CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS
(with supplementary information)

October 31, 2012

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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Chamonix at Woodrun Condominium Association, Inc.
Snowmass Village, Colorado

We have audited the accompanying balance sheet of Chamonix at Woodrun Condominium Association, Inc. as of October 31, 2012, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chamonix at Woodrun Condominium Association, Inc. as of October 31, 2012, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of operating fund revenues and expenses - budget to actual on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 16 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

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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.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
June 4, 2013

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

October 31, 2012

	Operating Fund	Replacement Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 78,819	$ 175,392	$ 254,211
Assessment Receivables	5,503	-	5,503
Prepaid Expenses	3,494		3,494
Interfund Receivables/Payables	759	(759)	-
TOTAL CURRENT ASSETS	**88,575**	**174,633**	**263,208**
PROPERTY & EQUIPMENT			
Employee Units	358,219	-	358,219
Equipment	195,386	-	195,386
Less Accumulated Depreciation	(405,407)	-	(405,407)
TOTAL PROPERTY & EQUIPMENT, NET	**148,198**	**-**	**148,198**
TOTAL ASSETS	**$ 236,773**	**$ 174,633**	**$ 411,406**
LIABILITIES & FUND BALANCE			
CURRENT LIABILITIES			
Due to Management Company	$ 62,703	$ -	$ 62,703
Current Portion of Notes Payable	7,534	-	7,534
TOTAL CURRENT LIABILITIES	**70,237**	**-**	**70,237**
NOTES PAYABLE, NET	**275,769**	-	**275,769**
TOTAL LIABILITIES	**346,006**	**-**	**346,006**
FUND BALANCE			
Developer Contribution	39,000	-	39,000
Fund Balance	(148,233)	174,633	26,400
TOTAL FUND BALANCE	**(109,233)**	**174,633**	**65,400**
TOTAL LIABILITIES & FUND BALANCE	**$ 236,773**	**$ 174,633**	**$ 411,406**

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

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

For the Year Ended October 31, 2012

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	$ 1,008,860	$ 91,697	$ 1,100,557
Employee Unit Rentals	20,220	-	20,220
Interest Income & Finance Charges	2,012	95	2,107
TOTAL REVENUES	**1,031,092**	**91,792**	**1,122,884**
EXPENSES			
Repairs & Maintenance	339,956	-	339,956
Special Projects		130,893	130,893
Utilities	188,218	-	188,218
General & Administrative	434,799	-	434,799
Interest Expense	23,289	-	23,289
Depreciation	35,357	-	35,357
TOTAL EXPENSES	**1,021,619**	**130,893**	**1,152,512**
NET INCOME/(LOSS)	**9,473**	**(39,101)**	**(29,628)**
FUND BALANCE, November 1, 2011	**(118,706)**	**213,734**	**95,028**
FUND BALANCE, October 31, 2012	**$ (109,233)**	**$ 174,633**	**$ 65,400**

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

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended October 31, 2012

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (Deficit) of Revenues Over Expenses	$ 9,473	$ (39,101)	$ (29,628)
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	35,357	-	35,357
(Increase) Decrease in:			
Assessments Receivable	3,761	-	3,761
Prepaid Expenses	(3,494)	-	(3,494)
Increase (Decrease) in:			
Due to Management Company	54,747	-	54,747
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**99,844**	**(39,101)**	**60,743**
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed Assets Purchases	(5,281)	-	(5,281)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(5,281)**	**-**	**(5,281)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal Payments of Notes Payable	(6,950)	-	(6,950)
Interfund Activity	(93,518)	93,518	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(100,468)**	**93,518**	**(6,950)**
NET INCREASE (DECREASE) IN CASH	**(5,905)**	**54,417**	**48,512**
CASH AND CASH EQUIVALENTS, November 30, 2011	**84,724**	**120,975**	**205,699**
CASH AND CASH EQUIVALENTS, October 31, 2012	**$ 78,819**	**$ 175,392**	**$ 254,211**
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest Paid	$ 23,289	$ -	$ 23,289

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

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Chamonix at Woodrun Condominium Association, Inc. was incorporated April 5, 1984 under the laws of the State of Colorado as a nonprofit corporation. The Association is responsible for the operation and maintenance of the common property of the condominium complex. The Chamonix complex is located in the ski resort community of Snowmass Village, Colorado and includes 27 separately owned condominium units and common areas. Primary use of the property is for personal use although some owners participate in a rental program administered by the Snowmass Lodging Company. **The rental program accounting records are separate from the management company accounting records, were not audited, and are not a part of these financial statements.**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD
The Association's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") that have been consistently applied in the preparation of the financial statements.

