CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS
(with supplementary information)

October 31, 2018

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS
(with supplementary information)

October 31, 2018

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Chamonix at Woodrun Condominium Association, Inc., which comprise the balance sheet as of October 31, 2018, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 from material misstatement.

An audit involves 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 purpose 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Aspen 400 East Main Street, Suite 2 | Aspen, CO 81611 **Carbondale** 0326 Hwy 133, Suite 200 | Carbondale, CO 81623
phone 970.925.3771 fax 970.925.3979 www.reesehenry.com

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, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 12 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.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
March 12, 2019

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
October 31, 2018

	Operating Fund	Replacement Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 14,923	$ 463,932	$ 478,855
Assessment Receivables	19,535	-	19,535
Prepaid Expenses	12,844	-	12,844
Interfund Receivables/Payables	61,823	(61,823)	-
TOTAL CURRENT ASSETS	**109,125**	**402,109**	**511,234**
PROPERTY AND EQUIPMENT			
Employee Units	358,219	-	358,219
Equipment	191,042	-	191,042
Less Accumulated Depreciation	(510,003)	-	(510,003)
TOTAL PROPERTY AND EQUIPMENT, NET	**39,258**	**-**	**39,258**
TOTAL ASSETS	**$ 148,383**	**$ 402,109**	**$ 550,492**
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts Payable	$ 22,578	$ -	$ 22,578
Due to Management Company	5,249	-	5,249
Accrued Expenses	2,093	-	2,093
Prepaid Assessments	6	-	6
Current Portion of Notes Payable	12,231	-	12,231
TOTAL CURRENT LIABILITIES	**42,157**	**-**	**42,157**
NOTES PAYABLE, NET	**215,226**	-	**215,226**
TOTAL LIABILITIES	**257,383**	**-**	**257,383**
FUND BALANCE			
Developer Contribution	39,000	-	39,000
Fund Balance	(148,000)	402,109	254,109
TOTAL FUND BALANCE	**(109,000)**	**402,109**	**293,109**
TOTAL LIABILITIES AND FUND BALANCE	**$ 148,383**	**$ 402,109**	**$ 550,492**

See accompanying notes and Independent Auditor's Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Year Ended October 31, 2018

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	$ 807,329	$ 98,081	$ 905,410
Employee Unit Rentals	19,861	-	19,861
Interest Income and Finance Charges	2,829	221	3,050
TOTAL REVENUES	**830,019**	**98,302**	**928,321**
EXPENSES			
Repairs and Maintenance	341,722	-	341,722
Special Projects	-	16,475	16,475
Utilities	204,436	-	204,436
General and Administrative	246,853	-	246,853
Interest Expense	18,958	-	18,958
Depreciation	13,528	-	13,528
TOTAL EXPENSES	**825,497**	**16,475**	**841,972**
NET INCOME (LOSS)	**4,522**	**81,827**	**86,349**
FUND BALANCE, November 1, 2017	**(113,522)**	**320,282**	**206,760**
FUND BALANCE, October 31, 2018	**$ (109,000)**	**$ 402,109**	**$ 293,109**

See accompanying notes and Independent Auditor's Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2018

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (Deficit) of Revenues Over Expenses	$ 4,522	$ 81,827	$ 86,349
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	13,528	-	13,528
(Increase) Decrease in:			
Assessments Receivable	(16,422)	-	(16,422)
Prepaid Expenses	(285)	-	(285)
Increase (Decrease) in:			
Accounts Payable	12,120	-	12,120
Due to Management Company	(51,381)	-	(51,381)
Accrued Expenses	(5,479)	-	(5,479)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(43,391)**	**81,827**	**38,436**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal Payments of Notes Payable	(11,282)	-	(11,282)
Interfund Activity	(6,607)	6,607	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(17,889)**	**6,607**	**(11,282)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(61,280)**	**88,434**	**27,154**
CASH AND CASH EQUIVALENTS, November 1, 2017	**76,203**	**375,498**	**451,701**
CASH AND CASH EQUIVALENTS, October 31, 2018	**$ 14,923**	**$ 463,932**	**$ 478,855**
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest Paid	$ 18,958	$ -	$ 18,958

See accompanying notes and Independent Auditor's Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2018

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 insured cash sweep accounts 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 pay replacement fund expenses and then a transfer from the replacement fund bank account to the operating bank account is done as reimbursement. As of October 31, 2018, the capital reserve fund had borrowed $61,823 from the operating fund for various expenses.

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, 2018 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, 2018, the Association had assessment receivables in the amount of $19,535.

