

Grand Colorado on Peak 8
Financial Report
December 31, 2018 and 2017



**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
December 31, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Grand Colorado on Peak 8
Breckenridge, CO**

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Colorado on Peak 8 (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2018, 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 Colorado on Peak 8 as of December 31, 2018, 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 Colorado on Peak 8
Breckenridge, CO**

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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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.
April 30, 2019**

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>			<u>2017</u>
	<u>Operating Fund</u>	<u>Common Reserve Fund</u>	<u>Unit Reserve Fund</u>	<u>Total</u>
Assets:				Total
Cash in banks	708,169	386,352	386,351	1,480,872
Investments	-	218,563	218,562	437,125
Member assessments receivable (net of allowance for doubtful accounts of \$17,189 in 2018 and \$2,338 in 2017)	56,601	-	-	56,601
Accounts receivable - Other	(3,678)	-	-	(3,678)
Unit supplies inventory	24,619	-	-	24,619
Prepaid expenses	7,726	-	-	7,726
Due from (to) other funds	22,235	(104,022)	81,787	-
Fixed assets (net of accumulated depreciation of \$9,091 in 2018 and \$752 in 2017)	65,238	-	-	65,238
Total Assets	<u>880,910</u>	<u>500,893</u>	<u>686,700</u>	<u>2,068,503</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	57,909	-	-	57,909
Deferred assessment revenue	121,283	-	-	121,283
Property taxes payable	445,509	-	-	445,509
Due to (from) Management Companies	301,443	-	-	301,443
Income taxes payable	2,000	-	-	2,000
Total Liabilities	<u>928,144</u>	<u>-</u>	<u>-</u>	<u>928,144</u>
Fund Balances (Deficit)	<u>(47,234)</u>	<u>500,893</u>	<u>686,700</u>	<u>1,140,359</u>
Total Liabilities and Fund Balances (Deficit)	<u>880,910</u>	<u>500,893</u>	<u>686,700</u>	<u>2,068,503</u>

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	4,785,837	288,516	481,660	5,556,013	3,126,024
Developer subsidy	433,657	-	-	433,657	1,263,309
Interest income	-	(19,931)	(19,931)	(39,862)	(21,319)
Late fee revenue	52,699	-	-	52,699	34,434
Miscellaneous income	16,345	-	-	16,345	2,737
Total Revenues	<u>5,288,538</u>	<u>268,585</u>	<u>461,729</u>	<u>6,018,852</u>	<u>4,405,185</u>
Expenses:					
Accounting fees and I.T.	226,334	-	-	226,334	215,556
Activities	57,521	-	-	57,521	65,398
Assessment servicing fees	55,293	-	-	55,293	17,382
Bad debt expense	21,067	-	-	21,067	4,445
Common area amenities	107,456	-	-	107,456	105,791
Common area cleaning	703,284	-	-	703,284	362,671
Credit card fees	31,672	-	-	31,672	17,352
Depreciation	8,339	-	-	8,339	752
Elevator maintenance	28,242	-	-	28,242	6,430
Fire alarm maintenance	11,892	-	-	11,892	2,675
Front desk and reservation fees	901,314	-	-	901,314	700,137
Hot tub and pool maintenance	38,231	-	-	38,231	35,575
HR fees	256,629	-	-	256,629	136,066
Insurance	103,058	-	-	103,058	69,900
Landscaping	8,470	-	-	8,470	4,291
Operations	502,747	-	-	502,747	294,604
Printing and key fobs	41,704	-	-	41,704	35,993
Professional fees	14,397	-	-	14,397	1,452
Property tax expense	445,509	-	-	445,509	193,211
Security	114,727	-	-	114,727	101,402
Short term rental tax	9,975	-	-	9,975	7,225
Snow removal	1,365	-	-	1,365	-
Television	18,323	-	-	18,323	11,216
Trash removal	28,394	-	-	28,394	27,682
Board and annual meetings	11,208	-	-	11,208	4,770
Truck lease	16,710	-	-	16,710	20,639
Cleaning	685,391	-	-	685,391	469,695
Engineering	639,114	-	-	639,114	472,415
Unit telephones	38,571	-	-	38,571	43,797
Unit utilities	337,968	-	-	337,968	210,982
Water and sanitation	82,512	-	-	82,512	52,325
Common reserve - Building exterior	-	24,380	-	24,380	-
Common reserve - Common area finishes	-	1,960	-	1,960	-
Unit reserve - Furniture	-	-	18,093	18,093	-
Total Expenses	<u>5,547,417</u>	<u>26,340</u>	<u>18,093</u>	<u>5,591,850</u>	<u>3,691,829</u>
Excess (Deficiency) of Revenues Over Expenses	(258,879)	242,245	443,636	427,002	713,356
Beginning Fund Balances (Deficit)	<u>211,645</u>	<u>258,648</u>	<u>243,064</u>	<u>713,357</u>	<u>-</u>
Ending Fund Balances (Deficit)	<u>(47,234)</u>	<u>500,893</u>	<u>686,700</u>	<u>1,140,359</u>	<u>713,356</u>

