

**Skiers Lodge Condominium Association
Financial Statements
For the Year Ended December 31, 2018**

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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, 2018, 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, 2018, 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 a Matter on 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 as discussed in 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 Supplementary Information on Future Repairs and Replacements 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, CPA, PC

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Carlsbad, California
May 21, 2019

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Skiers Lodge Condominium Association
Balance Sheet
December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 106,361	\$ 134,295	\$ 240,656
Assessments receivable	6,122		6,122
Allowance for doubtful accounts	(5,772)		(5,772)
Other receivables	4,561		4,561
Prepaid insurance	6,186		6,186
Total assets	<u>\$ 117,458</u>	<u>\$ 134,295</u>	<u>\$ 251,753</u>
Liabilities			
Accounts payable	\$ 30,457	\$ -	\$ 30,457
Prepaid assessments	203,492		203,492
Income taxes payable	7,037		7,037
Deferred income	-	5,575	5,575
Total liabilities	<u>240,986</u>	<u>5,575</u>	<u>246,561</u>
Fund balances	<u>(123,528)</u>	<u>128,720</u>	<u>5,192</u>
Total liabilities and fund balances	<u>\$ 117,458</u>	<u>\$ 134,295</u>	<u>\$ 251,753</u>

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

Skiers Lodge Condominium Association
Statement of Revenue and Expenses and Changes in Fund Balances
For the Year Ended December 31, 2018

	Operating Fund	Replacement Fund	Total
Revenues			
Owners assessments	\$ 402,494	\$ 32,440	\$ 434,934
Special assessments		429	429
Rental income	37,991		37,991
Interest		295	295
Other member income	9,234		9,234
Total revenues	<u>449,719</u>	<u>33,164</u>	<u>482,883</u>
Expenses			
Utilities			
Electricity and gas	26,645		26,645
Water and sewer	20,535		20,535
Trash removal	576		576
Telephone	7,849		7,849
Cable	6,239		6,239
	<u>61,844</u>	<u>-</u>	<u>61,844</u>
Maintenance			
Landscape and irrigation	2,605		2,605
Common area repairs and maintenance	51,272		51,272
Pool and spa	888		888
Pest control	7		7
Major repairs and replacements		18,936	18,936
	<u>54,772</u>	<u>18,936</u>	<u>73,708</u>
Administrative			
Insurance	10,476		10,476
Management	19,347		19,347
Administrative expense	1,950		1,950
Payroll and related expenses	187,707		187,707
Legal and professional	2,475		2,475
Licenses, permits and fees	99		99
Property tax	5,081		5,081
Income tax expense	7,037		7,037
Bad debt expense (recoveries)	130,179		130,179
	<u>364,351</u>	<u>-</u>	<u>364,351</u>
Total expenses	<u>480,967</u>	<u>18,936</u>	<u>499,903</u>
Excess (deficit) of revenues over (under) expenses	(31,248)	14,228	(17,020)
Beginning fund balances	(92,280)	114,492	22,212
Ending fund balances	<u>\$ (123,528)</u>	<u>\$ 128,720</u>	<u>\$ 5,192</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, 2018

	Operating Fund	Replacement Fund	Total
Excess (deficit) of revenues over (under) expenses	\$ (31,248)	\$ 14,228	\$ (17,020)
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided (used) by operating activities			
Decrease (Increase) in operating assets:			
Accounts receivable	1,481,624		1,481,624
Special assessments receivable		103,847	103,847
Allowance for doubtful accounts	(1,467,484)		(1,467,484)
Other receivables	(4,561)		(4,561)
Prepaid insurance	(479)		(479)
Increase (decrease) in operating liabilities:			
Accounts payable	18,672		18,672
Prepaid assessments	3,164		3,164
Income taxes payable	7,037		7,037
Deferred income		(102,734)	(102,734)
Total adjustments	37,973	1,113	39,086
Net cash provided (used) by operating activities	6,725	15,341	22,066
Cash provided (used) by investing activities			
Net cash provided (used) by investing activities	-	-	-
Cash provided (used) by financing activities			
Interfund borrowings	(2,848)	2,848	-
Net cash provided (used) by financing activities	(2,848)	2,848	-
Net increase (decrease) in cash and cash equivalents	3,877	18,189	22,066
Beginning cash and cash equivalents	102,484	116,106	218,590
Ending cash and cash equivalents	<u>106,361</u>	<u>\$ 134,295</u>	<u>\$ 240,656</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			\$ -
Interest paid			\$ -

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, 2018

1. Organization

Skiers Lodge Condominium Association (the "Association") was incorporated on June 29, 1992 as a nonprofit mutual benefit corporation under the laws of Arizona, for the purposes of maintaining and preserving common property. The Association consists of 816 condos and is located in Park City, Utah.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Association maintains its financial records on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

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 fund 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 May 21, 2019, 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, 2018

3. Assessments and Assessments Receivable

Association members are subject to annual 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 the Board budgets \$50,000 annually. An entry was made to write off outstanding assessment receivables deemed uncollectible to better present accounts receivable, at its net realizable amount. The Association may collect outstanding dues once a unit is sold. Unit members with outstanding dues are denied access unless all dues are paid.

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 a 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 or 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.

5. Income Taxes

The Association elected to file its Federal and Utah income tax returns as a homeowners' association. For federal purposes, the return was filed under Internal Revenue Code Section 528. For both federal and state 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 State of Utah can examine the Association's income tax returns generally up to three years.

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.

Skiers Lodge Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2018
(Unaudited)

The Association's board of directors, in conjunction with a reserve study expert, conducted a reserve study dated October 25, 2007 to 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.

Study Component	Estimated remaining useful lives	Estimated current replacement costs	Study recommended annual funding requirement	Study recommended fund balance
Current replacement cost		\$ 921,596	\$ -	\$ -
Recommended annual funding		-	86,329	-
Recommended fund balance		-	-	314,216
		<u>\$ 921,596</u>	<u>\$ 86,329</u>	<u>\$ 314,216</u>
Replacement fund balance at December 31, 2018.				<u>\$ 128,720</u>

Other Assumptions:

Interest rate	<u>3.50%</u>
Inflation rate	<u>3.50%</u>

See the Balance Sheet for replacement fund cash, cash equivalents and investments balances at December 31, 2018.