

Grand Timber Lodge Owners Association

Financial Statements

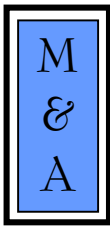
December 31, 2017 and 2016



**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
December 31, 2017 and 2016**

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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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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, 2018

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2017 and 2016

	2017				2016			
	Operating	Common	Unit	Total	Operating	Common	Unit	Total
	Fund	Reserve	Reserve		Fund	Reserve	Reserve	
Assets:								
Current Assets:								
Cash in banks	374,852	235,370	119,370	729,592	377,350	310,263	465,396	1,153,009
Investments	-	194,213	98,497	292,710	-	126,750	190,125	316,875
Accrued interest	33	-	-	33	60	-	-	60
Member assessments receivable (net of allowance for doubtful accounts of \$172,667 and \$146,849 in 2017 and 2016)	729,245	-	-	729,245	624,377	-	-	624,377
Due from (to) Gold Point I Condominium	2,875	-	-	2,875	1,238	-	-	1,238
Due from (to) Gold Point II Condominium	-	-	-	-	550	-	-	550
Due from (to) Grand Lodge on Peak 7	-	-	-	-	413	-	-	413
Accounts receivable - Other	5,834	-	-	5,834	23,118	-	-	23,118
Unit supplies inventory	13,604	-	-	13,604	23,293	-	-	23,293
Prepaid expenses	16,763	-	-	16,763	37,470	-	-	37,470
Total Current Assets	1,143,206	429,583	217,867	1,790,656	1,087,869	437,013	655,521	2,180,403
Non-Current Assets:								
Fixed assets (net of accumulated depreciation of \$149,150 and \$137,961 in 2017 and 2016)	37,478	-	-	37,478	48,667	-	-	48,667
Total Non-Current Assets	37,478	-	-	37,478	48,667	-	-	48,667
Total Assets	1,180,684	429,583	217,867	1,828,134	1,136,536	437,013	655,521	2,229,070
Liabilities and Fund Balances:								
Liabilities:								
Current Liabilities:								
Accounts payable	182,215	-	-	182,215	170,352	-	-	170,352
Income taxes payable	2,000	-	-	2,000	1,000	-	-	1,000
Due to (from) other funds	(209,882)	24,075	185,807	-	(399,551)	88,192	311,359	-
Deferred assessment revenue	205,545	-	-	205,545	143,840	-	-	143,840
Property taxes payable	415,697	-	-	415,697	407,367	-	-	407,367
Due to Management Companies	470,389	-	-	470,389	688,322	-	-	688,322
Total Current Liabilities	1,065,964	24,075	185,807	1,275,846	1,011,330	88,192	311,359	1,410,881
Fund Balances (Deficit)	114,720	405,508	32,060	552,288	125,206	348,821	344,162	818,189
Total Liabilities and Fund Balances	1,180,684	429,583	217,867	1,828,134	1,136,536	437,013	655,521	2,229,070

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, 2017 and 2016

	2017				2016			
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total
Revenues:								
Assessments, net of discounts	7,375,228	531,396	925,679	8,832,303	7,215,562	412,871	742,509	8,370,942
Late fee revenue	243,574	-	-	243,574	179,786	-	-	179,786
Investment income	4,021	23,150	11,740	38,911	1,051	12,225	17,447	30,723
Miscellaneous income	261,062	-	-	261,062	181,452	-	-	181,452
Total Revenues	<u>7,883,885</u>	<u>554,546</u>	<u>937,419</u>	<u>9,375,850</u>	<u>7,577,851</u>	<u>425,096</u>	<u>759,956</u>	<u>8,762,903</u>
Expenses:								
Operations	2,600,896	-	-	2,600,896	2,510,768	-	-	2,510,768
Maintenance	1,298,265	-	-	1,298,265	1,317,524	-	-	1,317,524
Housekeeping	2,374,265	-	-	2,374,265	2,194,331	-	-	2,194,331
Utilities	779,632	-	-	779,632	815,785	-	-	815,785
Taxes	436,247	-	-	436,247	427,917	-	-	427,917
Capital	11,190	-	-	11,190	19,655	-	-	19,655
Common reserve expenses	-	643,688	-	643,688	-	606,385	-	606,385
Unit reserve expenses	-	-	1,497,568	1,497,568	-	-	611,006	611,006
Total Expenses	<u>7,500,495</u>	<u>643,688</u>	<u>1,497,568</u>	<u>9,641,751</u>	<u>7,285,980</u>	<u>606,385</u>	<u>611,006</u>	<u>8,503,371</u>
Excess (Deficiency) of Revenues Over Expenses	383,390	(89,142)	(560,149)	(265,901)	291,871	(181,289)	148,950	259,532
Beginning Fund Balances (Deficit)	125,206	348,821	344,162	818,189	(39,103)	432,336	165,424	558,657
Transfer to other fund	(393,876)	145,829	248,047	-	(127,562)	97,774	29,788	-
Ending Fund Balances (Deficit)	<u>114,720</u>	<u>405,508</u>	<u>32,060</u>	<u>552,288</u>	<u>125,206</u>	<u>348,821</u>	<u>344,162</u>	<u>818,189</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, 2017 and 2016

