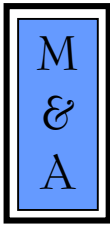


Grand Timber Lodge Owners Association

Financial Statements

August 31, 2011 and 2010





MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Managers
Grand Timber Lodge Owners Association
Breckenridge, Colorado**

We have audited the accompanying balance sheets of Grand Timber Lodge Owners Association (the "Association"), a Colorado non-profit corporation, as of August 31, 2011, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Association's 2010 financial statements and, in our report dated October 14, 2010; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Timber Lodge Owners Association as of August 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental *Schedule of Budget Comparison - Operating Fund* on page 10 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Member: American Institute of Certified Public Accountants

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**Grand Timber Lodge Owners Association
Board of Managers**

U.S. generally accepted accounting principles require that the *Schedule of Future Major Repairs and Replacements* on pages 11 and 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 U.S. generally accepted auditing standards, 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.

**McMahan and Associates, L.L.C.
November 22, 2011**

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Balance Sheets
August 31, 2011 and 2010

	2011				2010			
	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Total	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Total
Assets:								
Current Assets:								
Cash in banks	47,791	-	797,515	845,306	140,092	-	497,089	637,181
Investments	-	1,267,927	-	1,267,927	-	1,543,402	-	1,543,402
Accrued interest	5,716	-	-	5,716	6,908	-	-	6,908
Member assessments receivable (net of allowance for doubtful accounts of \$378,316 and \$224,960 in 2011 and 2010)	366,400	-	-	366,400	339,288	-	-	339,288
Income taxes receivable	5,662	-	-	5,662	5,662	-	-	5,662
Accounts receivable - Other	576	-	-	576	1,372	-	-	1,372
Unit supplies inventory	17,291	-	-	17,291	35,922	-	-	35,922
Prepaid expenses	44,670	-	-	44,670	47,815	-	-	47,815
Total Current Assets	<u>488,106</u>	<u>1,267,927</u>	<u>797,515</u>	<u>2,553,548</u>	<u>577,059</u>	<u>1,543,402</u>	<u>497,089</u>	<u>2,617,550</u>
Non-Current Assets:								
Fixed assets (net of accumulated depreciation of \$121,828 and \$85,836 in 2011 and 2010)	77,393	-	-	77,393	92,229	-	-	92,229
Total Non-Current Assets	<u>77,393</u>	<u>-</u>	<u>-</u>	<u>77,393</u>	<u>92,229</u>	<u>-</u>	<u>-</u>	<u>92,229</u>
Total Assets	<u>565,499</u>	<u>1,267,927</u>	<u>797,515</u>	<u>2,630,941</u>	<u>669,288</u>	<u>1,543,402</u>	<u>497,089</u>	<u>2,709,779</u>
Liabilities and Fund Balances:								
Liabilities:								
Current Liabilities:								
Accounts payable	132,337	-	-	132,337	56,636	-	-	56,636
Accounts payable - Other	131	-	-	131	10,768	-	-	10,768
Due to (from) other funds	741,123	(242,768)	(498,355)	-	693,636	(28,239)	(665,397)	-
Deferred assessment revenue	83,531	-	-	83,531	55,092	-	-	55,092
Property taxes payable	240,744	-	-	240,744	302,603	-	-	302,603
Due to related parties	274,765	-	-	274,765	264,142	-	-	264,142
Total Current Liabilities	<u>1,472,631</u>	<u>(242,768)</u>	<u>(498,355)</u>	<u>731,508</u>	<u>1,382,877</u>	<u>(28,239)</u>	<u>(665,397)</u>	<u>689,241</u>
Fund Balances (Deficit)	<u>(907,132)</u>	<u>1,510,695</u>	<u>1,295,870</u>	<u>1,899,433</u>	<u>(713,589)</u>	<u>1,571,641</u>	<u>1,162,486</u>	<u>2,020,538</u>
Total Liabilities and Fund Balances	<u>565,499</u>	<u>1,267,927</u>	<u>797,515</u>	<u>2,630,941</u>	<u>669,288</u>	<u>1,543,402</u>	<u>497,089</u>	<u>2,709,779</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Years Ended August 31, 2011 and 2010

