THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Beaver Creek, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2014

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AUDIT TAX ADVISORY

THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

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Independent Auditors' Report

To the Board of Directors and Members
The Beaver Creek Lodge Condominium Association, Inc.
Beaver Creek, Colorado

We have audited the accompanying financial statements of The Beaver Creek Lodge Condominium Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2014, and the related statements of revenue and expenses, members' equity (deficit), 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Association'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 Association'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Beaver Creek Lodge Condominium Association, Inc. as of December 31, 2014, 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.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

WithumSmith+Brown, PC

Orlando, Florida
May 10, 2016

THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Balance Sheet
December 31, 2014

Assets	Operating Fund	Replacement Fund	Total
Cash and Cash Equivalents	$ 136,896	$ 96,023	$ 232,919
Assessments Receivable, net of allowance for doubtful accounts of $5,365	27,784	-	27,784
Prepaid Expenses	842	-	842
Due From Other Fund	-	420,268	420,268
Total assets	$ 165,522	$ 516,291	$ 681,813
Liabilities and Members' Equity (Deficit)			
Liabilities:			
Accounts payable and accrued expenses	$ 54,234	$ -	$ 54,234
Prepaid assessments	3,052	-	3,052
Deferred special assessments	-	75,122	75,122
Due to management company	67,099	-	67,099
Due to other fund	420,268	-	420,268
Total liabilities	544,653	75,122	619,775
Members' Equity (Deficit)	(379,131)	441,169	62,038
Total liabilities and members' equity (deficit)	$ 165,522	$ 516,291	$ 681,813

See accompanying notes.

THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Statement of Revenue and Expenses
Year Ended December 31, 2014

	Operating Fund	Replacement Fund	Total
Revenue:			
Regular owner assessments	$ 858,914	$ 20,087	$ 879,001
Special assessments	-	434,393	434,393
Recoveries of bad debt	6,925	-	6,925
Interest and other income	18,373	-	18,373
	884,212	454,480	1,338,692
Expenses:			
Administration	66,622	-	66,622
Management fees	43,968	-	43,968
Insurance	50,026	-	50,026
Payroll	335,340	-	335,340
Maintenance and replacements	167,256	434,393	601,649
Utilities	260,736	-	260,736
	923,948	434,393	1,358,341
Excess (Deficiency) of Revenue Over Expenses	$ (39,736)	$ 20,087	$ (19,649)

See accompanying notes.

THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Statement of Members' Equity (Deficit)
Year Ended December 31, 2014

	Working Capital	Operating Fund Deficit	Total Operating Fund Deficit	Total Replacement Fund Balance	Total Members' Equity (Deficit)
Balances, January 1, 2014	$ 144,965	$ (493,588)	$ (348,623)	$ 421,082	$ 72,459
Excess (Deficiency) of Revenue Over Expenses	-	(39,736)	(39,736)	20,087	(19,649)
Working Capital Contributions	9,228	-	9,228	-	9,228
Balances, December 31, 2014	$ 154,193	$ (533,324)	$ (379,131)	$ 441,169	$ 62,038

See accompanying notes.

THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows
Year Ended December 31, 2014

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities:			
Excess (deficiency) of revenue over expenses	$ (39,736)	$ 20,087	$ (19,649)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities:			
Changes in:			
Assessments receivable	13,378	-	13,378
Other receivables	45,656	-	45,656
Prepaid expenses	4,510	-	4,510
Accounts payable and accrued expenses	(5,056)	(20,600)	(25,656)
Prepaid assessments	3,052	-	3,052
Deferred special assessments	-	15,607	15,607
Due to Management Company	(20,360)	-	(20,360)
Net cash provided by operating activities	1,444	15,094	16,538
Cash Flows From Financing Activities:			
Interfund borrowings, net	65,094	(65,094)	-
Working capital contributions	9,228	-	9,228
Net cash provided by (used in) financing activities	74,322	(65,094)	9,228
Increase (Decrease) in Cash and Cash Equivalents	75,766	(50,000)	25,766
Cash and Cash Equivalents, beginning of year	61,130	146,023	207,153
Cash and Cash Equivalents, end of year	$ 136,896	$ 96,023	$ 232,919
Supplemental Cash Flow Information:			
Cash paid for interest	$ -	$ -	$ -
Cash paid for income taxes	$ -	$ -	$ -

See accompanying notes.

