

The Lodge at Lionshead III Condominium Association

Financial Report

October 31, 2019



**The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
October 31, 2019**

Table of Contents

	Page
INDEPENDANT ACCOUNTANT'S REVIEW REPORT	1 - 2
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balances	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 9
Supplementary Information:	
Comparison of Operating Fund Revenues and Expenses - Budget (Non-GAAP Basis) to Actual With Reconciliation to GAAP Basis	10
Schedule of Replacement Fund Expenses	11
Schedule of Future Major Repairs and Replacements	12 – 13



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Board of Directors
The Lodge at Lionshead III Condominium Association
Vail, Colorado**

Report on the Financial Statements

We have reviewed the accompanying balance sheets of The Lodge at Lionshead III Condominium Association (the "Association"), a Colorado non-profit corporation, as of October 31, 2019, and the related statements of revenues, expenses and changes in equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such opinion.

Management Responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Other Matters

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with U.S. generally accepted accounting principles. The information included in the accompanying supplemental schedules on pages 10 – 11 is presented only for the purposes of additional analysis. Such information (except the Association's budget, which was compiled from information that is the representation of management, without audit or review, and on which we do not express an opinion or provide any assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Other Matters

The supplementary Schedule of Future Major Repairs and Replacements on pages 12-13 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have compiled the supplementary information from information that is the representation of management the Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
January 20, 2020

The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Balance Sheets
October 31, 2019
(With Comparative Totals for 2018)

	2019		2018	
	Operating Fund	Replacement Fund	Total	Total
Assets:				
Current Assets:				
Cash in bank	28,391	65,203	93,594	138,451
Accounts receivable	52,730	-	52,730	50,610
Prepaid expenses	23,305	-	23,305	21,466
Due (to) from other fund	7,839	(7,839)	-	-
Total Current Assets	<u>112,265</u>	<u>57,364</u>	<u>169,629</u>	<u>210,527</u>
Fixed Assets:				
Condominium Unit C-3	10,010	-	10,010	10,010
Condominium Unit 290	14,708	-	14,708	14,708
Accumulated depreciation	(21,198)	-	(21,198)	(20,580)
Net Fixed Assets	<u>3,520</u>	<u>-</u>	<u>3,520</u>	<u>4,138</u>
Total Assets	<u>115,785</u>	<u>57,364</u>	<u>173,149</u>	<u>214,665</u>
Liabilities and Equity:				
Liabilities:				
Current Liabilities:				
Accounts payable	8,889	6,487	15,376	10,249
Deferred assessments	71,532	-	71,532	76,890
Total Current Liabilities	<u>80,421</u>	<u>6,487</u>	<u>86,908</u>	<u>87,139</u>
Equity:				
Working capital	33,337	-	33,337	33,337
Fund balances	2,027	50,877	52,904	94,189
Total Equity	<u>35,364</u>	<u>50,877</u>	<u>86,241</u>	<u>127,526</u>
Total Liabilities and Equity	<u>115,785</u>	<u>57,364</u>	<u>173,149</u>	<u>214,665</u>

See accompanying notes and Independent Accountant's Review Report.

The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended October 31, 2019
(With Comparative Totals for 2018)

	2019		2018
	Operating Fund	Replacement Fund	Total
Revenues:			
Common assessment	236,109	-	236,109
Replacement assessments	-	39,840	39,840
Interest income	-	137	111
Total Revenues	236,109	39,977	276,086
Expenses:			
Owner's meeting	41	-	41
Building maintenance	14,619	-	14,619
Unit C-3 expenses	2,489	-	2,489
Cable TV	9,085	-	9,085
Common cleaning	6,477	-	6,477
Depreciation	618	-	618
Electricity	9,305	-	9,305
Elevator	11,587	-	11,587
Fire System - test & inspect	1,556	-	1,556
Unit 290 expenses	1,032	-	1,032
Gas - Snowmelt systems	6,269	-	6,269
Gas - Pool	5,200	-	5,200
Insurance	39,578	-	39,578
Landscape maintenance	13,554	-	13,839
Management fee	45,064	-	42,918
Internet service	2,300	-	2,264
Office	663	-	604
Legal fees	9,236	-	15,057
Accounting fees	4,080	-	3,975
Maintenance man	20,238	-	19,787
Pool maintenance	8,165	-	8,586
Snow removal	11,577	-	8,353
Trash removal	5,178	-	5,950
Water and sewer	12,551	-	11,820
Replacement expenses	-	76,909	33,421
Total Expenses	240,462	76,909	317,371
Excess of Revenues Over Expenses	(4,353)	(36,932)	(41,285)
Beginning Fund Balances	6,380	87,809	94,189
Ending Fund Balances	2,027	50,877	94,189

See accompanying notes and Independent Accountant's Review Report.

