The Grand Lodge on Peak 7 Owners Association, Inc.

Financial Report

December 31, 2015 and 2014

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Grand Lodge on Peak 7 Owners Association, Inc. (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2015, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
The Grand Lodge on Peak 7 Owners Association, Inc.
Breckenridge, Colorado

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's 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, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on pages 14 – 15 be presented to supplement the basic financial statements. Such information, 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.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
March 31, 2016

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2015
(With Comparative Totals for 2014)

	2015					2014
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total	Total
Assets:						
Cash in banks	676,192	256,075	992	-	933,259	906,377
Investments	-	665,161	1,221,754	-	1,886,915	1,494,990
Member assessments receivable (net of allowance for doubtful accounts of $43,938 in 2015 and $27,144 in 2014)	95,965	-	-	-	95,965	57,898
Accrued interest receivable	266	-	-	-	266	266
Accounts receivable - Other	10,367	-	-	-	10,367	3,258
Unit supplies inventory	31,900	-	-	-	31,900	16,620
Prepaid expenses	90,593	-	-	-	90,593	134,035
Due from (to) other funds	309,998	(44,224)	(173,853)	(91,921)	-	-
Fixed assets (net of accumulated depreciation of $75,829 in 2015 and $51,721 in 2014)	87,550	-	-	-	87,550	103,683
Total Assets	1,302,831	877,012	1,048,893	(91,921)	3,136,815	2,717,127
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	139,988	-	-	-	139,988	317,704
Accounts payable - Other	-	-	-	-	-	333
Deferred assessment revenue	133,754	-	-	-	133,754	216,116
Property taxes payable	614,983	-	-	-	614,983	579,886
Due to Grand Timber Lodge	2,791	-	-	-	2,791	93
Due to (from) Management Companies	383,442	-	-	-	383,442	308,381
Notes payable	-	-	-	915,201	915,201	1,115,201
Leases payable	27,873	-	-	-	27,873	36,366
Total Liabilities	1,302,831	-	-	915,201	2,218,032	2,574,080
Fund Balances (Deficit)	-	877,012	1,048,893	(1,007,122)	918,783	143,047
Total Liabilities and Fund Balances (Deficit)	1,302,831	877,012	1,048,893	(91,921)	3,136,815	2,717,127

The accompanying notes are an integral part of these financial statements.

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, 2015
(With Comparative Totals for 2014)

	2015					2014
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total	Total
Revenues:						
Assessments, net of discounts	6,231,668	454,190	594,091	220,442	7,500,391	6,824,303
Contribution to operating fund	633,131	(343,942)	(289,189)	-	-	-
Interest income	2,089	-	(7,180)	-	(5,091)	(3,083)
Late fee revenue	104,420	-	-	-	104,420	82,641
Miscellaneous income	80,033	-	-	-	80,033	39,723
Total Revenues	7,051,341	110,248	297,722	220,442	7,679,753	6,943,584
Expenses:						
Accounting fees and I.T.	52,565	-	-	-	52,565	50,062
Assessment servicing fees	77,682	-	-	-	77,682	77,450
Bad debt expense	34,763	-	-	-	34,763	16,993
Common area amenities	96,418	-	-	-	96,418	140,167
Credit card fees	45,571	-	-	-	45,571	41,061
Depreciation	24,108	-	-	-	24,108	13,351
Elevator maintenance	39,514	-	-	-	39,514	40,840
Fire alarm maintenance	19,702	-	-	-	19,702	29,536
Front desk and reservation fees	835,050	-	-	-	835,050	795,286
Hot tub and pool maintenance	52,475	-	-	-	52,475	54,373
HR fees	174,324	-	-	-	174,324	-
Insurance	122,568	-	-	-	122,568	122,628
Interest	1,407	-	-	48,923	50,330	60,736
Landscaping	15,000	-	-	-	15,000	11,994
Management fees	263,204	-	-	-	263,204	250,671
Master Association dues	73,096	-	-	-	73,096	54,283
Postage	25	-	-	-	25	-
Printing and key fobs	36,862	-	-	-	36,862	48,922
Professional fees	12,794	-	-	-	12,794	8,453
Property tax expense	617,909	-	-	-	617,909	580,582
Security	113,207	-	-	-	113,207	108,942
Short term rental tax	11,475	-	-	-	11,475	11,475
Snow removal	4,906	-	-	-	4,906	6,225
Television	19,098	-	-	-	19,098	24,107
Trash removal	47,346	-	-	-	47,346	75,004
Travel and entertainment	8,901	-	-	-	8,901	5,975
Truck lease	8,140	-	-	-	8,140	8,140
Cleaning	1,818,990	-	-	-	1,818,990	1,683,710
Unit maintenance	825,269	-	-	-	825,269	793,577
Unit telephones	46,792	-	-	-	46,792	34,125
Unit utilities	562,154	-	-	-	562,154	628,749
Water and sanitation	134,894	-	-	-	134,894	131,130
Common reserve - Building exterior	-	7,525	-	-	7,525	321
Common reserve - Common area finishes	-	222,667	-	-	222,667	136,696
Long-term reserve - Other	-	64,901	-	-	64,901	26,871
A/C reserve - Air Conditioning	-	-	-	-	-	20,206
Unit reserve - Furniture	-	-	301,650	-	301,650	320,993
Unit reserve - Appliances	-	-	62,140	-	62,140	4,423
Total Expenses	6,196,209	295,093	363,790	48,923	6,904,015	6,418,057
Excess (Deficiency) of Revenues Over Expenses	855,132	(184,845)	(66,068)	171,519	775,738	525,527
Beginning Fund Balances (Deficit)	(855,132)	1,061,857	1,114,961	(1,178,641)	143,045	(382,480)
Ending Fund Balances (Deficit)	-	877,012	1,048,893	(1,007,122)	918,783	143,047