	2017				2016			
	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	7,758,765	677,225	1,173,726	9,609,716	7,409,519	510,645	772,297	8,692,461
Interest received	4,048	24,669	12,511	41,228	1,229	45	4,855	6,129
Cash paid for property taxes	(426,917)	-	-	(426,917)	(411,844)	-	-	(411,844)
Cash transfers from (to) other funds	189,669	(64,117)	(125,552)	-	65,373	(10,814)	(54,559)	-
Cash payments for goods and services	(7,528,063)	(643,688)	(1,497,568)	(9,669,319)	(6,853,334)	(606,385)	(611,006)	(8,070,725)
Net Cash Provided (Used) By Operating Activities	<u>(2,498)</u>	<u>(5,911)</u>	<u>(436,883)</u>	<u>(445,292)</u>	<u>210,943</u>	<u>(106,509)</u>	<u>111,587</u>	<u>216,021</u>
Cash Flows From Investing Activities:								
Purchase of investments	-	(147,500)	(147,500)	(295,000)	-	152,422	89,458	241,880
Sale of investments	-	125,000	191,875	316,875	-	-	-	-
Transfer of investment allocation	-	(46,482)	46,482	-	-	-	-	-
Purchase of fixed assets	-	-	-	-	(54,176)	-	-	(54,176)
Proceeds from sale of fixed assets	-	-	-	-	5,000	-	-	5,000
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(68,982)</u>	<u>90,857</u>	<u>21,875</u>	<u>(54,176)</u>	<u>152,422</u>	<u>89,458</u>	<u>187,704</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,498)	(74,893)	(346,026)	(423,417)	156,767	45,913	201,045	403,725
Net Cash and Cash Equivalents - Beginning	377,350	310,263	465,396	1,153,009	220,583	264,350	264,351	749,284
Net Cash and Cash Equivalents - Ending	<u>374,852</u>	<u>235,370</u>	<u>119,370</u>	<u>729,592</u>	<u>377,350</u>	<u>310,263</u>	<u>465,396</u>	<u>1,153,009</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) By Operating Activities:								
Excess (deficiency) of revenues over expenses	383,390	(89,142)	(560,149)	(265,901)	291,871	(181,289)	148,950	259,532
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:								
Depreciation	11,190	-	-	11,190	17,557	-	-	17,557
Unrealized (gain) loss on investments	-	1,519	771	2,290	-	(12,180)	(12,592)	(24,772)
Loss (gain) on disposal of assets	-	-	-	-	2,098	-	-	2,098
Increase (decrease) in interfund balances	189,669	(64,117)	(125,552)	-	65,373	(10,814)	(54,559)	-
(Increase) decrease in accrued interest	27	-	-	27	178	-	-	178
(Increase) decrease in assessments receivable	(130,686)	-	-	(130,686)	(116,221)	-	-	(116,221)
(Increase) decrease in other accounts receivable	17,284	-	-	17,284	(7,285)	-	-	(7,285)
(Increase) decrease in due to Gold Point I, Gold Point II, and Grand Lodge on Peak 7	(674)	-	-	(674)	590	-	-	590
Increase (decrease) in allowance for doubtful accounts	25,820	-	-	25,820	16,825	-	-	16,825
(Increase) decrease in prepaid expenses	20,707	-	-	20,707	(20,566)	-	-	(20,566)
(Increase) decrease in inventory	9,689	-	-	9,689	(8,625)	-	-	(8,625)
Increase (decrease) in due to GPLR, Inc.	(217,933)	-	-	(217,933)	85,932	-	-	85,932
Increase (decrease) in accounts payable	11,860	-	-	11,860	(5,800)	-	-	(5,800)
Increase (decrease) in taxes payable	9,330	-	-	9,330	16,073	-	-	16,073
Increase (decrease) in deferred assessment revenue	61,705	-	-	61,705	505	-	-	505
Transfers to (from) other funds	(393,876)	145,829	248,047	-	(127,562)	97,774	29,788	-
Total Adjustments	<u>(385,888)</u>	<u>83,231</u>	<u>123,266</u>	<u>(179,391)</u>	<u>(80,928)</u>	<u>74,780</u>	<u>(37,363)</u>	<u>(43,511)</u>
Net Cash Provided (Used) By Operating Activities	<u>(2,498)</u>	<u>(5,911)</u>	<u>(436,883)</u>	<u>(445,292)</u>	<u>210,943</u>	<u>(106,509)</u>	<u>111,587</u>	<u>216,021</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, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016
(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, 2017, the Association incurred \$77,936 in bad debt expense and wrote off accounts totaling \$142,888 (net of recoveries totaling \$90,770). For the year ended December 31, 2016, the Association incurred \$68,386 in bad debt expense and wrote off accounts totaling \$97,476 (net of recoveries totaling \$45,911). The Association did receive fees relating to deed in lieu of foreclosure that was recorded in miscellaneous income as allowed per Note 6.

