CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS
(with supplementary information)

October 31, 2021

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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, 2021, 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.

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, 2021, 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Because the board has engaged an outside contractor to update its reserve fund study regarding useful component lives and estimated replacement costs, the board has omitted the supplementary information about future major repairs and maintenance that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements until the updated results are available. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
August 26, 2022

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
October 31, 2021

	Operating Fund	Replacement Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 10,689	$ 337,458	$ 348,147
Assessments Receivable	17,169	-	17,169
Rent Receivable	3,370	-	3,370
Prepaid Expenses	9,763	-	9,763
Deposits	-	87,692	87,692
Interfund Receivable and Payable	(121,433)	121,433	-
TOTAL CURRENT ASSETS	**(80,442)**	**546,583**	**466,141**
PROPERTY AND EQUIPMENT			
Employee Units	358,219	-	358,219
Equipment	194,421	-	194,421
Less Accumulated Depreciation	(548,590)	-	(548,590)
TOTAL PROPERTY AND EQUIPMENT, NET	**4,050**	**-**	**4,050**
TOTAL ASSETS	**$ (76,392)**	**$ 546,583**	**$ 470,191**
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts Payable	$ 29,536	$ -	$ 29,536
Due to Management Company	46,115	-	46,115
Accrued Expenses	71	-	71
Deferred Income	14,590	-	14,590
Employee Unit Security Deposit	750	-	750
Contract Liabilities - Replacement Fund	-	546,583	546,583
TOTAL CURRENT LIABILITIES	**91,062**	**546,583**	**637,645**
TOTAL LIABILITIES	**91,062**	**546,583**	**637,645**
FUND BALANCE			
Fund Balance	(167,454)	-	(167,454)
TOTAL FUND BALANCE	**(167,454)**	**-**	**(167,454)**
TOTAL LIABILITIES AND FUND BALANCE	**$ (76,392)**	**$ 546,583**	**$ 470,191**

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, 2021

	Operating Fund	Replacement Fund	Total
REVENUES			
Member Assessments	$ 860,297	$ 16,812	$ 877,109
Employee Unit Rental Income	20,220	-	20,220
Owner Fees	2,213	-	2,213
TOTAL REVENUES	**882,730**	**16,812**	**899,542**
EXPENSES			
Repairs and Maintenance	435,536	-	435,536
Special Projects	-	16,812	16,812
Utilities	228,279	-	228,279
General and Administrative	233,212	-	233,212
Interest Expense	10,125	-	10,125
Depreciation	12,335	-	12,335
TOTAL EXPENSES	**919,487**	**16,812**	**936,299**
EXCESS OF REVENUES OVER EXPENSES	**(36,757)**	**-**	**(36,757)**
FUND BALANCE, November 1, 2020	**(130,697)**	**-**	**(130,697)**
FUND BALANCE, October 31, 2021	**$ (167,454)**	**$ -**	**$ (167,454)**

See accompanying notes and Independent Auditor’s Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2021

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Fund Balance	$ (36,757)	$ -	$ (36,757)
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Depreciation	12,335	-	12,335
(Increase) Decrease in:			
Assessments Receivable	(10,212)	-	(10,212)
Other Receivable	6,330	-	6,330
Prepaid Expenses	3,732	-	3,732
Deposits	-	(87,692)	(87,692)
Increase (Decrease) in:			
Accounts Payable	(2,446)	-	(2,446)
Due to Management Company	2,257	-	2,257
Prepaid Assessments	14,590	-	14,590
Accrued Expenses	(9,132)	-	(9,132)
Employee Unit Security Deposit	750	-	750
Contract Liabilities - Replacement Fund	-	85,973	85,973
NET CASH USED IN OPERATING ACTIVITIES	**(18,553)**	**(1,719)**	**(20,272)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	-	-	-
NET CASH USED IN INVESTING ACTIVITIES	**-**	**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal Payments of Notes Payable	(201,803)	-	(201,803)
Interfund Activity	188,071	(188,071)	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(13,732)**	**(188,071)**	**(201,803)**
NET INCREASE(DECREASE) IN CASH	**(32,285)**	**(189,790)**	**(222,075)**
CASH, November 1, 2020	**42,974**	**527,248**	**570,222**
CASH, October 31, 2021	**$ 10,689**	**$ 337,458**	**$ 348,147**
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest Paid	$ 10,125	$ -	$ 10,125

See accompanying notes and Independent Auditor's Report.