	2011				2010			
	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Total	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Total
Revenues:								
Assessments, net of discounts	5,368,589	226,501	572,547	6,167,637	5,190,003	303,363	549,825	6,043,191
Late fee revenue	164,952	-	-	164,952	165,459	-	-	165,459
Interest income	2,951	12,789	10,970	26,710	13,549	31,610	23,383	68,542
Miscellaneous income	103,512	-	-	103,512	42,055	-	-	42,055
Total Revenues	<u>5,640,004</u>	<u>239,290</u>	<u>583,517</u>	<u>6,462,811</u>	<u>5,411,066</u>	<u>334,973</u>	<u>573,208</u>	<u>6,319,247</u>
Expenses:								
Operations	1,931,876	-	-	1,931,876	1,872,806	-	-	1,872,806
Maintenance	981,114	-	-	981,114	915,164	-	-	915,164
Housekeeping	1,694,270	-	-	1,694,270	1,484,324	-	-	1,484,324
Utilities	819,881	-	-	819,881	850,526	-	-	850,526
Taxes	370,414	-	-	370,414	465,668	-	-	465,668
Capital	35,992	-	-	35,992	24,514	-	-	24,514
Long-term reserve expenses	-	300,236	-	300,236	-	247,047	-	247,047
Furniture and inventory replacement	-	-	450,133	450,133	-	-	646,476	646,476
Total Expenses	<u>5,833,547</u>	<u>300,236</u>	<u>450,133</u>	<u>6,583,916</u>	<u>5,613,002</u>	<u>247,047</u>	<u>646,476</u>	<u>6,506,525</u>
Excess (Deficiency) of Revenues Over Expenses	(193,543)	(60,946)	133,384	(121,105)	(201,936)	87,926	(73,268)	(187,278)
Beginning Fund Balances (Deficit)	<u>(713,589)</u>	<u>1,571,641</u>	<u>1,162,486</u>	<u>2,020,538</u>	<u>(511,653)</u>	<u>1,483,715</u>	<u>1,235,754</u>	<u>2,207,816</u>
Ending Fund Balances (Deficit)	<u>(907,132)</u>	<u>1,510,695</u>	<u>1,295,870</u>	<u>1,899,433</u>	<u>(713,589)</u>	<u>1,571,641</u>	<u>1,162,486</u>	<u>2,020,538</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Years Ended August 31, 2011 and 2010

