

Grand Timber Lodge Owners Association

Financial Statements

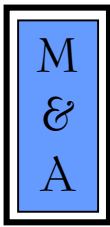
December 31, 2015 and 2014



**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
December 31, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Grand Timber Lodge Owners Association
Breckenridge, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Timber Lodge Owners Association (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 Grand Timber Lodge Owners Association 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.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Grand Timber Lodge Owners Association
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 12 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 13 - 14 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.
April 30, 2016

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2015 and 2014

	2015				2014			
	Operating	Common	Unit	Total	Operating	Common	Unit	Total
	Fund	Reserve	Reserve		Fund	Reserve	Reserve	
Assets:								
Current Assets:								
Cash in banks	220,583	264,350	264,351	749,284	447,344	20,168	1,208	468,720
Investments	-	266,992	266,991	533,983	-	613,716	654,075	1,267,791
Accrued interest	238	-	-	238	60	-	-	60
Member assessments receivable (net of allowance for doubtful accounts of \$130,028 and \$80,966 in 2015 and 2014)	524,977	-	-	524,977	446,750	-	-	446,750
Due from (to) Gold Point II Condominium	-	-	-	-	(729)	-	-	(729)
Due from (to) Grand Lodge on Peak 7	2,791	-	-	2,791	93	-	-	93
Accounts receivable - Other	15,833	-	-	15,833	20,000	-	-	20,000
Unit supplies inventory	14,668	-	-	14,668	15,119	-	-	15,119
Prepaid expenses	16,904	-	-	16,904	15,835	-	-	15,835
Total Current Assets	<u>795,994</u>	<u>531,342</u>	<u>531,342</u>	<u>1,858,678</u>	<u>944,472</u>	<u>633,884</u>	<u>655,283</u>	<u>2,233,639</u>
Non-Current Assets:								
Fixed assets (net of accumulated depreciation of \$152,508 and \$142,622 in 2015 and 2014)	14,146	-	-	14,146	24,032	-	-	24,032
Total Non-Current Assets	<u>14,146</u>	<u>-</u>	<u>-</u>	<u>14,146</u>	<u>24,032</u>	<u>-</u>	<u>-</u>	<u>24,032</u>
Total Assets	<u>810,140</u>	<u>531,342</u>	<u>531,342</u>	<u>1,872,824</u>	<u>968,504</u>	<u>633,884</u>	<u>655,283</u>	<u>2,257,671</u>
Liabilities and Fund Balances:								
Liabilities:								
Current Liabilities:								
Accounts payable	176,151	-	-	176,151	225,827	-	-	225,827
Accounts payable - Other	-	-	-	-	387	-	-	387
Due to (from) other funds	(464,924)	99,006	365,918	-	(116,341)	57,142	59,199	-
Deferred assessment revenue	143,335	-	-	143,335	206,790	-	-	206,790
Property taxes payable	392,294	-	-	392,294	391,656	-	-	391,656
Due to Management Companies	602,390	-	-	602,390	415,603	-	-	415,603
Total Current Liabilities	<u>849,246</u>	<u>99,006</u>	<u>365,918</u>	<u>1,314,170</u>	<u>1,123,922</u>	<u>57,142</u>	<u>59,199</u>	<u>1,240,263</u>
Fund Balances (Deficit)	<u>(39,106)</u>	<u>432,336</u>	<u>165,424</u>	<u>558,654</u>	<u>(155,418)</u>	<u>576,742</u>	<u>596,084</u>	<u>1,017,408</u>
Total Liabilities and Fund Balances	<u>810,140</u>	<u>531,342</u>	<u>531,342</u>	<u>1,872,824</u>	<u>968,504</u>	<u>633,884</u>	<u>655,283</u>	<u>2,257,671</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2015 and 2014