CHAMONIX AT WOODRUN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
October 31, 2021

1. NATURE OF ORGANIZATION

Chamonix 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 are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") that have been consistently applied in the preparation of the financial statements.

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, 2021, the Association had no cash equivalents.

INTERFUND RECEIVABLE AND PAYABLE
As of October 31, 2021, the operating fund owed $121,433 to the replacement fund. The balance represents reserve assessments not yet transferred net of reserve expenses paid by operating cash.

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, 2021, 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, 2021.

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, 2020	$	460,610
Assessments Budgeted for Replacement Reserve		102,785
Revenue Released to Match Reserve Expenses		(16,812)
Contract Liabilities, Replacement Fund , October 31, 2021	$	546,583

DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events through August 26, 2022, which is the date these financial statements were available to be issued.

3. INCOME TAX

All corporations are required to file income tax returns regardless of the tax liability. For the year ended October 31, 2021, 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, 2021, showed a loss of $28,380. A member loss of $39,344 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, 2021, the Association had a taxable loss of $8,377. A net operating loss carryover of $207,804 exists on October 31, 2021. 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.

4. LEASE AGREEMENTS

The Association entered 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 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.

5. 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 principle payments would result in an adjusted fund balance of $(169,572).

Reported Ending Fund Balance	$ (167,454)
Plus Unassessed Depreciation	356,100
Less Principal Payments not Expensed	(358,218)
Adjusted Ending Fund Balance (Cash/Budget Basis of Accounting)	$ (169,572)

6. 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 pays an annual management fee of $73,921 per year. The Association also receives an annual rebate on the management fee if certain conditions are met as outlined in the Amendment to the Management Contract. For the year ended October 31, 2021, the Association received a 25% rebate with total management fees for the year being $55,441. In addition, the Association has the following annual agreements with Vacasa: a front office fee of $82,062, 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. As all owners have entered into an agreement with the management company, total inducement fees billed to the owners for the year ended October 31, 2021, was $324,000 and total rebates the management company credited to owners for the inducement fee was $324,000.

For the year ended October 31, 2021, the Association paid Vacasa LLC $504,362 for the above agreements and other 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, 2021, the Association owed Vacasa $46,115.

Vacasa LLC is the Association's major vendor with 55% 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, 2021.

7. 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 an Insured Cash Sweep (ICS), which is designed to allow FDIC insured depository institutions to accept deposits of more than $250,000 and obtain full coverage for the depositor by spreading the funds among as many separate FDIC insured institutions, as necessary. All the funds placed in the ICS are covered by the FDIC under this program.

As of October 31, 2021, the Association had no aggregate deposits at any single FDIC insured institution that exceed $250,000, which is the limit of deposit insurance provided by the FDIC to the Association for coverage of its cash assets on deposit at any single FDIC insured institution.

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has a capital reserve/replacement funding program which aggregate to $546,583, presented on the accompanying October 31, 2021, 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 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 October 2009, an independent contractor conducted a study of the property to estimate the remaining useful lives and replacement costs of components of the common property. In accordance with the Association's Governance Policies, the study is updated annually by management based on both a physical and financial analysis, which is approved by the association board at each annual budget meeting.

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 (when required by the Association's declaration or by any Colorado statutes), to increase regular assessments, pass special assessments, borrow funds, or delay major repairs and replacements until funds are available.

9. SUBSEQUENT EVENTS

On February 24, 2022, the Association secured a $500,000 line of credit with Alpine Bank. The line bears interest based on the JP Morgan Chase Bank prime rate plus .75% points and is secured by any and all accounts and general intangibles, including without limitation the right to payment under any and all past, current, or future assessments and special assessments. The line matures on February 24, 2024. The outstanding balance on the line of credit, as of the date of the audit report, is zero.

In July 2022, the Association hired an outside contractor to complete a financial and physical analysis to determine updated useful lives and estimated replacement costs for the component items of the common property. This study will be used to assist the board in its determination of the future financial needs regarding the replacement of or major repair costs needed for the component items.