	2011				2010			
	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Total	Operating Fund	Long-term Reserve Fund	Timeshare Furniture Fund	Total
Cash Flows From Operating Activities:								
Cash received from owners	5,374,568	226,501	572,547	6,173,616	5,128,051	303,363	549,825	5,981,239
Interest received	4,143	20,264	10,970	35,377	10,366	8,208	23,383	41,957
Cash paid for taxes	(432,273)	-	-	(432,273)	(457,227)	-	-	(457,227)
Cash transfers from (to) other funds	47,487	(214,529)	167,042	-	(37,151)	370,451	(333,300)	-
Cash payments for goods and services	(5,065,070)	(300,236)	(450,133)	(5,815,439)	(5,098,641)	(247,047)	(646,476)	(5,992,164)
Net Cash Provided (Used) By Operating Activities	<u>(71,145)</u>	<u>(268,000)</u>	<u>300,426</u>	<u>(38,719)</u>	<u>(454,602)</u>	<u>434,975</u>	<u>(406,568)</u>	<u>(426,195)</u>
Cash Flows From Investing Activities:								
Sale/redemption of certificates of deposit	-	268,000	-	268,000	-	500,000	-	500,000
Purchase of certificates of deposit	-	-	-	-	-	(967,000)	-	(967,000)
Purchase of fixed assets	(21,156)	-	-	(21,156)	(106,876)	-	-	(106,876)
Net Cash Provided (Used) by Investing Activities	<u>(21,156)</u>	<u>268,000</u>	<u>-</u>	<u>246,844</u>	<u>(106,876)</u>	<u>(467,000)</u>	<u>-</u>	<u>(573,876)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(92,301)	-	300,426	208,125	(561,478)	(32,025)	(406,568)	(1,000,071)
Net Cash and Cash Equivalents - Beginning of Year	140,092	-	497,089	637,181	701,570	32,025	903,657	1,637,252
Net Cash and Cash Equivalents - End of Year	<u>47,791</u>	<u>-</u>	<u>797,515</u>	<u>845,306</u>	<u>140,092</u>	<u>-</u>	<u>497,089</u>	<u>637,181</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) By Operating Activities:								
Excess (deficiency) of revenues over expenses	(193,543)	(60,946)	133,384	(121,105)	(201,936)	87,926	(73,268)	(187,278)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:								
Depreciation	35,992	-	-	35,992	24,514	-	-	24,514
Unrealized (gain) loss on certificates of deposit	-	7,475	-	7,475	-	(23,402)	-	(23,402)
Increase (decrease) in interfund balances	47,487	(214,529)	167,042	-	(37,151)	370,451	(333,300)	-
(Increase) decrease in accrued interest	1,192	-	-	1,192	(3,183)	-	-	(3,183)
(Increase) decrease in assessments receivable	(180,468)	-	-	(180,468)	(198,638)	-	-	(198,638)
(Increase) decrease in other receivables	796	-	-	796	4,995	-	-	4,995
Increase (decrease) in allowance for doubtful accounts	153,356	-	-	153,356	99,525	-	-	99,525
(Increase) decrease in prepaid expenses	3,145	-	-	3,145	3,862	-	-	3,862
(Increase) decrease in inventory	18,631	-	-	18,631	(7,222)	-	-	(7,222)
Increase (decrease) in due to GPLR, Inc.	10,623	-	-	10,623	(158,687)	-	-	(158,687)
Increase (decrease) in other liabilities	(10,637)	-	-	(10,637)	9,535	-	-	9,535
Increase (decrease) in accounts payable	75,701	-	-	75,701	1,568	-	-	1,568
Increase (decrease) in taxes payable	(61,859)	-	-	(61,859)	8,441	-	-	8,441
Increase (decrease) in deferred assessment revenue	28,439	-	-	28,439	(225)	-	-	(225)
Total Adjustments	<u>122,398</u>	<u>(207,054)</u>	<u>167,042</u>	<u>82,386</u>	<u>(252,666)</u>	<u>347,049</u>	<u>(333,300)</u>	<u>(238,917)</u>
Net Cash Provided (Used) By Operating Activities	<u>(71,145)</u>	<u>(268,000)</u>	<u>300,426</u>	<u>(38,719)</u>	<u>(454,602)</u>	<u>434,975</u>	<u>(406,568)</u>	<u>(426,195)</u>

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

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2011 and 2010**

1. Organization

Grand Timber Lodge Owners Association (the "Association") is a condominium association organized as a Colorado not-for-profit corporation for the purposes of maintaining and preserving common property of the Association. The Association consists of 164 units, which include 159 timeshare units, 2 whole ownership units, and 3 commercial units. The Association, which is located in Breckenridge, Colorado, was incorporated on February 22, 1999.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses fund accounting, which requires that funds be classified separately for accounting and reporting purposes. As of August 31, 2011 and 2010, the Association had the following funds:

Operating - Disbursements from this fund are generally at the discretion of the Board of Managers (the "Board") and property manager.

Long-term Reserve - Disbursements from this fund generally may be made only for designated purposes.

Timeshare Furniture - Disbursements from this fund are designated for the replacement of unit furniture.

B. Investment Income Allocation

Investment income for the Replacement Funds is allocated between these two funds based on average fund balances.

C. Recognition of Assets

The Association recognizes as assets on its financial statements:

- (a) common personal property and;
- (b) common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto.

These assets are recorded at cost and are depreciated using the straight-line method over estimated useful lives of three to five years.

D. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when assessed or earned and expenses when incurred.

E. Cash and Cash Equivalents

All checking and money market savings accounts are considered cash equivalents by the Association for the purpose of the Statements of Cash Flows since all funds are highly liquid with no stated maturities.