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	4,765,621	288,516	481,660	5,535,797	3,280,867
Interest received	-	838	839	1,677	17
Cash received from other sources	450,002	-	-	450,002	1,266,046
Cash transfers from (to) other funds	54,734	73,329	(128,063)	-	-
Cash payments for goods and services	(4,879,737)	(26,340)	(18,093)	(4,924,170)	(3,363,824)
Cash paid for property taxes	(192,211)	-	-	(192,211)	1,000
Net Cash Provided (Used) By Operating Activities	<u>198,409</u>	<u>336,343</u>	<u>336,343</u>	<u>871,095</u>	<u>1,184,106</u>
Cash Flows From Investing Activities:					
Purchases of investments	-	-	-	-	(595,000)
Sales and redemptions of investments	-	47,500	47,500	95,000	-
Purchase of equipment	(68,686)	-	-	(68,686)	(5,643)
Net Cash Provided (Used) by Investing Activities	<u>(68,686)</u>	<u>47,500</u>	<u>47,500</u>	<u>26,314</u>	<u>(600,643)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	129,723	383,843	383,843	897,409	583,463
Cash and Cash Equivalents - Beginning of Year	578,446	2,509	2,508	583,463	-
Cash and Cash Equivalents - End of Year	<u>708,169</u>	<u>386,352</u>	<u>386,351</u>	<u>1,480,872</u>	<u>583,463</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:					
Excess (deficiency) of revenues over expenses	(258,879)	242,245	443,636	427,002	713,356
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:					
Depreciation	8,339	-	-	8,339	752
Unrealized (gain) loss on investments	-	20,769	20,770	41,539	21,336
(Increase) decrease in assessments receivable	(41,120)	-	-	(41,120)	(32,670)
Increase (decrease) in allowance for doubtful accounts	14,851	-	-	14,851	2,338
(Increase) decrease in other receivables	3,678	-	-	3,678	-
(Increase) decrease in inventory	(11,371)	-	-	(11,371)	(13,248)
(Increase) decrease in prepaid expenses	(6,450)	-	-	(6,450)	(1,276)
Cash transfers from (to) other funds	54,734	73,329	(128,063)	-	-
Increase (decrease) in accounts payable	8,041	-	-	8,041	49,869
Increase (decrease) in deferred assessment revenue	(31,796)	-	-	(31,796)	153,079
Increase (decrease) in property taxes payable	252,298	-	-	252,298	193,211
Increase (decrease) in due to related parties	205,084	-	-	205,084	96,359
Increase (decrease) in income taxes payable	1,000	-	-	1,000	1,000
Total Adjustments	<u>457,288</u>	<u>94,098</u>	<u>(107,293)</u>	<u>444,093</u>	<u>470,750</u>
Net Cash Provided (Used) By Operating Activities	<u>198,409</u>	<u>336,343</u>	<u>336,343</u>	<u>871,095</u>	<u>1,184,106</u>

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

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018**

1. Organization

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

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

- a. Sixty days after conveyance of 75% of the units that may be created to owners other than the Declarant;
- b. Two years after the last conveyance of a unit by a Declarant in the ordinary course of business;
- c. Two years after any right to add new units was last exercised,

The Association remained under Declarant control at December 31, 2018.

At December 31, 2018, the Association consisted of 160 units, which included 150 timeshare units and 10 commercial units. The maximum number of units permitted in the Association’s declarations is 268, which include 253 timeshare units and 15 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, 2018, 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.

B. Investment Income Allocation

Interest income is recorded in the fund holding the underlying source of investment income.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018**

2. Summary of Significant Accounting Policies (continued)

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.

E. Cash and Cash Equivalents

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

F. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposits are intended to fund Replacement Fund expenditures and may provide a ready source of cash when 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.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018**

2. Summary of Significant Accounting Policies (continued)

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, 2018, the Association incurred \$21,067 in bad debt expense and wrote off accounts totaling \$6,214 (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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Assessment Revenue

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

M. Subsequent Events

Management has evaluated subsequent events through April 30, 2019, 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 not subject to examination for tax years three years prior by the Internal Revenue Service and for tax years for four years prior by the Colorado Department of Revenue. The Association submitted an initial tax return for the year ending December 31, 2017.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018**

4. Investments

The Association's investments were comprised of the following certificates of deposit at December 31, 2018.