The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended October 31, 2019
(With Comparative Totals for 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Cash received from owners	228,631	39,840	268,471	272,590
Cash received from interest	-	137	137	111
Transfers	(55,499)	55,499	-	-
Cash paid for goods and services	(243,043)	(70,422)	(313,465)	(275,719)
Net Cash Provided by Operating Activities	<u>(69,911)</u>	<u>25,054</u>	<u>(44,857)</u>	<u>(3,018)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(69,911)	25,054	(44,857)	(3,018)
Net Cash and Cash Equivalents - Beginning of Year	<u>98,302</u>	<u>40,149</u>	<u>138,451</u>	<u>141,469</u>
Net Cash and Cash Equivalents - End of Year	<u><u>28,391</u></u>	<u><u>65,203</u></u>	<u><u>93,594</u></u>	<u><u>138,451</u></u>
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Excess of revenues over expenses	<u>(4,353)</u>	<u>(36,932)</u>	<u>(41,285)</u>	<u>3,488</u>
Adjustments to reconcile:				
Depreciation	618	-	618	618
(Increase) decrease in accounts receivable	(2,120)	-	(2,120)	(12,501)
(Increase) decrease in prepaid expenses	(1,839)	-	(1,839)	(2,452)
Increase (decrease) in accounts payable	(1,360)	6,487	5,127	(4,172)
Increase (decrease) in deferred assessments	(5,358)	-	(5,358)	12,001
Transfers	(55,499)	55,499	-	-
Total Adjustments	<u>(65,558)</u>	<u>61,986</u>	<u>(3,572)</u>	<u>(6,506)</u>
Net Cash Provided by Operating Activities	<u><u>(69,911)</u></u>	<u><u>25,054</u></u>	<u><u>(44,857)</u></u>	<u><u>(3,018)</u></u>

See accompanying notes and Independent Accountant's Review Report.

The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2019

1. Organization

The Lodge at Lionshead III Condominium Association ("Association") is a statutory condominium association organized as a not-for-profit corporation in the State of Colorado for the purposes of maintaining and preserving the common property. The Association consists of twelve (12) residential units and began operations in 1978.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The common expenses of the Association are paid by the Association for its members. The Board of Managers estimates the expenses, and the Association's members are assessed for their pro-rata share.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as the Operating Fund and funds for future major repairs and replacements (Replacement Fund), be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Managers or Property Manager. Disbursements from the Replacement Fund may be made only for their designated purposes.

C. Cash Equivalents

For purposes of the statements of cash flows, the Association defines cash equivalents as all highly liquid investments with a maturity of less than three months.

D. Interest Allocation

For the year ending October 31, 2019, all interest earnings have been allocated to the Replacement Fund.

E. Recognition of Assets

Real and personal property acquired by the Association is recognized on the Association's financial statements as capitalized fixed assets and is recorded at cost. The property is depreciated over its estimated useful life using the straight-line method of depreciation.

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

F. Accounts Receivable

The Association recognizes bad debts by the allowance method. No provision for doubtful accounts has been made because all amounts are considered collectable.

The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

G. Prepaid Expenses

Prepaid expenses represent goods and services paid for in fiscal year 2019 for expenses associated with fiscal year 2020.

H. Accounts Payable

Accounts payable represented goods and services rendered in fiscal year 2019, but not paid for until fiscal year 2020.

I. Deferred Assessments

The Association bills owners for quarterly assessments in advance. The deferred assessments represent payments received for the quarter beginning November 1, 2019.

J. Due To/From Other Funds

At times cash is disbursed or received on behalf of another fund. Processing transactions in this manner results in a liability to or receivable from the other fund. All interfund receivables and payables are periodically settled.

K. Working Capital

According to the Declarations of the Association, each owner is required to pay two months of common assessments as working capital. The assessment is refunded when a unit is sold and the new unit owner is assessed for working capital.

L. 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.

M. Income Taxes

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination for tax years prior to 2016 by the Internal Revenue Service and for tax years prior to 2015 by the Colorado Department of Revenue.

3. Fixed Assets

On August 1, 1978, the Association purchased a 26% interest in the office space known as condominium Unit C-3, in The Lodge at Lionshead. The total purchase price was \$38,500. The Association's share of the cost was \$10,010.