	2015				2014			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
Revenues:								
Assessments, net of discounts	7,142,669	374,950	529,721	8,047,340	6,695,805	311,991	491,893	7,499,689
Late fee revenue	158,203	-	-	158,203	154,687	-	-	154,687
Investment income	1,575	2,357	2,357	6,289	1,507	14,180	14,527	30,214
Miscellaneous income	58,663	-	-	58,663	156,224	-	-	156,224
Total Revenues	<u>7,361,110</u>	<u>377,307</u>	<u>532,078</u>	<u>8,270,495</u>	<u>7,008,223</u>	<u>326,171</u>	<u>506,420</u>	<u>7,840,814</u>
Expenses:								
Operations	2,341,245	-	-	2,341,245	2,036,479	-	-	2,036,479
Maintenance	1,239,140	-	-	1,239,140	1,368,735	-	-	1,368,735
Housekeeping	2,288,813	-	-	2,288,813	1,968,869	-	-	1,968,869
Utilities	877,121	-	-	877,121	956,857	-	-	956,857
Taxes	416,305	-	-	416,305	412,206	-	-	412,206
Capital	9,886	-	-	9,886	20,974	-	-	20,974
Common reserve expenses	-	593,997	-	593,997	-	1,448,362	-	1,448,362
Unit reserve expenses	-	-	962,738	962,738	-	-	958,933	958,933
Total Expenses	<u>7,172,510</u>	<u>593,997</u>	<u>962,738</u>	<u>8,729,245</u>	<u>6,764,120</u>	<u>1,448,362</u>	<u>958,933</u>	<u>9,171,415</u>
Excess (Deficiency) of Revenues Over Expenses	188,600	(216,690)	(430,660)	(458,750)	244,103	(1,122,191)	(452,513)	(1,330,601)
Beginning Fund Balances (Deficit)	(155,422)	576,742	596,084	1,017,404	(399,521)	1,698,933	1,048,597	2,348,009
Transfer to other fund	(72,284)	72,284	-	-	-	-	-	-
Ending Fund Balances (Deficit)	<u>(39,106)</u>	<u>432,336</u>	<u>165,424</u>	<u>558,654</u>	<u>(155,418)</u>	<u>576,742</u>	<u>596,084</u>	<u>1,017,408</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2015 and 2014

	2015				2014			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
Cash Flows From Operating Activities:								
Cash received from owners	7,161,095	447,234	529,721	8,138,050	6,959,721	311,991	491,893	7,763,605
Interest received	1,394	(9,823)	(10,235)	(18,664)	3,585	2,000	1,935	7,520
Cash paid for property taxes	(415,667)	-	-	(415,667)	(392,545)	-	-	(392,545)
Cash transfers from (to) other funds	(348,583)	41,864	306,719	-	(270,967)	152,105	118,862	-
Cash payments for goods and services	(6,625,000)	(593,997)	(962,738)	(8,181,735)	(6,381,077)	(1,448,362)	(958,933)	(8,788,372)
Net Cash Provided (Used) By Operating Activities	<u>(226,761)</u>	<u>(114,722)</u>	<u>(136,533)</u>	<u>(478,016)</u>	<u>(81,283)</u>	<u>(982,266)</u>	<u>(346,243)</u>	<u>(1,409,792)</u>
Cash Flows From Investing Activities:								
Purchase, sales, and redemptions of investments	-	358,904	399,676	758,580	-	470,509	19,491	490,000
Purchase of fixed assets	-	-	-	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>358,904</u>	<u>399,676</u>	<u>758,580</u>	<u>-</u>	<u>470,509</u>	<u>19,491</u>	<u>490,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(226,761)	244,182	263,143	280,564	(81,283)	(511,757)	(326,752)	(919,792)
Net Cash and Cash Equivalents - Beginning	447,344	20,168	1,208	468,720	528,627	531,925	327,960	1,388,512
Net Cash and Cash Equivalents - Ending	<u>220,583</u>	<u>264,350</u>	<u>264,351</u>	<u>749,284</u>	<u>447,344</u>	<u>20,168</u>	<u>1,208</u>	<u>468,720</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) By Operating Activities:								
Excess (deficiency) of revenues over expenses	188,600	(216,690)	(430,660)	(458,750)	244,103	(1,122,191)	(452,513)	(1,330,601)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:								
Depreciation	9,886	-	-	9,886	20,974	-	-	20,974
Unrealized (gain) loss on investments	-	(12,180)	(12,592)	(24,772)	-	(12,180)	(12,592)	(24,772)
Gain on disposal of assets	-	-	-	-	(20,000)	-	-	(20,000)
Increase (decrease) in interfund balances	(348,583)	41,864	306,719	-	(270,967)	152,105	118,862	-
(Increase) decrease in accrued interest	(178)	-	-	(178)	2,076	-	-	2,076
(Increase) decrease in assessments receivable	(123,124)	-	-	(123,124)	48,849	-	-	48,849
(Increase) decrease in due to Gold Point I, Gold Point II, and Grand Lodge on Peak 7	(3,427)	-	-	(3,427)	805	-	-	805
Increase (decrease) in allowance for doubtful accounts	49,062	-	-	49,062	(84,303)	-	-	(84,303)
(Increase) decrease in prepaid expenses	(1,069)	-	-	(1,069)	(3,658)	-	-	(3,658)
(Increase) decrease in inventory	451	-	-	451	39,132	-	-	39,132
Increase (decrease) in due to GPLR, Inc.	186,787	-	-	186,787	(53,332)	-	-	(53,332)
Increase (decrease) in other liabilities	(387)	-	-	(387)	387	-	-	387
Increase (decrease) in accounts payable	(49,678)	-	-	(49,678)	(16,665)	-	-	(16,665)
Increase (decrease) in taxes payable	638	-	-	638	19,661	-	-	19,661
Increase (decrease) in deferred assessment revenue	(63,455)	-	-	(63,455)	(8,345)	-	-	(8,345)
Transfers to (from) other funds	(72,284)	72,284	-	-	-	-	-	-
Total Adjustments	<u>(415,361)</u>	<u>101,968</u>	<u>294,127</u>	<u>(19,266)</u>	<u>(325,386)</u>	<u>139,925</u>	<u>106,270</u>	<u>(79,191)</u>
Net Cash Provided (Used) By Operating Activities	<u>(226,761)</u>	<u>(114,722)</u>	<u>(136,533)</u>	<u>(478,016)</u>	<u>(81,283)</u>	<u>(982,266)</u>	<u>(346,243)</u>	<u>(1,409,792)</u>