1. Summary of Significant Accounting Policies:

Nature of Organization

The Beaver Creek Lodge Condominium Association, Inc. (the "Association") was incorporated under the laws of the state of Colorado as a not-for-profit corporation for the purpose of managing, operating, and maintaining the common properties of the Beaver Creek Lodge resort located in Beaver Creek, Colorado. Operations of the Association began on November 6, 1990, under the administration of the original developer, Beaver Creek Lodge Associates, a Colorado general partnership. In 2004, The Kessler Collection (the "Developer") assumed all of the developer's rights and obligations as a successor developer. At December 31, 2014, the Association consists of 1 office unit, 16 commercial units, 16 residential units, 1 grantor unit, 1 restaurant unit, 1 manager unit, and 70 hotel units (of which 23 units are owned by an entity affiliated with the Developer by common management). Each unit is entitled to one vote in all issues of the Association.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Association's governing documents provide 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

The Association considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Assessments Receivable and Allowance for Doubtful Accounts

Assessments receivable represent amounts due from unit owners for annual maintenance and special assessments. The budgeted amount of the annual assessment for the replacement fund is funded from annual cash receipts. All assessments receivable are presented in the operating fund.

1. Summary of Significant Accounting Policies – Continued:

Assessments Receivable and Allowance for Doubtful Accounts – Continued

The Association provides for estimated future losses to be incurred due to uncollectible assessments. The allowance is based on past collection and industry experience at amounts sufficient to sustain any material losses that may result from unpaid accounts. Receivables are considered delinquent when they are 30 days past due. When all collection efforts have been exhausted, delinquent receivables are charged against the allowance. Factors which influence management's judgment in determining the appropriate allowance for doubtful accounts, and for charging off uncollectible accounts, include past collection experience and industry standards. For the year ended December 31, 2014, bad debt recoveries were $6,925.

Property and Equipment

Common property acquired from the Developer and others and related improvements to such property are not recognized in the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. Replacements, major repairs, and the purchase of additional commonly owned assets are accounted for as expenditures in the replacement fund.

Prepaid Assessments

Prepaid assessments consist of 2015 and future maintenance assessments received by the Association in 2014.

Working Capital

At the time of closing, the purchasers of individual units are required to make a contribution to the Association in an amount equal to three times the monthly assessment amount in effect at the date of closing. These contributions shall be deposited in the Association's account for the intended purpose of establishing initial operating funds and working capital as specified in the Declaration of Covenants, Conditions, and Restrictions. At December 31, 2014, the amount contributed by purchasers was $154,193.

Income Taxes

For the year ended December 31, 2014, the Association elected to be taxed as a regular corporation. Membership income is exempt from taxation if certain elections are made. Consequently, the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate tax rates. When applicable, interest and penalties will be reported as interest expense and administration expenses, respectively.

Subsequent Events

The Association has evaluated subsequent events through May 10, 2016, the date which the financial statements were available to be issued.

2. Member Assessments:

Pursuant to the Declaration of Covenants, Conditions, and Restrictions and By-Laws of the Association, assessments (both regular and special) are allocated to the unit owners in the proportions or percentages provided in the Declaration. The annual budget and owners assessments are determined by the Board of Directors.

The 2014 quarterly assessments to each of the unit owners were as follows:

	Maintenance	Replacement Fund	Total
Commercial	$ 264 – 5,728	$ 7 – 147	$ 271 – 5,875
Residential	1,659 – 8,049	43 – 206	1,702 – 8,255
Hotel owners	1,095 – 2,065	24 – 45	1,119 – 2,110
Hotel operator	3,384	-	3,384
Restaurant	6,402	110	6,512
Grantor	1,789	42	1,831
Manager	1,296	33	1,329

The Association does not collect and remit real estate taxes on behalf of unit owners as they are billed directly by the county's property tax collector.

A significant amount of assessments from hotel owners is derived from one owner as described in Note 1. Assessment revenue from this owner comprises 13% of regular owner assessment revenue for 2014.

3. Management Agreement:

The property and affairs of the Association are managed by Enterprise Hotels of Colorado, Inc. (the "Management Company"), an affiliate of the Developer. The agreement terminates on August 15, 2016, unless canceled by either party with 90 days written notice and will automatically renew for an additional three-year term unless canceled by either party.

Under the management agreement, the Association agrees to pay the Management Company as compensation for the management services 5% of annual budgeted assessments. Management fees incurred during 2014 amounted to $43,968.