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

FUND ACCOUNTING
The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

> **Operating Fund**—this fund is used to account for financial resources available for the general operations of the Association.
> **Replacement Fund**—this fund is used to accumulate financial resources designated for future major repairs and replacements.

CASH AND CASH EQUIVALENTS
For purposes of the statement of cash flows, the Association considers money market funds and certificates of deposit with a maturity of three months or less at the time of purchase to be cash equivalents.

INTEREST INCOME
Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

INTERFUND RECEIVABLES/PAYABLES
The operating fund may borrow from or loan to the replacement fund to pay for operating expenses as approved by the board of managers. As of October 31, 2012, the operating fund is owed $759 from the

replacement fund.

MEMBERS ASSESSMENTS

Association members are subject to trimester assessments to provide funds for the Association's operating expenses, special projects and major repairs and replacements. Assessments receivable at October 31, 2012 represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association's policy is to retain legal counsel and to place liens on the properties of unit owners whose assessments are delinquent, as determined by the board of managers. Interest is accrued on balances at rates determined by the board. It is the opinion of the board of managers that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. At October 31, 2012, the Association had $5,503 in delinquent assessments.

CAPITALIZATION AND DEPRECIATION POLICIES

Equipment and furniture purchased with Association funds are capitalized at cost. Equipment and furniture contributed by the developer were capitalized at fair market value as of the date of contribution. Employee units purchased by the Association were capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. Useful lives range from five years for furniture and equipment to 31 1/2 years for employee housing units.

Common real property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements as it is owned by the individual owners in common and not the Association. Likewise, major replacements and improvements to the common real property are not capitalized as the improvements also belong to the owners and not the Association. The Association is responsible for preserving and maintaining common property and has the authority to dispose of capitalized assets it no longer needs.

3. NOTES PAYABLE

$120,000 note with a third party dated July 3, 1990. Interest rate is 7.7842%. Monthly payments of $815, matures July 1, 2030. Loan is collateralized by employee unit E-1.	$ 93,743
$125,219 note with a third party dated July 3, 1990. Interest rate is 7.9397%. Monthly payments of $865, matures July 1, 2030. Loan is collateralized by employee unit E-2.	98,424
$113,000 note with a third party dated July 3, 1990. Interest rate is 8.6348%. Monthly payments of $840, matures July 1, 2030. Loan is collateralized by employee unit E-3.	91,136
	283,303
Less Current Portion	(7,534)
	$ 275,769

Aggregate maturities of long-term debt are follows:

October 31, 2013	$	7,534
2014		8,168
2015		8,855
2016		9,599
Later Years		249,147
	$	283,303

4. INCOME TAX MATTERS

All corporations are required to file income tax returns regardless of the tax liability. For the year ended October 31, 2012 the Association will be taxed as a regular corporation and will file Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income at regular federal and state corporate tax rates. The Association's non-membership income includes employee unit rental income, equipment rental income, and interest earned on cash deposits net of related expenses. For the year ended October 31, 2012 the Association had a taxable loss of $8,691. A net operating loss carryover of $141,652 existed at October 31, 2012. The loss carryover begins to expire in the fiscal year ending October 31, 2018. The Association has not recognized any deferred tax asset in relation to the non-membership loss carryover as the likelihood for the Association to use up the carryover is very remote.

FASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require that management evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Association only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result for disallowance of the position. Should any penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, FASC 740-10 did not have a material effect on the accompanying financial statements. Consequently, no liability is recognized in the accompanying balance sheet for uncertain income tax positions. Further, no interest or penalties related to income taxes have been accrued or charged to expense as of October 31, 2012 or for the year then ended.

As of October 31, 2012, the tax years that remain subject to examination by taxing authorities begin with 2008.