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

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015 and 2014**

1. Organization

Grand Timber Lodge Owners Association (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 consists of 164 units, which include 159 timeshare units, 2 whole ownership units, and 3 commercial units. The Association, which is located in Breckenridge, Colorado, was incorporated on February 22, 1999.

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 and 2014, the Association had the following funds:

Operating - Disbursements from this fund are generally at the discretion of the Board of Managers (the "Board") and property manager.

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

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

B. Investment Income Allocation

Investment income for the Replacement Funds is allocated between these two funds on a 50/50 basis.

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 three to 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.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015 and 2014
(Continued)

2. Summary of Significant Accounting Policies (continued)

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 accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, these differences in the individual funds are shown as interfund asset and liability accounts.

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. Owner assessment accounts that are 120 or more days past due are sent to a collection agency by the Association. For the year ended December 31, 2015, the Association incurred \$56,759 in bad debt expense and wrote off accounts totaling \$35,025 (net of recoveries totaling \$0). For the year ended December 31, 2014, the Association incurred \$3,194 in bad debt expense and wrote off accounts totaling \$118,905 (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.

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.

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015 and 2014
(Continued)**

2. Summary of Significant Accounting Policies (continued)

L. Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is primarily composed of payments received in advance for the billing of the next fiscal year.

M. Subsequent Events

Management has evaluated subsequent events through April 30, 2016, the date these financial statements were available to be issued.

3. Investments

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

	<u>12/31/15</u>	<u>12/31/14</u>
Certificates of deposit, maturing within one year, bearing interest at 0.30% - 0.60% per annum	\$ 244,608	978,415
Certificates of deposit, linked to the Dow Jones Industrial Average Index Interest, maturing on December 7, 2019	<u>289,375</u>	<u>289,376</u>
Total Investments	<u>\$ 533,983</u>	<u>1,267,791</u>

Included in the Association's investment income for the fiscal years ended December 31, 2015 and 2014 are unrealized gains (losses) totaling \$1,192 and \$24,772, respectively, with respect to investments held at December 31, 2015 and 2014.

4. 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 Federal income tax returns of the Company are subject to examination by the Internal Revenue Service and Colorado Department of Revenue. The company'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.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015 and 2014
(Continued)

5. Fixed Assets

Fixed assets for the past two fiscal years are summarized below:

Description	12/31/15	12/31/14
Equipment	\$ 79,572	79,572
Vehicles	10,226	10,226
Computer software	76,856	76,856
Less: accumulated depreciation	(152,508)	(142,622)
Net Fixed Assets	\$ 14,146	24,032

Depreciation expense is computed on the straight-line basis and was \$9,886 and \$20,974 for the years ended December 31, 2015 and 2014, respectively.