The accompanying notes are an integral part of these financial statements.

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015					2014
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	A/C Reserve Fund	Total	Total
Cash Flows From Operating Activities:						
Cash received from assessments	6,831,996	454,190	594,091	220,442	8,100,719	6,907,594
Interest received	2,089	-	(26,564)	-	(24,475)	(8,374)
Cash received from other sources	80,033	-	-	-	80,033	39,723
Cash transfers from (to) other funds	(672,214)	850,901	293,904	(472,591)	-	-
Cash payments for goods and services	(5,615,230)	(639,035)	(652,979)	-	(6,907,244)	(5,548,049)
Cash paid for property taxes	(582,812)	-	-	-	(582,812)	(479,356)
Interest paid	(1,407)	-	-	(48,923)	(50,330)	(60,736)
Net Cash Provided (Used) By Operating Activities	42,455	666,056	208,452	(301,072)	615,891	850,802
Cash Flows From Investing Activities:						
Purchases, sales and redemptions of investments	-	(665,161)	(208,452)	501,072	(372,541)	(1,489,965)
Purchase of equipment	(7,975)	-	-	-	(7,975)	(112,661)
Net Cash Provided (Used) by Investing Activities	(7,975)	(665,161)	(208,452)	501,072	(380,516)	(1,602,626)
Cash Flows From Financing Activities:						
Principal paid on notes payable	-	-	-	(200,000)	(200,000)	(200,000)
Capital lease principal payments	(8,493)	-	-	-	(8,493)	33,176
Net Cash Provided (Used) by Financing Activities	(8,493)	-	-	(200,000)	(208,493)	(166,824)
Net Increase (Decrease) in Cash and Cash Equivalents	25,987	895	-	-	26,882	(918,648)
Cash and Cash Equivalents - Beginning of Year	650,205	255,180	992	-	906,377	1,825,025
Cash and Cash Equivalents - End of Year	676,192	256,075	992	-	933,259	906,377
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:						
Excess (deficiency) of revenues over expenses	855,132	(184,845)	(66,068)	171,519	775,738	525,527
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:						
Depreciation	24,108	-	-	-	24,108	13,351
Unrealized (gain) loss on investments	-	-	(19,384)	-	(19,384)	(5,025)
(Increase) decrease in assessments receivable	(54,861)	-	-	-	(54,861)	10,440
Increase (decrease) in allowance for doubtful accounts	16,794	-	-	-	16,794	(16,277)
(Increase) decrease in accrued interest	-	-	-	-	-	(266)
(Increase) decrease in other receivables	(7,109)	-	-	-	(7,109)	(3,222)
(Increase) decrease in inventory	(15,280)	-	-	-	(15,280)	(4,113)
(Increase) decrease in prepaid expenses	43,442	-	-	-	43,442	(11,456)
Cash transfers from (to) other funds	(672,214)	850,901	293,904	(472,591)	-	-
Increase (decrease) in accounts payable	(177,718)	-	-	-	(177,718)	199,284
Increase (decrease) in other payables	(333)	-	-	-	(333)	333
Increase (decrease) in deferred assessment revenue	(82,362)	-	-	-	(82,362)	(9,790)
Increase (decrease) in property taxes payable	35,097	-	-	-	35,097	101,226
Increase (decrease) in due to related parties	75,061	-	-	-	75,061	50,865
Increase (decrease) in due to other associations	2,698	-	-	-	2,698	(75)
Total Adjustments	(812,677)	850,901	274,520	(472,591)	(159,847)	325,275
Net Cash Provided (Used) By Operating Activities	42,455	666,056	208,452	(301,072)	615,891	850,802