4. Replacement Fund:

The Association's governing documents and Colorado Statutes require the Association to accumulate funds for future major repairs and replacements. The funds are held in segregated accounts and generally are not available for expenditures for normal operations.

An independent specialist conducted a study in 2014 to estimate the remaining useful lives and the current replacement costs of the components of common property. The table included in the supplementary information on future major repairs and replacements, which is unaudited, is based on the study as summarized by management.

4. Replacement Fund – Continued:

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering the amounts previously accumulated in the replacement fund. Accordingly, funding of $160,000 has been included in the 2015 budget.

Funds are being accumulated in the replacement fund based on the estimated current costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts, and the variation may be material. Consequently, the amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to Board of Directors approval, to increase the maintenance assessments, levy special assessments, or delay major repairs and replacements until funds are available.

At December 31, 2014, the Association's operating fund owed $420,268 to the replacement fund.

5. Special Assessments:

A special assessment of $298,000 was approved in March 2013 to make repairs to the roof, of which $238,485 was expended by December 31, 2013. The total amount was billed to the owners over the last three quarters of 2013. During 2014, it was determined that the original renovation quote was underbid and an additional special assessment was necessary to complete the renovations.

In May 2014, the Board of Directors approved an additional special assessment totaling $450,000 for the completion of the repairs on the roof and for additional replacement fund costs that were estimated by the reserve study. Amounts billed but not yet expended at December 31, 2014, are recorded as deferred special assessments on the balance sheet. The following is a summary of the special assessments revenue, expenses, and deferred revenue as of December 31, 2014:

Deferred special assessments as of December 31, 2013	$ 59,515
Special assessments levied	450,000
Renovation expenses incurred	(434,393)
Deferred special assessments as of December 31, 2014	$ 75,122

5. Special Assessments – Continued:

The 2014 special assessment to each of the unit owners follows:

Commercial	$ 704 – 15,270
Residential	3,822 – 18,548
Hotel owners	1,995 – 3,887
Restaurant	11,401
Grantor	1,995
Manager	3,455

A significant amount of special assessments is derived from one owner as described in Note 1. Assessment revenue from this owner comprises 12% of special assessment revenue for 2014.

6. Related Party Transactions:

Due to the Management Company at December 31, 2014, consists of informal, noninterest bearing advances which are in the nature of trade payables, due on demand.

In addition to the management fees referred to in Note 3, the Association paid the following amounts to the Management Company for the year ended December 31, 2014:

Salaries and wages	$	335,340
Utilities		13,678
	$	349,018

7. Income Taxes:

For the year ended December 31, 2014, nonmembership income did not exceed the related expenses. Therefore, no federal or state income tax expense has been recorded.

The Association has no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded.

The Association has analyzed its various federal and state income tax filing positions and believes that no accruals for tax liabilities related to uncertain income tax positions are required at December 31, 2014. Therefore, no reserves for uncertain income tax positions have been recorded. During 2014, there were no increases or decreases in unrecognized tax benefits for current or prior years and no significant increases or decreases in unrecognized tax benefits are expected to occur within the next 12 months. Further, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months.

8. Expense Allocations:

In accordance with the Association's Amended and Restated Declaration of Covenants, Conditions, and Restrictions, the Association's Board of Directors has determined an equitable allocation of expenses that are shared with the hotel units. Certain expenses incurred by the Association and owners of the hotel units are combined on a common invoice due to consolidated metering or combined invoicing. Allocations have been determined by the Board of Directors based on reliable historical data and square footage percentages. Based on this information, these allocations are being assessed to the individual unit owners, the restaurant, and the hotel for December 31, 2014.

9. Commitments and Contingencies:

Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances, at times, in excess of amounts insured by the Federal Deposit Insurance Corporation and assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association's assessments receivable are related to billed assessments. The Association monitors the collectibility of these assessments receivable and pursues collection. Management routinely assesses the uncollectibility of the Association's assessments receivable and provides for allowances for doubtful accounts based on this assessment.

Litigation

During the course of its operations, the Association is subject to various claims, torts, and actions. Management reviews the validity of such actions and acts accordingly. Management does not believe the outcome of any current actions will result in a material loss to the Association.

Insurance Matters

In the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits. Management considers this risk of loss to be remote and its insurance coverage adequate.

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Independent Auditors' Report on the Supplementary Information

To the Board of Directors and Members
The Beaver Creek Lodge Condominium Association, Inc.
Beaver Creek, Colorado

We have audited the financial statements of The Beaver Creek Lodge Condominium Association, Inc. (the "Association") as of and for the year ended December 31, 2014, and our report thereon dated May 10, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenses – operating fund on page 14, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 15 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.