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.

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)**

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 primarily composed of payments received in advance for the billing of the next fiscal year.

M. Subsequent Events

Management has evaluated subsequent events through March 31, 2018, 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, 2017 and 2016, respectively:

	<u>12/31/17</u>	<u>12/31/16</u>
Certificates of deposit, maturing within one year, bearing interest at 1.65% per annum	\$ 245,105	-
Certificates of deposit, linked to the Dow Jones Industrial Average Index Interest, maturing in more than one year	<u>47,605</u>	<u>316,875</u>
Total Investments	<u>\$ 292,710</u>	<u>316,875</u>

Included in the Association's investment income for the fiscal years ended December 31, 2017 and 2016 are unrealized gains (losses) totaling (\$2,290) and \$24,772, respectively, with respect to investments held at December 31, 2017 and 2016.

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 2013 by the Internal Revenue Service and for tax years prior to 2012 by the Colorado Department of Revenue.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

5. Fixed Assets

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

<u>Description</u>	<u>12/31/17</u>	<u>12/31/16</u>
Equipment	\$ 99,546	99,546
Vehicles	10,226	10,226
Computer software	76,856	76,856
Less: accumulated depreciation	(149,150)	(137,961)
Net Fixed Assets	\$ 37,478	48,667

Depreciation expense is computed on the straight-line basis and was \$11,190 and \$17,557 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, respectively:

	<u>12/31/17</u>	<u>12/31/16</u>
Accounting fees	\$ 29,546	\$ 28,139
Front desk and reservation fees	1,103,294	1,050,756
HR fee	232,128	221,074
Maintenance	1,069,204	1,079,870
Management fees	313,850	298,904
IT support	18,930	18,028
Resident security	83,126	80,101
Shuttle labor	198,205	196,508
Unit cleaning	2,374,265	2,194,537
Total Expenses	\$ 5,422,548	5,167,917

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017 and 2016
(Continued)

6. Significant Agreements and Transactions (continued)

The net amount owed by the Association to the Management Companies for these services was \$470,389 and \$688,322 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, the Association received \$289,900 and \$191,198, respectively from GPLR for the purchase of inventory units. At December 31, 2017 and 2016, the Association did not own any inventory units.

GPLR pays assessments relating to its owned unit weeks throughout the fiscal year. This amount totaled \$191,292 and \$180,144, during the years ended December 31, 2017 and 2016, respectively. The GPLR assessments excluded cleaning fees of \$61,958 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, 2017 and 2016, the Association paid \$55,777 and \$58,353, 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, 2017, 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 \$531,396 and \$925,679 for the Common Reserve Fund and Unit Reserve Fund, respectively, were reported during the year ended December 31, 2017. During the year ended December 31, 2016, the Association levied assessments of \$412,871 and \$742,509 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, 2017 and 2016
(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, 2017, the Association's uninsured cash balances totaled \$133,162.

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 \$412 beginning on November 1, 2013 through October 31, 2018. During the years ended December 31, 2017 and 2016, 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 provided an energy savings of \$94,229 for 2017 and \$97,774 for 2016 following completion of the repairs. Although not guaranteed, the Association overall 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, 2017
(With Comparative Actual Amounts for December 31, 2016)