	<u>12/31/18</u>	<u>12/31/17</u>
Certificates of deposit, maturing within one year, bearing interest at 1.750% per annum	\$ -	95,014
Certificates of deposit linked to the Dow Jones Industrial Average, maturing on January 3, 2024	\$ 223,500	238,025
Certificates of deposit linked to the Standard and Poor's 500 index, maturing on January 6, 2025	<u>213,625</u>	<u>240,625</u>
Total Investments	<u>\$ 437,125</u>	<u>573,664</u>

Included in the Association's investment income for the fiscal year ending December 31, 2018 is unrealized gains (losses) totaling (\$20,763).

5. Fixed Assets

Fixed assets are summarized below:

<u>Description</u>	<u>12/31/18</u>	<u>12/31/17</u>
Equipment	\$ 45,115	\$ 5,643
Vehicles	29,214	-
Less: Accumulated depreciation	<u>(9,091)</u>	<u>(752)</u>
Net Fixed Assets	<u>\$ 65,238</u>	<u>\$ 4,891</u>

Depreciation expense is computed on a straight-line basis and was \$8,339 and \$752 for the years ended December 31, 2018 and 2017.

8. Significant Agreements and Transactions

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

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018**

8. Significant Agreements and Transactions (continued)

The Association's Declarations requires all owners to be assessed based upon the number of units completed (90) at the start of the fiscal year. Based upon the budget approved by the board of directors, the owners (with the exception of the commercial units) are actually being assessed as if all units were completed for the common area and amenity expenses. Based upon the approved budget, Peak 8 Properties, L.L.C. has agreed to pay the difference in the form of a developer subsidy.

Peak 8 Properties, L.L.C. pays assessments relating to its owned unit weeks throughout the year. The Association earned \$1,734,441 of 2018 revenue from Peak 8 Properties, L.L.C through assessments. Peak 8 Properties, L.L.C's assessments excluded cleaning fees of \$348,569 related to services not incurred in unoccupied units. Peak 8 Properties, L.L.C contributed an additional \$433,657 to the Association to help fund operations during the year ended December 31, 2018. The Association earned 36% of its total 2018 revenue from Peak 8 Properties, L.L.C.

Effective August 15, 2015, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by the Peak 8 Properties, L.L.C., to provide all services and personnel required to administer the affairs of the Association. The management fee is equal to 2.5% of the Association annual budget during the initial two years, and after the initial two years will increase up to 5% at the beginning of each year. The initial term of the agreement is for ten years, and elapses on December 31, 2024. After the initial term, the agreement automatically renews for five year periods, under the same terms and conditions as the original agreement, unless cancelled by either party. This agreement may be terminated by the Association for cause, as defined in the agreement. Breckenridge Grand Vacations may resign as manager with or without cause. However, Breckenridge Grand Vacations cannot resign until the Association obtains a substitute managing agent or until 180 days from the resignation notification date.

During the year ended December 31, 2018, 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 year ended December 31, 2018.

	<u>2018</u>	<u>2017</u>
Accounting fees and I.T.	\$ 226,334	\$ 215,556
Front desk and reservation fees	901,314	700,137
HR fees	256,629	136,066
Engineering	639,114	472,415
Management fees	157,044	-
Cleaning	1,388,675	832,366
Security	114,727	101,402
Operations	345,703	294,604
Activities	57,521	65,398
Total Expenses	<u>\$ 4,029,540</u>	<u>\$ 2,752,546</u>

Approximately 72% of the Association's total 2018 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was \$301,443 at December 31, 2018.

**Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018**

8. Significant Agreements and Transactions (continued)

On October 25, 2016, the Association entered into an agreement with Concord Servicing Corporation to perform billings of assessments. The initial term began from the date of the agreement and is automatically renewed for 12 month terms until written notice of termination. The fee may increase annually by 1.5 times the increase in the Consumer Price Index. For the year ended December 31, 2018, the Association paid \$26,007, 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.

The Association has an external reserve study performed every 5 years to update estimates for future repairs and replacements and maintenance. In addition to the formal study Management also performs an annual internal inspection to update these estimates.

The Association commissioned a reserve study 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. Management updates estimates from the reserve study annually through inspection and periodic review by outside consultants. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners for anticipated costs, and accumulating funds in reserve to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Funds. Assessments of \$288,516 and \$481,660 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2018.

Funds being accumulated in the Common Reserve Fund and Units Reserve Funds are based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, 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, 2018 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution. At December 31, 2018, the Association's uninsured cash balances totaled \$1,120,212.