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.	$ 74,833
$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.	78,788
$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.	73,836
	227,457
Less Current Portion	(12,231)
	$ 215,226

Aggregate maturities of long-term debt are follows:

October 31, 2019	$	12,231
2020		13,261
2021		14,377
2022		15,587
2023		16,900
Later Years		155,101
	$	227,457

4. INCOME TAX MATTERS

All corporations are required to file income tax returns regardless of the tax liability. For the year ended October 31, 2018 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. Member activity for the year ended October 31, 2018 showed a surplus of $14,350, which was absorbed by a member loss carryover of $16,726. A member loss of $2,376 is available to offset future member surpluses.

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, 2018 the Association had a taxable loss of $9,607. A net operating loss carryover of $250,577 existed at 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.

5. LEASE AGREEMENTS

The Association entered into a 99-year lease on October 1, 1997 with the owner of units 22 and 23. The unit's 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 unit's 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 $43,222.

Reported Ending Fund Balance	$ (148,000)
Plus Unassessed Depreciation	321,984
Less Principal Payments not Expensed	(130,762)
Adjusted Ending Fund Balance	
(Cash/Budget Basis of Accounting)	$ 43,222

7. COMMITMENTS/RELATED PARTY ACTIVITIY/ECONOMIC DEPENDENCY

On July 1, 2015, the Association entered into a management agreement with Snowmass Lodging Company as exclusive managing agent of the common elements of the project. This agreement continued through October 31, 2015. On September 1, 2016, the Association extended the contract retroactively from November 1, 2015 through October 31, 2016 and consented to the assignment of the management agreement to WVR. In the absence of a new agreement, this agreement is renewed automatically for successive one-year periods.

The Association currently pays a management fee of $66,409 per year. For the year ended October 31, 2018, the board also approved an additional $216,000 to be used toward an inducement management fee. This is an inducement for the owners to each enter into a unit management agreement with the managing agent for the Association, WVR, and, if they do, the inducement fee is credited in full back to each of those unit owners under the terms of a Unit Management Agreement that is separate and distinct from the contract between WVR and the Association.

The Association has entered into the following agreements with WVR:

A. The Association pays WVR a front office fee of $94,409 per year.
B. The Association pays WVR $1,522 per year as a direct office expense.
C. The Association rents a van from WVR for $20,651 per year.

For the year ended October 31, 2018 the Association paid WVR $612,233 for the above agreements and property maintenance and operating expenses. WVR pays all the Association's regular monthly expenses. Several times a month the Association transfers funds to WVR to cover these expenses. As of October 31, 2018, the Association owes WVR $5,249.

In addition to the above expenses, the Association billed all owners for an inducement fee. The fee is credited back to the owners by the management company if the owners enter into a rental or non-rental agreement with WVR. Owners who chose to not sign one of the agreements do not get the inducement fee credit. The Association collects the fee from those owners and remits them to the management company. Total inducement fees billed to the owners for the year ended October 31, 2018 was $216,000, total amount of rebates the management company credited to the owners for the inducement fee was $203,282. The Association forwarded the $12,718 to the management company for those owners who did not sign an agreement with the management company.

WVR leases the Association's three employee units to employees of WVR. 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 $19,861 for year ended October 31, 2018.

WVR is the Association's major vendor with 59% of the Association's expenses being paid to WVR. Because of this concentration, the loss of WVR as the property manager would require the Association to change its accounts payable processes.

8. CONCENTRATION OF RISK

The Association maintains deposits in local banks which may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). To help manage credit risk, the Association participates in the Insured Cash Sweep (ICS) system that automatically moves cash balances in excess of $250,000 from the Alpine Bank depository into ICS nightly.

The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. At October 31, 2018 the Association had zero uninsured deposits.

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has a capital reserve/replacement funding program. As of October 31, 2018, the Association has restricted $402,109 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 funding 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 12 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 $98,081 has been included in the fiscal year 2018-2019 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.

10. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 12, 2019, the date which the financial statements were available to be issued.

SUPPLEMENTARY SCHEDULE

SUPPLEMENTARY SCHEDULE

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
October 31, 2018

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	10/31/2019 Funding Requirement	Replacement Fund Balance 10/31/2018
Roofs	18	$ 716,160	$ 18,489	$ (16,042)
Elevators	16	100,000	13,036	4
Deck Railings	1	174,000	-	-
Windows	3	250,000	1,566	19,639
Boilers/Hot Water	0-20	396,795	16,691	138,031
Driveways/Sealing	1-11	709,125	8,125	48,070
Concrete Entry Surfaces	0	36,500	1,825	13,442
Lighting	0	20,479	883	5,296
Furnishings/Equipment	0-3	175,582	21,886	132,266
Pool/Deck Replacements	0-12	123,101	13,180	53,132
Exterior Renovation	0-66	124,000	2,400	8,271
TOTALS		$ 2,825,742	$ 98,081	$ 402,109

See accompanying notes and Independent Auditor's Report.