The accompanying notes are an integral part of these financial statements.

The Grand Lodge on Peak 7 Owners Association, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015

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, 2015, the Association consisted of 239 units, which included 229 timeshare units, 3 wholly-owned units and 6 commercial units.

2. Summary of Significant Accounting Policies

A. Fund Accounting

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

As of December 31, 2015, the Association had the following funds:

Operating - Disbursements from this fund are generally at the discretion of the Board of Directors (the “Board”) and the property manager.

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

Unit Reserve - Disbursements from this fund are designated for the replacement of unit furniture.

A/C Reserve – This fund accounts for the Air Conditioning Remodeling project and related notes payable.

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.

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.

2. Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

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

F. Investments

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

G. Common Assessments

Common assessments are the primary source of revenue for the Association. An annual budget, which is approved by the Board, is prepared to estimate the annual expenses of maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments, or, with the approval of the Board, transferred to the Replacement Funds.

H. Due To/From Other Funds

The Association has chosen to record 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. Allowance for Uncollectible Accounts - Assessments

The Association utilizes the allowance method of recognizing the future potential uncollectibility of owner assessments receivable. This reserve is calculated based on the estimated percentage of potentially uncollectible accounts 90 or more days overdue. The Association's policy is to charge late fees to owner accounts that are 60 or more days overdue. For the year ended December 31, 2015, the Association incurred $34,763 in bad debt expense and wrote off accounts totaling $18,689 (net of recoveries totaling $0). For the year ended December 31, 2014, the Association incurred $16,993 in bad debt expense and wrote off accounts totaling $33,271 (net of recoveries totaling $0).

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.

2. Summary of Significant Accounting Policies (continued)

K. Use of Estimates

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

L. Deferred Assessment Revenue

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

M. Subsequent Events

Management has evaluated subsequent events through March 31, 2016, 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. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination for tax years prior to 2012 by the Internal Revenue Service and for tax years prior to 2011 by the Colorado Department of Revenue.

4. Investments

The Association's investments were comprised of the following certificates of deposit at December 31, 2015 and 2014, respectively:

	12/31/15	12/31/14
Money market sweep	$ 436,325	270,015
Certificates of deposit, maturing within one year, bearing interest at .750% per annum	244,554	489,475
Certificates of deposit, maturing in more than year, bearing interest at 1.00% - 2.20% per annum	980,411	485,500
Certificates of deposit linked to the Standard and Poors 500 index, maturing on January 6, 2022	225,625	250,000
Total Investments	$ 1,886,915	1,494,990

4. Investments (continued)

Included in the Association's investment income for the fiscal years ending December 31, 2015 and 2014 are unrealized gains (losses) totaling ($19,384) and ($5,025), respectively, with respect to investments held at December 31, 2015 and 2014.

5. Fixed Assets

Fixed assets are summarized below:

Description	12/31/15	12/31/14
Equipment	$ 163,379	$ 155,404
Less: Accumulated depreciation	(75,829)	(51,721)
Net Fixed Assets	$ 87,550	$ 103,683

Depreciation expense is computed on the straight-line basis and was $24,108 and $13,351 for the years ended December 31, 2015 and 2014.

6. Capital Lease

In 2014, the Association entered into a five-year agreement to acquire an additional trash compactor. The lease term ends December 2018; the Association retains ownership of the trash compactor at the end of the lease term. Interest accrues at a rate of 4.34 percent per annum. Interest expense for this lease was $1,407 and $1,828 for the years ended December 31, 2015, and 2014, respectively. Future debt service requirements are as follows:

Fiscal Year Ended	Principal	Interest	Total
2016	8,893	1,031	9,924
2017	9,285	638	9,923
2018	9,695	229	9,924
Total	$ 27,873	1,898	29,771

Depreciation expense related to the equipment acquired via the capital lease totaled $8,886 and $8,886 for the years ended December 31, 2015 and 2014, respectively.

