

**SKIERS LODGE CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**



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Independent Auditor's Report

To the Board of Directors of Skiers Lodge Condominium Association

We have audited the accompanying financial statements of Skiers Lodge Condominium Association (the "Association"), which comprise the balance sheet as of December 31, 2017, 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 Skiers Lodge Condominium Association as of December 31, 2017, and 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

Emphasis of Matter - Future Major Repairs and Replacements

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

Disclaimer of Opinion of Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Repairs and Replacements on page 8 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 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.

Newman & Associates, Inc

Newman and Associates, Inc.
An Accountancy Corporation
Carlsbad, California
March 27, 2018

SKIERS LODGE CONDOMINIUM ASSOCIATION
BALANCE SHEET
December 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 102,484	\$ 116,106	\$ 218,590
Assessments receivable - maintenance fees	1,487,746		1,487,746
Assessments receivable - special assessments		103,847	103,847
Allowance for doubtful accounts	(1,473,256)		(1,473,256)
Prepaid insurance	5,707		5,707
Due from (to) fund	(2,848)	2,848	-
Total Assets	<u>\$ 119,833</u>	<u>\$ 222,801</u>	<u>\$ 342,634</u>
Liabilities			
Accounts payable and accrued expenses	\$ 11,785	\$ -	\$ 11,785
Prepaid assessments	200,328		200,328
Deferred special assessments		108,309	108,309
Total liabilities	<u>212,113</u>	<u>108,309</u>	<u>320,422</u>
Fund balances	<u>(92,280)</u>	<u>114,492</u>	<u>22,212</u>
Total liabilities and fund balances	<u>\$ 119,833</u>	<u>\$ 222,801</u>	<u>\$ 342,634</u>

SKIERS LODGE CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Owners' assessments	\$ 402,210	\$ 21,895	\$ 424,105
Interest	3	278	281
Special assessments		45,926	45,926
Rental income	2,313		2,313
Other member income	5,867		5,867
Total revenues	<u>410,393</u>	<u>68,099</u>	<u>478,492</u>
Expenses			
Utilities			
Electricity and gas	23,420		23,420
Water and sewer	18,984		18,984
Telephone and cable	13,072		13,072
	<u>55,476</u>	<u>-</u>	<u>55,476</u>
Maintenance			
Common area repairs and maintenance	10,895		10,895
Spa	1,372		1,372
Pest control	37		37
Housekeeping	14,578		14,578
	<u>26,882</u>	<u>-</u>	<u>26,882</u>
Administrative			
Insurance	14,200		14,200
Management	20,010		20,010
Payroll and benefits	138,415		138,415
Administrative expense	25,118		25,118
Legal and professional	2,475		2,475
Hospitality	5,147		5,147
Collection costs	2,511		2,511
Licenses, taxes and permits	5,495		5,495
Bad debt expense	126,954		126,954
	<u>340,325</u>	<u>-</u>	<u>340,325</u>
Major repairs and replacements		57,504	57,504
Total expenses	<u>422,683</u>	<u>57,504</u>	<u>480,187</u>
Excess(deficit) of revenues over(under) expenses	(12,290)	10,595	(1,695)
Beginning fund balances	(79,990)	103,897	23,907
Ending fund balances	<u>\$ (92,280)</u>	<u>\$ 114,492</u>	<u>\$ 22,212</u>

