132,118	(3,951)	115,026
Credit card fees	95,333	101,349	(6,016)	94,004
Credit losses	86,000	35,505	50,495	65,505
Dues and subscriptions	23,865	26,152	(2,287)	39,394
Elevator maintenance	57,965	61,971	(4,006)	66,733
Employee housing reimbursement	46,901	46,901	-	29,124
Fire alarm maintenance	31,660	24,799	6,861	20,764
Guest services	1,079,646	1,045,619	34,027	962,195
Hot tub and pool maintenance	84,800	89,032	(4,232)	100,831
Income tax expense	-	56,453	(56,453)	70,000
Insurance	755,510	711,675	43,835	650,750
Landscaping	21,920	21,552	368	20,624
Management fee	1,126,213	1,126,213	-	1,112,916
Master Association dues	94,236	102,408	(8,172)	71,879
Owner relations fee	1,208,820	1,208,820	-	1,175,004
Printing and key fobs	67,629	84,078	(16,449)	73,852
Professional fees	43,160	28,799	14,361	26,981
Property tax expense	798,731	803,060	(4,329)	808,831
Resort operations	547,866	576,846	(28,980)	535,228
Short term rental taxes and fees	185,555	185,555	-	186,555
Snow removal	2,500	420	2,080	1,713
Television	33,681	30,621	3,060	27,669
Trash removal	59,865	45,913	13,952	43,245
Travel and entertainment	6,620	6,075	545	6,838
Unit maintenance	1,258,658	1,212,562	46,096	1,173,126
Unit telephones and wifi	44,802	45,850	(1,048)	40,565
Unit utilities	531,903	458,070	73,833	485,323
Water and sanitation	189,671	201,637	(11,966)	179,563
Total Expenses	13,067,880	12,735,697	332,183	12,358,437
Revenues Over (Under) Expenses	$ (400,000)	$ 105,355	$ 505,355	$ (716,913)

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, 2024
(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, 2024, 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, 2024, 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, 2024
Amenity	0 - 15	$ 1,190,233	
Aquatics	0 - 17	629,467	
Boilers	0 - 15	1,448,752	
Contingency	1	60,000	
Doors	0 - 14	2,329,365	
Electronics	0 - 6	131,805	
Elevators	0 - 20	1,047,253	
Flooring	0 - 20	1,671,073	
Furnishings	0 - 8	281,641	
Housekeeping	0 - 2	76,432	
HVAC	0 - 23	937,024	
IT	1 - 6	415,348	
Lighting	7 - 17	208,345	
PAR	0 - 2	123,485	
Phone system	8	31,669	
Refurbishment	1 - 8	536,837	
Roof	0 - 13	1,877,560	
Safety	5 - 8	234,655	
Siding	2	37,142	
Signs	0 - 16	179,025	
Theaters	0 - 9	279,359	
Update	1 - 11	429,348	
Vehicle	1 - 9	384,966	
Windows	0 - 19	5,477,491	
Total		$ 20,018,275	$ 1,250,059
Percent of Estimated Future Replacement Costs			6.2%

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, 2024
(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, 2024, 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, 2024, 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, 2024
Appliance	4	$ 13,331	
Contingency	1	30,000	
Electronics	1 - 7	439,155	
Flooring	1 - 5	664,032	
Furnishings	0 - 14	3,930,084	
HVAC	10 - 19	453,797	
IT	4	337,653	
Lighting	1 - 4	207,604	
Resurfacing	14 - 18	587,666	
PAR	0 - 4	775,919	
Safety	0	9,250	
Unit	2 - 19	12,797,117	
Total		$ 20,245,608	$ 3,029,641
Percent of Estimated Future Replacement Costs			15.0%