On April 10, 1990, the Association purchased a 20% interest in an employee housing unit known as condominium Unit 290, in The Lodge at Lionshead. The total purchase price was \$73,000 and the Association's share of the cost was \$14,708.

The units are being depreciated over their estimated useful life of forty years.

The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2019
(Continued)

4. Owners' Assessments

The annual budget and assessments of owners are determined by The Board of Managers and are approved by the owners. The Association retains excess operating funds at the end of the operating year for use in future operating periods.

5. Federal and State Taxes

The Association has filed for and obtained non-profit status from the State of Colorado. The Association is not tax exempt for Federal and State income tax purposes and therefore must file Federal and State income tax returns as a corporation for profit.

6. Management Contract

Peak Resorts Services, Inc. has been the managing agent for the Association since 1983. The current contract term is from May 2019 through April 2024. The contract includes a monthly management fee for services to maintain and upkeep the common elements of the Association. The contract also includes a 5% Capital Replacement Project Planning and Supervision Fee, based on the actual expenditures of all capital replacement projects.

The Association incurred the following expenses to Peak Resort Services, Inc. for the year ended October 31, 2019:

Management fee	45,064
Snow removal	7,226
Lawn care	4,715
Misc	534
Pool maintenance	6,540
Building maintenance	10,321
Maintenance man	20,238
Common area cleaning	4,555
	\$ 99,193

At October 31, 2019, the Association had \$5,878 payable to Peak Resort Services, Inc.

7. Future Major Repairs and Replacements

The Association's governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for operations.

The Board of Managers commissioned an independent engineering study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information for the Schedule of Future Major Repairs and Replacements is based on the study.

The Association is funding for 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 Fund. The Replacement Fund assessments for the year ended October 31, 2019 were \$39,840.

**The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2019
(Continued)**

7. Future Major Repairs and Replacements (continued)

Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Replacement Fund had a balance of \$50,877 at October 31, 2019.

8. Cost Sharing and Related Associations

The Association is located adjacent to Lionshead Phase I and Phase II condominium associations. Common expenses are shared between the associations and management company as follows:

<u>Expense</u>	<u>Lionshead Phase I</u>	<u>Lionshead Phase II</u>	<u>Lodge at Lionshead III</u>	<u>Peak Resort Service, Inc.</u>
General use <i>(includes maintenance man, supplies, equipment and tools)</i>	37%	37%	26%	-
Driveway <i>(includes operating and capital expenses)</i>	-	66%	34%	-
Unit 290 Employee housing <i>(includes assessments, taxes and maintenance)</i>	37%	37%	20%	6%
Unit C-3 Office space <i>(includes assessments, taxes and maintenance)</i>	37%	37%	26%	-
Fitness center equipment	37%	37%	26%	-

9. Subsequent Events

Management has evaluated subsequent events through January 20, 2020; the date these financial statements were available to be issued.

**The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Comparison of Operating Fund Revenues and Expenses
Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis
For the Year Ended October 31, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>		Variance Positive (Negative)	<u>2018</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Assessments	236,109	236,109	-	233,250
Total Revenues	<u>236,109</u>	<u>236,109</u>	<u>-</u>	<u>233,250</u>
Expenses:				
Owner's meeting	600	41	559	1,091
Building maintenance	15,000	14,619	381	14,026
Unit C-3 expenses	3,200	2,489	711	3,802
Cable TV	9,000	9,085	(85)	8,066
Common cleaning	7,000	6,477	523	6,501
Contingency	144	-	144	-
Electricity	8,900	9,305	(405)	8,823
Elevator	11,000	11,587	(587)	9,573
Fire System - Test & Inspect	2,200	1,556	644	2,160
Unit 290 expense	1,100	1,032	68	1,267
Gas - Snowmelt systems	6,000	6,269	(269)	3,914
Gas - Pool	4,500	5,200	(700)	4,423
Insurance	40,000	39,578	422	38,875
Landscape maintenance	13,000	13,554	(554)	13,839
Management fee	45,065	45,064	1	42,918
Internet service	1,750	2,300	(550)	2,264
Office	750	663	87	604
Legal fees	6,000	9,236	(3,236)	15,057
Accounting fees	4,000	4,080	(80)	3,975
Maintenance man	21,500	20,238	1,262	19,787
Pool maintenance	8,000	8,165	(165)	8,586
Snow removal	10,000	11,577	(1,577)	8,353
Trash removal	6,200	5,178	1,022	5,950
Water and sewer	11,200	12,551	(1,351)	11,820
Total Expenses (Budget Basis)	<u>236,109</u>	<u>239,844</u>	<u>(3,735)</u>	<u>235,674</u>
Reconciliation to GAAP Basis:				
Depreciation		618		618
Total Expenses (GAAP Basis)		<u>240,462</u>		<u>236,292</u>

See accompanying notes and Independent Accountant's Review Report.