The net book value of the asset acquired under this lease as of December 31, 2015 is as follows:

	12/31/15	12/31/14
Historical cost	$ 44,428	$ 44,428
Less: Accumulated depreciation	(17,772)	(8,886)
Net book value	$ 26,656	$ 35,542

7. Promissory Note – Air Conditioning Project

During 2013 the Association began a major remodeling project installing air conditioners in each unit. On May 23, 2013 the Association obtained a multiple advance term promissory note for the project, up to the amount of $1,375,920. The loan bears interest at an annual fixed rate of 5.0%. The note matures on March 1, 2020. The note is collateralized by a security agreement, the Association's deposit accounts, and a collateral assignment of assessments. The outstanding principal balances at December 31, 2015 and 2014 were $915,201 and $1,115,201, respectively. Future debt service requirements are as follows:

Fiscal Year Ended	Principal	Interest	Total
2016	200,000	38,884	238,884
2017	200,000	28,618	228,618
2018	200,000	18,479	218,479
2019	200,000	8,340	208,340
2020	115,201	1,456	116,657
Total	$ 915,201	95,777	1,010,978

8. Significant Agreements and Transactions

On January 1, 2010, Peak 7 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) at an amount equal to 35% of the Net Listed Sales Price, as defined in the agreement. This agreement may be terminated by either party by giving ninety days advance written notice. During the years ended December 31, 2015 and 2014, the Association did not receive any amount from Peak 7 L.L.C. for the purchase of inventory units. At December 31, 2015 and 2014, 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 $665,276 of 2015 revenue from Peak 7 L.L.C through assessments. Peak 7 L.L.C's assessments excluded cleaning fees of $94,747 related to services not incurred in unoccupied units The Association earned 9% of its total 2015 revenue from Peak 7 L.L.C.

Effective January 1, 2010, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by the Peak 8 Properties, L.L.C., for management, accounting, and reservation services. The management, accounting, and reservation fees increase by five percent annually throughout the term of this agreement unless otherwise negotiated. The initial term of the agreement is for ten years, and elapses on December 31, 2019. After the initial term, the agreement automatically renews for three 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

8. Significant Agreements and Transactions (continued)

During the fiscal year ended December 31, 2015, 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, 2015 and 2014 respectively:

	2015	2014
Accounting fees and I.T.	$ 52,565	$ 50,062
Front desk and reservation fees	835,050	795,286
HR fees	174,324	-
Maintenance	827,671	632,407
Management fees	263,204	250,671
Other	235,614	239,454
Cleaning	1,827,399	1,571,343
Security	113,207	108,942
Total Expenses	$ 4,329,034	$ 3,648,165

Approximately 65% of the Association’s total 2015 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was $383,442 and $308,381 at December 31, 2015 and 2014, respectively.

The Association is a member of the Breckenridge Mountain Master Association (the “Master Association”). The Association paid dues of $73,096 and $54,283 during 2015 and 2014, and had a prepaid balance of $41,757 and $43,269 at December 31, 2015 and 2014, 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, 2015 and 2014, the Association paid $46,964 and $47,350, respectively for services provided by Concord Servicing Corporation.

9. 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.

During the year ended December 31, 2015, management performed an internal update of the most recent Level I - Full Service Reserve Study, completed in 2011, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. The life expectancy of all components was ascertained from visual inspections made during the study.

The tables included in the unaudited Supplementary Information on Future Major Repairs and Replacements are based on the study. The information has been broken down into common reserve and unit reserve components of common property.

9. Future Major Repairs and Replacements (continued)

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 $110,248 and $304,902 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2015. During the year ended December 31, 2014, the Association levied assessments of $431,949 and $560,513 for the Common Reserve Fund and Unit Reserve Fund, respectively.

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, 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.

10. Concentration

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") at December 31, 2015 up to $250,000 per depositor at each separately chartered FDIC-member financial institution. At December 31, 2015, the Association's uninsured cash balances totaled $141,956.