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2011 and 2010
(Continued)**

2. Summary of Significant Accounting Policies (continued)

F. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposit are intended to fund Replacement Fund expenditures and may provide a ready source of cash when so required, these investments are classified as trading. Accordingly, these investments are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current period earnings.

G. Common Assessments

Common assessments are the primary source of revenue for the Association. An annual budget, which is approved by the Board, is prepared to estimate the annual expenses of maintaining the Association's common elements. Members of the Association are assessed for their pro-rata share of these estimated expenses.

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments, or, with the approval of the Board, transferred to the Replacement Funds.

H. Due To/From Other Funds

The Association has chosen to record accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, these differences in the individual funds are shown as interfund asset and liability accounts.

I. Allowance for Uncollectible Accounts - Assessments

The Association utilizes the allowance method of recognizing the future potential uncollectibility of owner assessments receivable. This reserve is calculated based on the estimated percentage of potentially uncollectible accounts 90 or more days overdue. The Association's policy is to charge late fees to owner accounts that are 60 or more days overdue. Owner assessment accounts that are 120 or more days past due are sent to a collection agency by the Association.

J. Inventory

Housekeeping supply inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The cost of inventory is recorded as an expense when consumed rather than when purchased.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2011 and 2010
(Continued)**

2. Summary of Significant Accounting Policies (continued)

L. Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is primarily composed of payments received in advance for the billing of the next fiscal year.

M. Subsequent Events

Management has evaluated subsequent events through November 22, 2011, the date these financial statements were available to be issued.

3. Investments

The Association's investments were comprised of the following certificates of deposit at August 31, 2011 and 2010, respectively:

	<u>8/31/11</u>	<u>8/31/10</u>
Certificates of deposit, maturing within one year, bearing interest at 0.75% - 3.10% per annum	\$ 718,198	270,701
Certificates of deposit, maturing in one to two years, bearing interest at 2.10% - 2.75% per annum	<u>549,729</u>	<u>1,272,701</u>
Total Investments	<u><u>\$ 1,267,927</u></u>	<u><u>1,543,402</u></u>

Included in the Association's investment income for fiscal years 2011 and 2010 are unrealized gains (losses) totaling (\$7,475) and \$23,402, respectively, in respect to investments held at August 31, 2011 and 2010.

4. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

5. Fixed Assets

Fixed assets for the past two fiscal years are summarized below:

<u>Description</u>	<u>8/31/11</u>	<u>8/31/10</u>
Equipment	\$ 40,370	40,370
Vehicles	81,995	81,995
Computer software	76,856	55,700
Less: accumulated depreciation	<u>(121,828)</u>	<u>(85,836)</u>
Net Fixed Assets	<u><u>\$ 77,393</u></u>	<u><u>92,229</u></u>

Depreciation expense is computed on the straight-line basis and was \$35,992 and \$24,514 for the years ended August 31, 2011 and 2010, respectively.

**Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2011 and 2010
(Continued)**

6. Related Party Transactions

On April 21, 1999, the Association entered into an agreement with Breckenridge Grand Vacations, which is owned and operated by Gold Point Lodging and Realty, Inc. ("GPLR"), for management, accounting, and reservation services. The management, accounting, and reservation fees are negotiated annually. The initial term of the agreement was for ten years, and elapsed on April 30, 2009. After the initial term, the agreement automatically renews for three year periods, under the same terms and conditions as the original agreement, unless cancelled by either party. This agreement may be terminated by the Association for Cause, as defined in the agreement. Breckenridge Grand Vacations may resign as manager with or without cause. However, Breckenridge Grand Vacations cannot resign until the Association obtains a substitute managing agent or until 180 days have elapsed from the resignation notification date.

During its fiscal year, the Association incurred various expenses that were payable to Breckenridge Grand Vacations, as well as to Peak 7, L.L.C., and Alma Laundry, L.L.C., each of which are parties related to GPLR. The following is a schedule of transactions between the Association and related entities for the years ended August 31, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Accounting fees	\$ 44,005	43,149
Common area cleaning	390,050	390,782
Front desk and reservation fees	889,377	871,732
Landscaping	25,816	23,411
Maintenance	585,364	569,970
Management fees	271,115	271,115
Other	282	197
Pool towel attendant	-	59,368
Resident security	40,560	39,166
Shuttle labor	126,308	128,737
Spring/fall cleaning	67,236	48,677
Unit cleaning	1,120,639	891,369
Total Expenses	<u>\$ 3,560,752</u>	<u>3,337,673</u>

The net amount owed by the Association to these entities for these services was \$274,765 and \$264,142 at August 31, 2011 and 2010, respectively.