5. LEASE AGREEMENTS

The Association entered into a 99-year lease on October 1, 1997 with the owner of units 22 and 23. The units' owner remodeled and encroached upon common area. In accordance with the lease, the Association received a one-time lump sum payment of $39,460 upon execution in 1997. The lease can be extended for another 99-year term.

The Association entered into a 99-year lease on May 1, 1997 with the owner of unit 21. The units' owner remodeled and encroached upon common area. In accordance with the lease, the Association received a one-time lump sum payment of $35,000 upon execution in 1997. The lease can be extended for another 99-year term.

6. OPERATING FUND BALANCE - DIFFERENT METHODS OF ACCOUNTING

In an effort to keep assessments as reasonable as possible, the Association's assessment for the employee units is being calculated on a cash basis, to include only actual cash costs to the Association. Thus, depreciation (a non-cash expense) is excluded from the assessment, while principal payments are included. Generally accepted accounting principles require that the income statement exclude principal repayments and include depreciation expense. This does not affect the financial viability of the Association. The removal of depreciation and addition of principal payments would result in an adjusted fund balance of $30,603.

Reported Ending Fund Balance	$ (148,233)
Plus Unassessed Depreciation	253,752
Less Principal Payments not Expensed	(74,916)
Adjusted Ending Fund Balance (Cash/Budget Basis of Accounting)	$ 30,603

7. COMMITMENTS/RELATED PARTY ACTIVITIY/ECONOMIC DEPENDENCY

The Association entered into a cancelable lease agreement with its management company, Snowmass Lodging Company. Snowmass Lodging Company leases the Association's three employee units. The Association purchased these units from the developer for $358,219. The Association receives a maximum of $1,685 per month if all units are occupied (and a prorated amount if there are any vacancies). The Association received rental income of $20,220 for year ended October 31, 2012.

On May 1, 1996, the Association entered into a five year management agreement with the Snowmass Lodging Company (SLC) whereby SLC acts as the exclusive managing agent of the common elements of the project. This agreement expired on May 1, 2003, and was automatically extended on a year-to-year basis. The Association currently pays a management fee of $64,475 per year. For the year ended October 31, 2011, the board also approved an additional $202,500 to be used toward an incentive rental program. The Association has entered into the following agreements with SLC:

A. The Association pays SLC a front office fee of $91,659 per year.
B. The Association pays SLC $1,522 per year as a direct office expense.
C. The Association rents a van from SLC for $18,773 per year.

For the year ended October 31, 2012 the Association paid SLC $593,418 for the above agreements and property maintenance.

SLC pays all of the Association’s regular monthly expenses. Several times a month the Association transfers funds to SLC to cover these expenses. As of October 31, 2012 the Association owes SLC $62,704.

SLC is the Association’s major vendor with 58% of the Association’s expenses being paid to SLC. Because of this concentration, the loss of SLC as the property manager would require the Association to change its accounts payable processes.

8. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through June 4, 2013, the date which the financial statements were available to be issued.

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has a capital reserve/replacement funding program. As of October 31, 2012 the Association has restricted $174,633 of fund balance for the replacement program. Cash surpluses have been specifically identified and set aside to pay for future replacement projects. These cash balances do not represent 100% funding of the current or future estimated replacement requirement. Restricted cash is held in a separate interest-bearing account and is generally not available for normal operating expenditures. It is the Association's policy to allocate interest earned from such funds to the replacement fund.

In September, 1991, an independent contractor conducted a study of the property to estimate the remaining useful lives and replacement costs of all components of the common property. The study is updated annually by management. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacement on page 17 is based on updates to this study. The board is funding for these major repairs and replacements based on the property management company's recommendations and amounts previously accumulated in the replacement fund. A funding requirement of $81,697 has been included in the fiscal year 2012-2013 budget.

Funds are being accumulated in the reserve 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 reserve 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 membership approval, to increase regular assessments, pass special assessments, borrow funds or delay major repairs and replacements until funds are available.

