CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS
(with supplementary information)

October 31, 2020

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REESE HENRY
& COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, 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, 2020, 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 13 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
July 26, 2021

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
October 31, 2020

	Operating Fund	Replacement Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 42,974	$ 527,248	$ 570,222
Assessments Receivable	6,956	-	6,956
Other Receivable	9,700	-	9,700
Prepaid Expenses	13,495	-	13,495
Interfund Receivable and Payable	66,638	(66,638)	-
TOTAL CURRENT ASSETS	**139,763**	**460,610**	**600,373**
PROPERTY AND EQUIPMENT			
Employee Units	358,219	-	358,219
Equipment	194,421	-	194,421
Less Accumulated Depreciation	(536,255)	-	(536,255)
TOTAL PROPERTY AND EQUIPMENT, NET	**16,385**	**-**	**16,385**
TOTAL ASSETS	**$ 156,148**	**$ 460,610**	**$ 616,758**
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts Payable	$ 75,839	$ -	$ 75,839
Accrued Expenses	9,203	-	9,203
Current Portion of Notes Payable	14,377	-	14,377
Contract Liabilities - Replacement Fund	-	460,610	460,610
TOTAL CURRENT LIABILITIES	**99,419**	**460,610**	**560,029**
NOTES PAYABLE, NET	**187,426**	-	**187,426**
TOTAL LIABILITIES	**286,845**	**460,610**	**747,455**
FUND BALANCE			
Developer Contribution	39,000	-	39,000
Fund Balance	(169,697)	-	(169,697)
TOTAL FUND BALANCE	**(130,697)**	**-**	**(130,697)**
TOTAL LIABILITIES AND FUND BALANCE	**$ 156,148**	**$ 460,610**	**$ 616,758**

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, 2020

	Operating Fund	Replacement Fund	Total
REVENUES			
Member Assessments	$ 803,905	$ 190,370	$ 994,275
Employee Unit Rental Income	20,220	-	20,220
Other Income	1,050	165	1,215
TOTAL REVENUES	**825,175**	**190,535**	**1,015,710**
EXPENSES			
Repairs and Maintenance	342,938	-	342,938
Special Projects	-	190,535	190,535
Utilities	210,018	-	210,018
General and Administrative	262,812	-	262,812
Interest Expense	16,817	-	16,817
Depreciation	13,012	-	13,012
TOTAL EXPENSES	**845,597**	**190,535**	**1,036,132**
EXCESS OF REVENUES OVER EXPENSES	**(20,422)**	**-**	**(20,422)**
FUND BALANCE, November 1, 2019	**(110,275)**	**-**	**(110,275)**
FUND BALANCE, October 31, 2020	**$ (130,697)**	**$ -**	**$ (130,697)**

See accompanying notes and Independent Auditor's Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2020

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Fund Balance	$ (20,422)	$ -	$ (20,422)
Adjustments to Reconcile Excess of Revenues Over			
Expenses to Net Cash Provided by Operating Activities:			
Depreciation	13,012	-	13,012
(Increase) Decrease in:			
Assessments Receivable	(2,510)	-	(2,510)
Other Receivable	(9,700)	-	(9,700)
Prepaid Expenses	(1,135)	-	(1,135)
Increase (Decrease) in:			
Accounts Payable	37,072	-	37,072
Due to Management Company	(72,163)	-	(72,163)
Accrued Expenses	6,512	-	6,512
Contract Liabilities - Replacement Fund	-	(12,713)	(12,713)
NET CASH USED IN OPERATING ACTIVITIES	**(49,334)**	**(12,713)**	**(62,047)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal Payments of Notes Payable	(13,422)	-	(13,422)
Interfund Activity	84,284	(84,284)	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**70,862**	**(84,284)**	**(13,422)**
NET INCREASE(DECREASE) IN CASH	**21,528**	**(96,997)**	**(75,469)**
CASH, November 1, 2019	**21,446**	**624,245**	**645,691**
CASH, October 31, 2020	**$ 42,974**	**$ 527,248**	**$ 570,222**
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest Paid	$ 16,817	$ -	$ 16,817

See accompanying notes and Independent Auditor's Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2020

1. NATURE OF ORGANIZATION

Chamonix at Woodrun Condominium Association, Inc. (the "Association") 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 Vacasa LLC. **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

BASIS OF ACCOUNTING
The Association's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

USE OF ESTIMATES
The preparation of financial statements in conformity with GAAP 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 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:** The operating fund is used to account for financial resources available for the general operations of the Association.
> **Replacement Fund:** The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

CASH AND CASH EQUIVALENTS
For the purpose 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. As of October 31, 2020 the Association had $527,249 in cash equivalents.

INTERFUND RECEIVABLE AND PAYABLE
From time to time during the year, the replacement fund will borrow funds from the operating fund to pay for expenses. As of October 31, 2020, the replacement fund had borrowed $66,638 from the operating fund for cash risk reduction through the insured cash sweep program.

PROPERTY AND EQUIPMENT

Property and equipment purchased with Association funds are capitalized at cost. Property and equipment 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 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.

MEMBER 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 on October 31, 2020 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. Interest is accrued on balances at rates determined by the Board. It is the opinion of the Board that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary as of October 31, 2020.

CONTRACT LIABILITIES – REPLACEMENT FUND

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability – replacement fund assessments received in advance is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations related to replacement reserve assessments. The activity in the contract liabilities – replacement fund assessments received in advance as of the end of the year is as follows:

Contract Liabilities - Replacement Fund, November 1, 2019	$	473,323
Assessments Budgeted for Replacement Reserve		177,657
Revenue Released to Match Reserve Expenses		(190,370)
Contract Liabilities, Replacement Fund , October 31, 2020	$	460,610

ADOPTION OF ACCOUNTING STANDARD

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers,* in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services.