6. Significant Agreements and Transactions

On April 21, 1999, the Association entered into an agreement with Breckenridge Grand Vacations (“Manager”), which is owned and operated by Peak 8 Properties, L.L.C., for management, accounting, and reservation services. The management, accounting, and reservation fees are negotiated annually. The initial term of the agreement was for ten years, and elapsed on April 30, 2009. 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.

During its fiscal year, 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:

	12/31/15	12/31/14
Accounting fees	\$ 26,799	25,523
Front desk and reservation fees	1,000,720	953,067
HR fee	210,547	-
Maintenance	949,264	630,814
Management fees	284,671	271,115
IT support	17,167	16,352
Resident security	70,407	64,418
Shuttle labor	174,801	150,404
Unit cleaning	2,288,813	1,766,249
Total Expenses	\$ 5,233,736	3,877,942

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015 and 2014
(Continued)

6. Significant Agreements and Transactions (continued)

The net amount owed by the Association to the Management Companies for these services was \$602,390 and \$415,603 for the years ended December 31, 2015 and 2014, respectively.

On November 15, 2003, the Association entered into an agreement with Gold Point Lodging and Realty ("GPLR"), whereby GPLR has the option to purchase inventory units from the Association (which were 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 this agreement. During the years ended December 31, 2015 and 2014, the Association received \$46,924 and \$134,064, respectively from GPLR for the purchase of inventory units. At December 31, 2015 and 2014, the Association did not own any inventory units.

GPLR pays assessments relating to its owned unit weeks throughout the fiscal year. This amount totaled \$163,600 and \$161,248, during the years ended December 31, 2015 and 2014, respectively. The GPLR assessments excluded cleaning fees of \$43,743 related to services not incurred in unoccupied units.

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 \$57,740 and \$60,816, 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 money market and investment accounts and are generally not available for expenses for normal operations.

During the fiscal 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 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 \$374,950 and \$529,721 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 \$311,991 and \$491,893 for the Common Reserve Fund and Unit Reserve Fund, respectively.

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2015 and 2014
(Continued)**

7. Future Major Repairs and Replacements (continued)

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.

8. Concentration

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") at December 31, 2013 up to \$250,000 all accounts. At December 31, 2015, the Association's uninsured cash balances totaled \$208,406.

9. Operating Lease – Truck

During 2013, Grand Timber Lodge entered into an operating lease agreement for a truck with GPLR, L.L.C. The lease requires monthly payment of \$411.70 beginning on November 1, 2013 through October 31, 2018. During the years ended December 31, 2015 and 2014, the Association paid \$4,940 and \$4,940, respectively, in accordance with the terms of the lease.

10. Energy Conservation Study

During 2014 the Association entered into an agreement with Iconergy Ltd to perform an assessment of energy usage and make recommendations for reductions of that usage. As a result of the study the Association performed several upgrades and repairs as follows:

- Retrofit exterior lighting
- Retrofit parking garage lighting
- Replace boilers serving building heat, pool and snowmelt systems
- Retrofit hot water equipment and piping insulation
- Install a building controls system on the heating plants
- Retrofit parking garage unit heater controls

As part of the agreement, Iconergy guaranteed a energy savings of \$97,774 for 2016 following completion of the repairs. Although not guaranteed, the Association also anticipates a savings of \$311,275 for 2017 through 2019.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Operating Fund - Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2015
(With Comparative Actual Amounts for December 31, 2014)