SUPPLEMENTARY SCHEDULES

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES – BUDGET TO ACTUAL

For the Year Ended October 31, 2012

		Unaudited	
	Actual	Budget	Variance
REVENUES			
Assessments	$ 1,008,860	$ 1,100,557 *	$ (91,697)
Employee Unit Rentals	20,220	20,220	-
Interest Income & Finance Charges	2,012	2,287	(275)
TOTAL REVENUES	**1,031,092**	**1,123,064**	**(91,972)**
EXPENSES			
REPAIRS & MAINTENANCE			
Repairs & Maintenance (SLC)	79,713	82,516	2,804
Repairs & Maintenance (Contractors)	40,641	27,500	(13,141)
Supplies	12,269	12,710	441
Pool Maintenance	34,844	29,955	(4,889)
Window Cleaning	8,740	11,330	2,590
Firewood	8,960	12,196	3,236
Chimney Cleaning	2,515	1,795	(720)
Pest Control	1,763	1,767	5
Painting & Staining	5,410	10,953	5,543
Groundskeeping	40,356	44,966	4,610
Snow Removal	6,695	11,339	4,645
Custodial Services	66,408	67,100	692
Equipment Service Contracts	31,644	30,785	(859)
Roof Repair & Maintenance	-	600	600
TOTAL REPAIRS & MAINTENANCE	**339,956**	**345,512**	**5,555**

* Budgeted assessments include $91,697 in reserve assessments.

Continued on next page.
See accompanying notes and independent auditor's report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET TO ACTUAL (CONTINUED)

For the Year Ended October 31, 2012

		Unaudited	
	Actual	Budget	Variance
UTILITIES			
Electric	$ 39,307	$ 35,614	$ (3,693)
Telephone Service	13,317	11,781	(1,536)
Gas	96,897	107,857	10,960
Water & Sewer	22,084	21,863	(221)
Cable Television	12,460	12,475	15
Trash Collection	4,152	4,499	347
TOTAL UTILITIES	**188,218**	**194,089**	**5,871**
GENERAL & ADMINISTRATIVE EXPENSES			
Management Fees	266,975	266,975	-
Front Office Fees	91,659	91,659	-
Insurance	45,063	46,089	1,026
Legal	88	230	143
Accounting & Audit	9,300	9,450	150
Directors' Expense	92	161	69
Direct Office Expense	1,522	1,522	0
Telephone Equipment	1,221	600	(621)
Vehicle Rental	18,773	18,773	0
Miscellaneous Expenses	106	150	44
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	**434,799**	**435,609**	**810**
OTHER EXPENSES			
Interest Expense	23,289	23,290	1
Depreciation - Employee Unit	11,372	11,372	-
Depreciation - Machinery & Equipment	23,985	25,917	1,932
TOTAL OTHER EXPENSES	**58,646**	**60,579**	**1,933**
TOTAL EXPENSES	**1,021,619**	**1,035,789**	**14,170**
NET INCOME (LOSS)	**$ 9,473**	**$ 87,275**	**$ (77,802)**

See accompanying notes and independent auditor's report.

SUPPLEMENTARY SCHEDULE

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS & REPLACEMENTS (UNAUDITED)

October 31, 2012

An independent contractor conducted a study during September, 1991, to estimate the remaining useful lives and the replacement costs of the components of the common property. The study is updated annually. Replacement costs were based on the estimated costs to replace or repair the common property as of each update, as calculated by the independent contractor. Estimated current replacement costs take into account actual inflation since the date of the study and an estimated inflation factor for future periods.

The following information is based on updates to the study and presents significant information about the components of common property:

	Estimated Remaining Useful Life (Years)	Estimated Current Cost	10/31/2013 Funding Requirement	Replacement Fund Balance 10/31/2012
Roofs	25	$ 716,160	$ 3,000	$ 55
Elevators	23	100,000	2,857	-
Deck Railings	8	174,000	-	-
Windows	3	1,423,000	20,166	-
Boilers/Hot Water System	0-14	410,795	14,595	119,128
Driveways/Sealing	4-18	709,125	6,125	8,000
Concrete Entry Surfaces	4	36,500	1,825	10,000
Lighting	4-5	20,479	883	-
Furnishings/Equipment	2-16	175,582	14,379	5,450
Pool/Deck Replacements	0-8	106,003	15,467	8,000
Exterior Renovation	3-73	124,000	2,400	24,000
TOTALS		$ 3,995,644	$ 81,697	$ 174,633

See accompanying notes and independent auditor’s report.