WithumSmith+Brown, PC

Orlando, Florida
May 10, 2016

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THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Schedule of Revenue and Expenses – Operating Fund
Year Ended December 31, 2014

	Actual	Budget (Unaudited)
Revenue:		
Regular owner assessments	$ 858,914	$ 859,172
Recoveries of bad debt	6,925	-
Interest and other income	18,373	12,300
Total revenue	884,212	871,472
Expenses:		
Administration:		
Bank charges	3,263	3,144
Cable television and internet	28,364	26,676
Miscellaneous	6,368	5,785
Office supplies	338	300
Professional fees	14,610	18,000
Telephone	13,679	13,320
	66,622	67,225
Management fees	43,968	43,968
Insurance	50,026	49,008
Payroll:		
Administrative salaries and wages	115,260	115,272
Housekeeping salaries and wages	95,676	95,676
Maintenance salaries and wages	124,404	124,404
	335,340	335,352
Maintenance:		
Building repairs	18,601	20,400
Building supplies	4,991	2,400
Cleaning	7,768	8,400
Electrical supplies	11,837	10,800
Elevators	17,637	16,800
Floor covering repairs	3,512	1,200
HVAC maintenance	8,734	6,000
Landscaping	23,465	15,000
Life and safety repairs	8,285	5,825
Painting and decorating	4,505	6,000
Pest control	2,055	3,000
Plumbing and heating repairs	4,611	6,000
Pool and spa	11,787	9,600
Snow removal	15,343	4,000
Waste removal	21,170	10,500
Window cleaning	2,955	2,000
	167,256	127,925
Utilities:		
Electric	75,879	77,500
Gas	92,408	85,000
Water	92,449	85,500
	260,736	248,000
Total expenses	923,948	871,478
Deficiency of Revenue Over Expenses	$ (39,736)	$ (6)

THE BEAVER CREEK LODGE CONDOMINIUM ASSOCIATION, INC.

Schedule of Future Major Repairs and Replacements
December 31, 2014
(Unaudited)

An independent specialist estimated the remaining useful lives and the current replacement costs of the components of common property in 2014. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the estimate. Estimated current replacement costs do not take into account the effects of inflation between the date of the estimate and the date that the components will require repair or replacement.

The following table, which presents significant information about the components of common property, is based on that estimate as summarized by management:

Components	Remaining Estimated Useful Lives	Estimated Current Replacement Costs	Fund Balance at December 31, 2014
Unallocated	–	$ -	$ 441,169
Roof system	24 years	523,500	
EPDM roof membrane	8 years	2,700	
Copper shingle roofing	12 years	415,000	
Stucco	6 – 8 years	236,500	
Gutter	12 years	156,800	
Stone veneer	7 years	8,300	
Exterior painting	–	42,500	
Garage repair	8 years	29,000	
Garage ceiling	1 year	46,800	
Garage doors	13 years	7,500	
Elevator cabs	6 years	18,000	
Exterior lighting	4 years	25,250	
Concrete slabs, steps, and flatwork	9 – 18 years	264,900	
Balcony coating and structure	3 years	27,000	
Flagstone	16 years	66,250	
Pool and spa surface and deck	7 – 10 years	15,600	
Pool and spa boilers, filters, and pumps	0 – 20 years	27,350	
Restrooms	3 – 9 years	17,300	
Fitness center equipment	3 years	16,400	
Stain, interior paint, and wall covering	2 – 10 years	74,900	
Furniture	5 – 6 years	87,050	
Carpet, replace	4 years	160,000	
Interior lighting	15 years	33,300	
Tile flooring	3 – 16 years	41,000	
Heat tracing	1 year	19,320	
Water heaters and pumps	0 – 9 years	94,675	
Unit heaters	0 – 2 years	40,180	
Main boiler	1 year	100,000	
Water softener	14 years	45,000	
Piping	27 years	388,000	
Emergency generator	–	65,000	
Exhaust and smoke relief	0 – 11 years	79,405	
Storage tanks	–	40,000	
Fan coil units	0 – 6 years	138,550	
Condensing units	0 – 14 years	27,050	
Fire alarm	5 years	100,000	
Wet-pipe and dry-pipe fire protection system	5 years	200,000	
Other	0 – 15 years	59,625	
		$ 3,739,705	$ 441,169