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

SKIERS LODGE CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess(deficit) of revenues over(under) expenses	\$ (12,290)	\$ 10,595	\$ (1,695)
Adjustments to reconcile excess(deficit) of revenues over(under) expenses to net cash provided(used) by operating activities			
Assessments receivable - maintenance fees	(553,047)	-	(553,047)
Assessments receivable - special assessments	-	2,940	2,940
Allowance for doubtful accounts	539,290	-	539,290
Prepaid insurance	5,699	-	5,699
Accounts payable and accrued expenses	(5,062)	-	(5,062)
Prepaid assessments	10,348	-	10,348
Deferred special assessments	-	(45,925)	(45,925)
Net cash provided(used) by operating activities	<u>(2,772)</u>	<u>(42,985)</u>	<u>(45,757)</u>
Cash provided(used) by investing activities:			
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash provided(used) by financing activities:			
Interfund borrowings	<u>1,634</u>	<u>(1,634)</u>	<u>-</u>
Net cash flows from financing activities	<u>1,634</u>	<u>(1,634)</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	(13,428)	(34,024)	(47,452)
Cash and cash equivalents at beginning of year	115,912	150,130	266,042
Cash and cash equivalents at end of year	<u>\$ 102,484</u>	<u>\$ 116,106</u>	<u>\$ 218,590</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			<u>\$ -</u>
Interest paid			<u>\$ -</u>

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

SKIERS LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

1. Organization

Skiers Lodge Condominium Association (the "Association") was incorporated in June 29, 1992 as a mutual benefit corporation under the laws of Utah, for the purposes of maintaining, operating and preserving common property. The Association consists of 16 condominium buildings, comprising 816 condominium units, and is located in Park City, Utah.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Association maintains its financial records on the modified accrual basis of accounting, which recognizes revenues when earned and expenses when paid. Adjustments at the end of the fiscal year result in these financial statements being presented on the full accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the board of directors 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 significantly from those estimates.

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement generally may be made only for designated purposes.

Capital Assets and Depreciation Policy

The Association has not capitalized real and personal common area property contributed by the developer. Replacements and improvements to real property are also not capitalized; rather, they are charged to the respective fund in the period the cost is incurred. Significant personal property assets are capitalized and depreciated over their estimated lives using straight-line depreciation.

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Investments

Investments consist of certificates of deposit and other securities and investment accounts with original maturities of more than 90 days.

Subsequent Events

Subsequent events have been evaluated through March 27, 2018, which is the date the financial statements were available to be issued.

SKIERS LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

3. Assessments and Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable represent fees due from owners. The Association's governing documents provide for various collection remedies for delinquent assessments and fees, including filing of liens on an owner's unit, foreclosing on a unit owner, and obtaining a legal judgment on an owner's other assets. Any excess operating funds are retained at the end of the fiscal year for use in future periods. After the Association has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

The Association records an allowance for doubtful accounts to reflect an estimate of accounts that may not be collectible, which includes accounts receivable greater than 90 days old.

4. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for expenditures for normal operations.

The board of directors conducted the latest reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

SKIERS LODGE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

5. Income Taxes

The Association elected to file its Federal income tax returns as a homeowners' association under Internal Revenue Code Section 528. For its California income tax return, the Association qualifies for tax exempt status as a homeowners' association under California Revenue and Taxation code section 23701(t). For both Federal and California returns, the Association is generally taxed on income not related to membership dues and assessments, such as interest income and non-member income. The Internal Revenue Service and the California Franchise Tax Board can examine the Association's income tax returns generally up to three years and four years, respectively.

6. Commitment and Contingencies

The Association entered into a five-year management agreement with Trading Places International ("TPI") commencing January 1, 2008. The contract renews automatically for additional five year terms unless terminated within a 90-day window prior to the expiration of the term. TPI provides administrative, financial, and accounting services for the Association.

7. Special Assessment

In June 2010, the Board of Directors voted to levy a special assessment of 1 ½ times the 2012 maintenance fee, to refurbish the resort. The special assessment rates were \$735 for each owned one-bedroom unit and \$807 for each two-bedroom owned unit. Owners were given the choice of paying in a lump sum or paying annually over a three-year term. The Association treats special assessment income as deferred income until the year in which special assessment funds are spent; at which time revenue is recognized to match special assessment expenses.

SKIERS LODGE CONDOMINIUM ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
For the Year Ended December 31, 2017
(Unaudited)

The Association's board of directors, in conjunction with a reserve study expert, conducted a reserve study in 2007 estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study.

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

Estimated current replacement costs	\$ 831,227
Study recommended annual funding requirement	<u>\$ 77,863</u>
Study recommended fund balance	<u>\$ 441,568</u>