	2015			2014
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	7,146,005	7,142,669	(3,336)	6,695,805
Late fee revenue	154,431	158,203	3,772	154,687
Investment income	700	1,575	875	1,507
Miscellaneous income	115,680	58,663	(57,017)	136,224
Total Revenues	<u>7,416,816</u>	<u>7,361,110</u>	<u>(55,706)</u>	<u>6,988,223</u>
Expenses:				
Operations:				
Accounting fees and I.T.	43,969	43,969	-	41,875
Bad debt expense	131,250	56,759	74,491	3,194
Bank service charges	-	17	(17)	-
Common area amenities	40,000	50,822	(10,822)	46,272
Credit card fees	53,307	43,238	10,069	45,046
Assessment service fees	139,410	106,659	32,751	119,936
Front desk and reservation fees	1,000,720	1,000,720	-	953,067
Wifi / reservation system maintenance	55,500	53,264	2,236	94,231
Insurance	181,298	178,437	2,861	174,054
Management fees	284,676	284,671	5	271,115
Miscellaneous	-	55	(55)	8,451
H.R. fee	210,547	210,547	-	-
Postage	-	-	-	157
Printing	42,400	39,787	2,613	27,240
Professional fees	16,550	16,610	(60)	12,005
Resident security	73,920	70,407	3,513	64,418
Shuttle service	181,931	174,801	7,130	162,199
Truck lease	4,944	4,940	4	4,940
Board and annual meetings	5,800	5,542	258	8,279
Subtotal - Operations	<u>2,466,222</u>	<u>2,341,245</u>	<u>124,977</u>	<u>2,036,479</u>
Maintenance:				
Elevator maintenance	32,000	29,020	2,980	36,923
Fire alarm maintenance	24,000	126,321	(102,321)	153,519
Hot tub and pool maintenance	73,830	69,979	3,851	66,316
Landscaping	60,000	58,185	1,815	62,500
Snow removal	8,000	6,095	1,905	10,180
Unit maintenance	993,052	949,540	43,512	1,039,297
Subtotal - Maintenance	<u>1,190,882</u>	<u>1,239,140</u>	<u>(48,258)</u>	<u>1,368,735</u>
Housekeeping:				
Cleaning	2,271,418	2,288,813	(17,395)	1,968,869
Subtotal - Housekeeping	<u>2,271,418</u>	<u>2,288,813</u>	<u>(17,395)</u>	<u>1,968,869</u>
Utilities:				
Television	28,200	27,742	458	26,732
Trash removal	92,400	78,182	14,218	86,818
Unit telephones	5,280	7,086	(1,806)	2,939
Unit utilities	647,249	608,465	38,784	675,823
Water and sanitation	187,181	155,646	31,535	164,545
Subtotal - Utilities	<u>960,310</u>	<u>877,121</u>	<u>83,189</u>	<u>956,857</u>
Taxes:				
Property tax expense	400,022	395,755	4,267	391,656
Short term rental tax	-	20,550	(20,550)	20,550
Subtotal - Taxes	<u>400,022</u>	<u>416,305</u>	<u>(16,283)</u>	<u>412,206</u>
Energy Savings:				
Energy savings transferred to Replacement Fund	116,057	72,284	43,773	-
Subtotal - Energy Savings	<u>116,057</u>	<u>72,284</u>	<u>43,773</u>	<u>-</u>
Total Expenses	<u>7,404,911</u>	<u>7,234,908</u>	<u>170,003</u>	<u>6,743,146</u>
Excess (Deficiency) of Revenues Over Expenses - Budget Basis		126,202		245,077
Adjustments to Budget Basis:				
Gain on disposal of assets		-		20,000
Depreciation expense		(9,886)		(20,974)
Total Adjustments		<u>(9,886)</u>		<u>(974)</u>
Excess (Deficiency) of Revenues Over Expenses - (GAAP) Basis		<u>116,316</u>		<u>244,103</u>

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

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Common Reserve Fund
December 31, 2015
(Unaudited)**

During the fiscal 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 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 Current Replacement Costs	Actual Fund Balance at December 31, 2015
Common area	0 - 24	1,304,143	
Exterior component	0 - 23	3,055,041	
HVAC	2 - 8	154,224	
Interior component	0 - 5	593,414	
Lighting	0 - 18	190,803	
Mechanical	0 - 4	108,840	
Office Equipment	1	2,075	
Parking area	0 - 41	3,440,192	
Plumbing	0 - 18	792,836	
Pool area	2 - 14	390,217	
Recreational	0 - 13	325,154	
Roofing	8 - 15	899,694	
Total		<u>11,256,633</u>	<u>432,336</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Unit Reserve Fund
December 31, 2015
(Unaudited)

During the fiscal 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 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 Current Replacement Costs	Actual Fund Balance at December 31, 2015
Appliances	0 - 20	898,353	
Cabinets	11 - 20	2,140,028	
Electronics	0 - 5	188,071	
Flooring	1 - 15	542,565	
Furnishings	0 - 7	625,662	
Furniture	0 - 13	2,043,068	
Interior component	0 - 9	1,147,621	
Lighting	6 - 10	19,875	
Unit rooms / sections	11 - 15	942,100	
Total		8,547,343	165,424

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