**The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Replacement Fund Expenses
For the Year Ended October 31, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
Replacement Fund Expenses:		
Mechanical systems	34,868	2,610
Stairwell heaters	4,908	-
Driveway snowmelt system	-	8,359
Alarm system	13,940	290
Exterior trim	4,529	-
Electrical systems	2,742	2,184
Structural componant	1,950	-
Comcast conversion	1,507	-
Fitness center	1,419	-
landscape	929	-
Roof and deck drains	2,266	-
Pool / Hot tub	2,390	11,317
PRSI project supervision fee	1,493	3,556
Miscellaneous equipment	-	1,309
Common area painting	2,676	780
Door / Gate hardware	-	3,016
Misc tools and Equipment	1,292	-
Total Expenses (Budget Basis)	<u><u>76,909</u></u>	<u><u>33,421</u></u>

See accompanying notes and Independent Accountant's Review Report.

**The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Supplementary Information
Schedule of Future Major Repairs and Replacements
October 31, 2019**

The Association commissioned a study in 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were prepared by Peak Resort Services, Inc.

The Board has elected not to allocate the balance of the Replacement Fund at October 31, 2019 to individual components of the general common elements.

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	Components of Fund Balance at October 31, 2019
Pool/Filter system	1	1,648	
Exterior building resurfacing	1	60,000	
Exterior stucco major patch	1	5,000	
Exterior stairs wood replacement	1	245,000	
Carport roof	1	20,000	
Main roof chimney caps	1	12,500	
Roof	1	170,000	
Roof skylight replacement	1	30,000	
Pool/Spa cover	2	500	
Fire system engineering	2	20,000	
Front entry door replacement	2	50,000	
Pool/Spa pumps	2	750	
Garage overhead lighting	2	5,150	
Pool/Spa heat exchangers	2	5,150	
Ski lockers	2	20,500	
Garage floor resurfacing	2	10,000	
Snowmelt system west walk and steps	2	35,000	
Lighting exterior lamps	3	7,500	
Elevator modernization	3	250,000	
Building sprinkler and fire alarm retrofit	3	850,000	
Fire sprinkler system garage	3	20,000	
Garage door	3	5,500	
Pool furniture	3	13,261	
East and west exterior side doors	3	10,000	
Interior single access doors	3	7,500	
Common area interior flooring	3	25,000	
Common area renovation	3	75,000	

**The Lodge at Lionshead III Condominium Association
(A Colorado Non-Profit Corporation)
Supplementary Information
Schedule of Future Major Repairs and Replacements
October 31, 2019
(Continued)**

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at October 31, 2019</u>
Elevator cab rebuild	3	20,000	
Pool/Spa pumps	3	869	
Property signage	3	3,500	
Garage runners	3	3,671	
Perimeter fence stain	3	4,244	
Deck and waterproofing replacement	4	45,000	
Pool/Spa - replastering and tile replace	4	44,337	
Garage wall resurfacing	5	2,652	
Garage owner storage lockers	5	3,500	
Handrail at south stairs	5	820	
Elevator/Hydraulic jacks	5	92,700	
Concrete retaining wall at driveway	5	1,463	
Patio stone flatwork	5	18,269	
Plaza membrane and brick pavers	5	119,405	
Pool/Spa heat exchangers	5	5,970	
Pool/Filter system	5	1,910	
Electrical panel replacements	5	20,000	
Building re-key	5	5,004	
Garage door opener	5	5,067	
Fencing perimeter replacement	6	35,000	
Exterior building resurfacing	10	75,677	
Exterior stucco major patch	10	6,524	
Brick pavers around pool	10	12,458	
Metal roof pool equipment building	10	24,071	
Fire alarm panel	10	12,500	
Common area heaters	10	5,500	
Garage overhead exit and signage	11	1,711	
Shared driveway snowmelt system	15	50,000	
Carport snowmelt system	15	75,353	
		<u>2,652,134</u>	<u>50,877</u>

See accompanying notes and Independent Accountant's Review Report.