	2017			2016
	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Assessments, net of discounts	7,374,544	7,375,228	684	7,215,562
Late fee revenue	180,461	243,574	63,113	179,786
Investment income	292	4,021	3,729	1,051
Miscellaneous income	111,000	261,062	150,062	181,452
Total Revenues	<u>7,666,297</u>	<u>7,883,885</u>	<u>217,588</u>	<u>7,577,851</u>
Expenses:				
Operations:				
Accounting fees and I.T.	48,475	48,476	(1)	46,167
Bad debt expense	44,651	77,936	(33,285)	68,386
Common area amenities	52,110	52,898	(788)	56,463
Credit card fees	55,177	56,240	(1,063)	55,196
Assessment service fees	115,147	101,971	13,176	103,387
Front desk and reservation fees	1,103,294	1,103,294	-	1,050,756
Wifi / reservation system maintenance	62,250	67,554	(5,304)	84,503
Insurance	184,398	160,704	23,694	175,858
Management fees	313,849	313,850	(1)	298,905
H.R. fee	232,130	232,128	2	221,074
Newsletter printing and guest receptions	70,650	71,604	(954)	40,786
Professional fees	41,643	14,782	26,861	24,853
Resident security	82,510	83,126	(616)	76,739
Shuttle service	201,490	198,205	3,285	196,397
Truck lease	4,944	4,940	4	4,940
Board and annual meetings	6,700	13,188	(6,488)	6,358
Subtotal - Operations	<u>2,619,418</u>	<u>2,600,896</u>	<u>18,522</u>	<u>2,510,768</u>
Maintenance:				
Elevator maintenance	28,050	27,502	548	66,977
Fire alarm maintenance	25,602	61,916	(36,314)	29,621
Hot tub and pool maintenance	70,500	89,423	(18,923)	82,838
Landscaping	46,463	40,450	6,013	52,167
Snow removal	8,500	9,770	(1,270)	6,050
Unit maintenance	1,043,513	1,069,204	(25,691)	1,079,871
Subtotal - Maintenance	<u>1,222,628</u>	<u>1,298,265</u>	<u>(75,637)</u>	<u>1,317,524</u>
Housekeeping:				
Cleaning	2,523,469	2,374,265	149,204	2,194,331
Subtotal - Housekeeping	<u>2,523,469</u>	<u>2,374,265</u>	<u>149,204</u>	<u>2,194,331</u>
Utilities:				
Television	25,800	24,196	1,604	29,922
Trash removal	75,835	77,249	(1,414)	80,093
Unit telephones	5,000	4,461	539	4,315
Unit utilities	525,981	518,419	7,562	543,213
Water and sanitation	164,224	155,307	8,917	158,242
Subtotal - Utilities	<u>796,840</u>	<u>779,632</u>	<u>17,208</u>	<u>815,785</u>
Taxes:				
Property tax expense	480,026	415,697	64,329	407,367
Short term rental tax	20,550	20,550	-	20,550
Subtotal - Taxes	<u>500,576</u>	<u>436,247</u>	<u>64,329</u>	<u>427,917</u>
Energy Savings:				
Energy savings transferred to Replacement Fund	94,229	94,229	-	97,774
Subtotal - Energy Savings	<u>94,229</u>	<u>94,229</u>	<u>-</u>	<u>97,774</u>
Total Expenses	<u>7,757,160</u>	<u>7,583,534</u>	<u>173,626</u>	<u>7,364,099</u>
Excess (Deficiency) of Revenues Over Expenses - Budget Basis		300,351		213,752
Adjustments to Budget Basis:				
Gain (Loss) on disposal of assets		-		(2,098)
Depreciation expense		(11,190)		(17,557)
Transfer to other fund		(299,647)		(29,788)
Total Adjustments		<u>(310,837)</u>		<u>(49,443)</u>
Excess (Deficiency) of Revenues Over Expenses - (GAAP) Basis		<u>(10,486)</u>		<u>164,309</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, 2017
(Unaudited)

During the fiscal year ended December 31, 2017, 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, 2017 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:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Actual Fund Balance at December 31, 2017</u>
Amentity	0 - 8	281,721	
Aquatics	1 - 16	331,806	
Doors	0 - 8	832,509	
Electronics	0 - 3	9,785	
Flooring	1 - 7	415,395	
Furnishing	1 - 30	557,998	
HVAC	2 - 26	3,229,921	
IT	0	25,185	
Lighting	0 - 16	288,486	
Paint	0 - 4	738,188	
Roofing	6 - 13	1,529,104	
Safety	0 - 21	919,417	
Signs	4 - 10	28,380	
Trim	2 - 5	188,163	
Update	0 - 17	1,951,612	
Windows	0 - 23	7,132,204	
Total		<u>18,459,874</u>	<u>405,508</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, 2017
(Unaudited)

During the fiscal year ended December 31, 2017, 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, 2017 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:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Actual Fund Balance at December 31, 2017</u>
Appliance	0 - 16	752,810	
Appliances	5 - 16	47,850	
Electrical	0	17,300	
Electronics	0 - 2	287,924	
Finish	4 - 16	592,400	
Flooring	1 - 16	2,676,497	
Furnishings	0 - 16	9,183,721	
HVAC	2 - 9	376,047	
Interior component	0 - 9	100,000	
IT	1	100,000	
Lighting	6	80,000	
Painting	1 - 4	240,000	
PAR	0 - 4	286,915	
Safety	1	25,205	
Unit	4 - 16	1,164,255	
Contingency	5 - 16	48,820	
Total		<u>15,979,744</u>	<u>32,060</u>

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