11. Operating Lease – Truck

During 2014, Grand Lodge on Peak 7 entered into an operating lease agreement for a truck with Peak 7, L.L.C. The lease requires monthly payment of $678.32 beginning on January 1, 2014 through December 31, 2018. During the years ended December 31, 2014 and 2013, the Association paid $8,140 and $8,140, respectively, in accordance with the terms of the lease.

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, 2015
(With Comparative Actual Amounts for 2014)

	2015			2014
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	6,185,857	6,231,668	45,811	5,611,399
Contribution to operating fund	-	633,131	633,131	-
Interest income	-	2,089	2,089	803
Late fee revenue	89,779	104,420	14,641	82,641
Miscellaneous income	42,301	80,033	37,732	39,723
Total Revenues	6,317,937	7,051,341	733,404	5,734,566
Expenses:				
Accounting fees and I.T.	52,565	52,565	-	50,062
Assessment servicing fees	86,952	77,682	9,270	77,450
Bad debt expense	66,804	34,763	32,041	16,993
Common area amenities	89,400	96,418	(7,018)	140,167
Credit card fees	28,272	45,571	(17,299)	41,061
Elevator maintenance	41,936	39,514	2,422	40,840
Fire alarm maintenance	18,600	19,702	(1,102)	29,536
Front desk and reservation fees	835,050	835,050	-	795,286
Hot tub and pool maintenance	60,000	52,475	7,525	54,373
HR Fees	174,324	174,324	-	-
Insurance	122,800	122,568	232	122,628
Interest	1,407	1,407	-	1,828
Landscaping	15,000	15,000	-	11,994
Management fees	263,204	263,204	-	250,671
Master Association dues	75,722	73,096	2,626	54,283
Postage	-	25	(25)	-
Printing and key fobs	46,970	36,862	10,108	48,922
Professional fees	14,750	12,794	1,956	8,453
Property tax expense	720,002	617,909	102,093	580,582
Security	105,480	113,207	(7,727)	108,942
Short term rental tax	-	11,475	(11,475)	11,475
Snow removal	5,000	4,906	94	6,225
Television	26,766	19,098	7,668	24,107
Trash removal	74,791	47,346	27,445	75,004
Travel and entertainment	6,400	8,901	(2,501)	5,975
Truck lease	8,140	8,140	-	8,140
Cleaning	1,710,723	1,818,990	(108,267)	1,683,710
Unit maintenance	817,156	825,269	(8,113)	793,577
Unit telephones	48,106	46,792	1,314	34,125
Unit utilities	627,660	562,154	65,506	628,749
Water and sanitation	138,496	134,894	3,602	131,130
Total Expenses	6,282,476	6,172,101	110,375	5,836,288
Excess (Deficiency) of Revenues Over Expenses - Budget Basis		879,240		(101,722)
Adjustments to Budget Basis:				
Depreciation expense		(24,108)		(13,351)
Total Adjustments		(24,108)		(13,351)
Excess (Deficiency) of Revenues Over Expenses - GAAP Basis		855,132		(115,073)

The accompanying notes are an integral part of these financial statements.

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, 2015
(Unaudited)

During the fiscal period ended December 31, 2015, management performed an internal update of the most recent Level I - Full Service Reserve Study, completed in 2011, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon 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, 2015, has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2015
Building Exteriors	2 - 24	3,359,971	
Building Interiors	0 - 27	1,164,361	
Common Component	0 - 23	850,926	
Electronic	1 - 17	445,098	
Electronics	1 - 2	54,296	
Exterior Component	8 - 26	1,741,811	
Flooring	0 - 18	488,359	
HVAC	3 - 22	1,112,648	
Interior Component	1 - 17	317,958	
Lighting	0 - 11	49,487	
Mechanical	1 - 23	1,982,979	
Pool Area	0 - 13	435,464	
Recreation	0 -22	441,270	
Total		12,444,628	877,012

The accompanying notes are an integral part of these financial statements.

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, 2015
(Unaudited)

During the fiscal period ended December 31, 2015, management performed an internal update of the most recent Level I - Full Service Reserve Study, completed in 2011, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon 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, 2015, has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2015
A/C	12 - 13	854,711	
Appliance	0 - 23	928,519	
Finish	1 - 22	2,590,258	
Flooring	1 - 23	1,305,557	
Furnishings	0 - 10	775,791	
Furniture	0 - 12	2,465,320	
Unit	2 - 23	6,580,871	
Total		15,501,027	1,048,893

The accompanying notes are an integral part of these financial statements.