On November 15, 2003, the Association entered into an agreement with GPLR whereby GPLR has the option to purchase inventory units from the Association (which were obtained as a result of foreclosure proceedings to collect past due assessments) at an amount equal to 35% of the net listed sales price, as defined in this agreement. During the years ended August 31, 2011 and 2010, the Association received \$97,410 and \$34,608, respectively from GPLR for the purchase of inventory units. At August 31, 2011 and 2010, the Association did not own any inventory units.

GPLR pays assessments relating to its owned unit weeks throughout the year. This amount totaled \$189,072 and \$152,865, respectively, during the fiscal years ended August 31, 2011 and 2010.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2011 and 2010
(Continued)

7. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future repairs, replacements and maintenance. Accumulated funds are held in separate money market and investment accounts and are generally not available for expenses for normal operations.

The Association commissioned a study, which was completed in 2010, to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained from a Level I – Full Service Reserve Study. The life expectancy of all components was ascertained from visual inspections made during this study. Replacement cost estimates were made from industry standard estimating manuals and based on the engineering firm's experience with similar projects. The tables included in the unaudited Supplementary Information on Future Major Repairs and Replacements are based on the study. The information has been broken down into long-term reserve and timeshare furniture components of common property.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners when funds are needed or by anticipating costs over extended time periods, assessing owners for the anticipated costs, and accumulating funds in reserves to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Funds. Assessments of \$226,501 and \$572,547 for the Long-term Reserve Fund and Timeshare Furniture Fund, respectively, were reported during the year ended August 31, 2011. During the year ended August 31, 2010, the Association levied assessments of \$303,363 and \$549,825 for the Long-term Reserve Fund and Timeshare Furniture Fund, respectively.

Funds being accumulated in the Long-term Reserve and Timeshare Furniture Funds are based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Operating Fund - Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis
For the Year Ended August 31, 2011
(With Comparative Actual Amounts for 2010)