Grand Colorado on Peak 8
(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, 2018
(With Comparative Actual Amounts for 2017)

	2018		Variance Favorable (Unfavorable)	2017
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments, net of discounts	5,226,318	4,785,837	(440,481)	2,602,993
Developer subsidy	455,281	433,657	(21,624)	1,263,309
Interest income	20	-	(20)	-
Late fee revenue	35,715	52,699	16,984	34,434
Miscellaneous income	1,700	16,345	14,645	2,737
Total Revenues	<u>5,719,034</u>	<u>5,288,538</u>	<u>(430,496)</u>	<u>3,903,473</u>
Expenses:				
Accounting fees and I.T.	226,336	226,334	2	215,556
Activities	63,818	57,521	6,297	65,398
Assessment servicing fees	30,413	55,293	(24,880)	17,382
Bad debt expense	17,747	21,067	(3,320)	4,445
Common area amenities	91,000	107,456	(16,456)	105,791
Common area cleaning	533,972	703,284	(169,312)	362,671
Credit card fees	57,394	31,672	25,722	17,352
Elevator maintenance	28,750	28,242	508	6,430
Fire alarm maintenance	15,065	11,892	3,173	2,675
Front desk and reservation fees	935,883	901,314	34,569	700,137
Hot tub and pool maintenance	43,200	38,231	4,969	35,575
HR Fees	256,624	256,629	(5)	136,066
Insurance	84,630	103,058	(18,428)	69,900
Landscaping	9,000	8,470	530	4,291
Operations	512,292	502,747	9,545	294,604
Printing and key fobs	53,000	41,704	11,296	35,993
Professional fees	11,817	14,397	(2,580)	1,452
Property tax expense	490,457	445,509	44,948	193,211
Security	105,955	114,727	(8,772)	101,402
Short term rental tax	9,700	9,975	(275)	7,225
Snow removal	3,000	1,365	1,635	-
Television	15,774	18,323	(2,549)	11,216
Trash removal	59,772	28,394	31,378	27,682
Board and annual meetings	6,150	11,208	(5,058)	4,770
Truck lease	21,732	16,710	5,022	20,639
Cleaning	1,028,753	685,391	343,362	469,695
Engineering	659,722	639,114	20,608	472,415
Unit telephones	43,850	38,571	5,279	43,797
Unit utilities	315,650	337,968	(22,318)	210,982
Water and sanitation	86,450	82,512	3,938	52,325
Total Expenses	<u>5,817,906</u>	<u>5,539,078</u>	<u>278,828</u>	<u>3,691,077</u>
Excess (Deficiency) of Revenue Over Expenses - Budget Basis		(250,540)		212,396
Adjustments to Budget Basis:				
Depreciation expense		(8,339)		(752)
Total Adjustments		<u>(8,339)</u>		<u>(752)</u>
Excess (Deficiency) of Revenues Over Expenses - GAAP Basis		(258,879)		211,644

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Common Reserve Fund
December 31, 2018
(Unaudited)

During the fiscal year ended December 31, 2018, management performed an internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, 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, 2018, 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 Future Replacement Costs</u>	<u>Components of Fund Balance at December 31, 2018</u>
Amenity	2 - 30	\$637,129	
Aquatics	3 - 19	1,200,297	
Boilers	6 - 33	1,727,678	
Contingency	1	20,557	
Doors	8 - 28	4,582,247	
Electronics	3 - 14	102,206	
Elevators	8 - 33	3,429,780	
Flooring	4 - 19	1,095,882	
Furnishing	4 - 18	247,243	
Furnishings	6 - 9	80,198	
Housekeeping	1 - 13	113,777	
HVAC	6 - 28	992,815	
IT	0 - 8	115,596	
Lighting	12 - 23	716,701	
Paint	8 - 13	891,709	
Plumbing	19	11,688	
Roof	23 - 28	2,753,234	
Safety	3 - 9	51,390	
Signs	22 - 29	252,271	
Stonework	9 - 13	97,757	
Theaters	4 - 19	441,554	
Trim	24 - 28	425,658	
Windows	5 - 33	9,012,163	
Total		<u><u>28,999,530</u></u>	<u><u>500,893</u></u>

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

Grand Colorado on Peak 8
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Unit Reserve Fund
December 31, 2018
(Unaudited)

During the fiscal year ended December 31, 2018, management performed an internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, 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, 2018, 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, 2018
Appliance	19 - 30	\$660,697	
Contingency	1	15,000	
Doors	19 - 30	605,500	
Drywall	19 - 30	287,650	
Electrical	19 - 30	102,825	
Electronics	3 - 8	714,808	
Flooring	5 - 30	2,279,490	
Furnishing	2 - 30	5,899,290	
HVAC	14 - 29	1,407,500	
Insulation	19 - 30	95,640	
IT	2 - 19	143,425	
Labor	19 - 30	1,675,972	
Lighting	4 - 30	441,575	
Paint	7 - 30	409,250	
PAR	3 - 8	279,925	
Permit	19 - 30	202,400	
Plumbing	19 - 30	758,272	
Safety	9 - 13	66,500	
Unit	6 - 7	147,000	
Total		<u>16,045,719</u>	<u>686,700</u>

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