The requirements of the new guidance have been applied as of November 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The new guidance was applied using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not completed as of November 1, 2019. Adoption of the new guidance resulted in changes to accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to the fund balance as of November 1, 2019.

Fund Balance, as previously reported at November 1, 2019	$ 473,323
Adustment for effects of ASU 2014-09	(473,323)
Fund Balance, as adjusted at October 31, 2020	$ -

The effect of the adoption is a decrease in fiscal year replacement assessments by $177,657 and a recording of contract liabilities – replacement fund on October 31, 2020 of $460,610.

The modified retrospective method of transition requires the Association to disclose the effect of applying the new guidance on each item included in the Association's 2020 financial statements. The following are the line items from the Association's balance sheet, statement of revenues, expenses and changes in fund balance and statement of cash flows as of October 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
LIABILITIES			
Contract Liabilities - Replacement Fund	$ -	$ 460,610	$ 460,610
Total Liabilities	286,845	460,610	747,455
FUND BALANCES			
Ending Fund Balance	$ 329,913	$ (460,610)	$ (130,697)
REVENUES			
Member Assessments	$ 981,562	$ 12,713	$ 994,275
Net Excess of Revenues Over Expenses	(33,135)	12,713	$ (20,422)
CASH FLOWS			
Net Excess of Revenues over Expenses	(33,135)	12,713	(20,422)
Increase in Contract Liabilities - Replacement Fund	$ -	$ (12,713)	$ (12,713)

DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through July 26, 2021, the date these financial statements were available to be issued.

3. NOTES PAYABLE

Notes payable consists of the following as of October 31, 2020:

$120,000 note payable 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.	$	66,304
$125,219 note payable 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.		69,717
$113,000 note payable 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.		65,782
		201,803
Less Current Portion		(14,377)
	$	187,426

Future maturities of notes payable are follows for the years ending October 31:

2021	$	14,377
2022		15,587
2023		16,900
2024		18,323
2025		19,866
Thereafter		116,750
	$	201,803

4. INCOME TAX

All corporations are required to file income tax returns regardless of the tax liability. For the year ended October 31, 2020 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, 2020 showed a loss of $11,652. A member loss of $10,964 is being carried forward to offset any member income in the next fiscal year.

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, 2020 the Association had a taxable loss of $8,605. A net operating loss carryover of $231,992 exists on October 31, 2020. 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.

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

The Association's assessment for the employee units is calculated on a cash basis and includes only actual cash costs to the Association. Thus, depreciation (a non-cash expense) is excluded from the assessment and principal payments on the notes are included. GAAP requires 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 $18,616.

Reported Ending Fund Balance	$ (169,697)
Plus Unassessed Depreciation	344,728
Less Principal Payments not Expensed	(156,415)
Adjusted Ending Fund Balance (Cash/Budget Basis of Accounting)	$ 18,616

7. COMMITMENTS/RELATED PARTY ACTIVITY/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. In October of 2019, the management company WVR was purchased by Vacasa LLC. The association consented to the assignment of the management agreement to Vacasa LLC.

The Association currently pays a management fee of $73,921 per year. For the year ended October 31, 2020, the board also approved an additional $324,000 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, Vacasa LLC, 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 Vacasa LLC and the Association. In addition, the Association has the following annual agreements with Vacasa: a front office fee of $94,409, a direct office expense fee of $1,522 and van rents of $25,212.

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 Vacasa LLC. 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, 2020 was $324,000; total rebates the management company credited to owners for the inducement fee was $310,296. The Association forwarded $13,704 to the management company for those owners who did not sign an agreement with the management company.

For the year ended October 31, 2020 the Association paid Vacasa LLC $443,956 for the above agreements and property maintenance and operating expenses. Vacasa LLC pays all the Association's regular monthly expenses. Several times a month the Association transfers funds to Vacasa LLC to cover these expenses. As of October 31, 2020, there are no amounts due to Vacasa.

Vacasa LLC is the Association's major vendor with 51% of the Association's expenses being paid to Vacasa LLC.

Vacasa LLC leases the Association's three employee units to employees of Vacasa LLC. 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, 2020.

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.

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has a capital reserve/replacement funding program which aggregate to $460,610, presented on the accompanying October 31, 2020 balance sheet as contract liabilities. 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 13 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 $102,785 has been included in the fiscal year 2020-2021 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 SCHEDULE

SUPPLEMENTARY SCHEDULE

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
October 31, 2020

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	October 31, 2021 Funding Requirement	Contract Liabilities - Replacement Funds October 31, 2020
Roofs	16	$ 716,160	$ 18,488	$ 20,934
Elevators	14	100,000	13,036	(157,892)
Deck Railings	0	174,000	38,530	-
Windows	1	250,000	1,566	22,770
Boilers and Hot Water System	0-18	396,795	9,191	78,540
Driveways and Sealing	0-9	709,125	8,125	59,329
Concrete Entry Surfaces	0	36,500	-	-
Lighting	0	20,479	883	7,061
Furnishings and Equipment	0-4	184,582	8,886	161,039
Pool and Deck Replacements	0-10	123,101	1,680	49,493
Exterior Renovation	0-64	124,000	2,400	87,943
Building Renovation	N/A	-	-	131,393
TOTALS		$ 2,834,742	$ 102,785	$ 460,610

See accompanying notes and Independent Auditor's Report.