	<u>2011</u>		<u>Variance</u>	<u>2010</u>
	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Revenues:				
Assessments, net of discounts	5,545,954	5,368,589	(177,365)	5,190,003
Late fee revenue	150,000	164,952	14,952	165,459
Interest income	20,000	2,951	(17,049)	13,549
Miscellaneous income	45,000	103,512	58,512	42,055
Total Revenues	<u>5,760,954</u>	<u>5,640,004</u>	<u>(120,950)</u>	<u>5,411,066</u>
Expenses:				
Operations:				
Accounting fees	44,005	44,005	-	43,149
Bad debt expense	80,000	263,812	(183,812)	170,128
Bank service charges	150	-	150	-
Common area amenities	50,346	40,954	9,392	61,346
Credit card fees	185,180	18,436	166,744	16,997
Front desk and reservation fees	889,377	889,377	-	871,732
Insurance	148,989	141,408	7,581	152,928
Management fees	271,115	271,115	-	271,115
Miscellaneous	4,251	12,983	(8,732)	896
Pool towel attendant	-	-	-	59,368
Postage	17,850	17,947	(97)	10,878
Printing	24,675	24,102	573	19,643
Professional fees	12,000	40,326	(28,326)	26,346
Resident security	43,350	40,560	2,790	39,166
Shuttle service	106,362	126,456	(20,094)	128,737
Travel and entertainment	-	395	(395)	377
Subtotal - Operations	<u>1,877,650</u>	<u>1,931,876</u>	<u>(54,226)</u>	<u>1,872,806</u>
Maintenance:				
Elevator maintenance	35,000	26,278	8,722	24,529
Fire alarm maintenance	33,677	26,275	7,402	30,410
Hot tub and pool maintenance	68,775	67,831	944	55,793
Landscaping	22,000	31,740	(9,740)	36,066
Snow removal	7,500	11,820	(4,320)	2,430
Unit maintenance	648,325	817,170	(168,845)	765,936
Subtotal - Maintenance	<u>815,277</u>	<u>981,114</u>	<u>(165,837)</u>	<u>915,164</u>
Housekeeping:				
Common area cleaning	438,600	408,798	29,802	390,871
Spring/fall cleaning	168,300	164,552	3,748	201,765
Unit cleaning	1,047,428	1,120,920	(73,492)	891,688
Subtotal - Housekeeping	<u>1,654,328</u>	<u>1,694,270</u>	<u>(39,942)</u>	<u>1,484,324</u>
Utilities:				
Television	20,499	25,952	(5,453)	21,947
Trash removal	39,164	52,144	(12,980)	46,521
Unit telephones	13,072	10,827	2,245	18,497
Unit utilities	656,775	594,567	62,208	629,514
Water and sanitation	103,189	136,391	(33,202)	134,047
Subtotal - Utilities	<u>832,699</u>	<u>819,881</u>	<u>12,818</u>	<u>850,526</u>
Taxes:				
Income tax expense	-	2,499	(2,499)	8,376
Property tax expense	481,000	367,915	113,085	457,292
Subtotal - Taxes	<u>481,000</u>	<u>370,414</u>	<u>110,586</u>	<u>465,668</u>
Total Expenses	<u>5,660,954</u>	<u>5,797,555</u>	<u>(136,601)</u>	<u>5,588,488</u>
Excess (Deficiency) of Revenues				
Over Expenses - Budget Basis		(157,551)		(177,422)
Adjustments to Budget Basis:				
Depreciation expense		(35,992)		(24,514)
Total Adjustments		<u>(35,992)</u>		<u>(24,514)</u>
Excess (Deficiency) of Revenues				
Over Expenses - (GAAP) Basis		<u>(193,543)</u>		<u>(201,936)</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Long-term Reserve Fund
August 31, 2011
(Unaudited)

The Association commissioned a study during the fiscal year ended August 31, 2011, to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained from a Level I - Full Service Reserve Study. The life expectancy of all components was ascertained from visual inspections made during this study. Replacement cost estimates were obtained from industry standard estimating manuals and based on the engineering firm's experience with similar projects.

The balance of the Long-Term Reserve Fund at August 31, 2011 has not been designated by the Board for specific components of common property.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Actual Fund Balance at August 31, 2011</u>
Appliances	2 - 7	128,842	
Common area	1 - 12	300,643	
Exterior component	0 -25	504,522	
HVAC	3 - 15	245,764	
Interior component	2 - 15	240,280	
Lighting	2 - 14	134,931	
Mechanical	5 - 20	1,550,637	
Office equipment	0 - 1	96,020	
Parking area	12 - 20	917,864	
Plumbing	2 - 18	584,906	
Pool area	0 - 2	144,723	
Recreational	2 -17	251,784	
Roofing	7 - 15	803,922	
Total		<u>5,904,838</u>	<u>1,510,695</u>

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

Grand Timber Lodge Owners Association
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Timeshare Furniture Fund
August 31, 2011
(Unaudited)

The Association commissioned a study during the fiscal year ended August 31, 2011, to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained from a Level I - Full Service Reserve Study. The life expectancy of all components was ascertained from visual inspections made during this study. Replacement cost estimates were obtained from industry standard estimating manuals and based on the engineering firm's experience with similar projects.

The balance of the Timeshare Furniture Fund at August 31, 2011 has not been designated by the Board for specific components of common property.

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

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Actual Fund Balance at August 31, 2011
Fire place	20 - 24	238,500	
Appliances	0 - 9	528,993	
Cabinets	0 - 24	1,759,875	
Electronics	0 - 7	272,595	
Flooring	0 - 19	506,739	
Furnishings	0 - 9	587,910	
Furniture	0 - 11	1,459,125	
Interior component	0 - 15	883,548	
Lighting	10 - 14	19,875	
Unit rooms / sections	15 - 19	942,000	
Total		<u>7,199,160</u>	<u>1,295,870</u>

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