

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

FINANCIAL STATEMENTS

AUGUST 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association
Mt. Crested Butte, Colorado

We have audited the accompanying financial statements of Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association, which comprise the balance sheet as of August 31, 2020, and the related statements of revenues, expenses, and changes in fund balances 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 Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association as of August 31, 2020, 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.

McNurlin, Hitchcock & Associates, P.C.

McNurlin, Hitchcock & Associates, P.C.
December 1, 2020

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Balance Sheet
August 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>(Memo only) Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 159,447	\$ 83,122	\$ 242,569
Assessments receivable	1,757	-	1,757
Prepaid expenses	4,912	-	4,912
Undeposited funds	1,200	-	1,200
Total Current Assets	<u>167,316</u>	<u>83,122</u>	<u>250,438</u>
Property and Equipment			
Furniture and equipment	30,913	-	30,913
Less accumulated depreciation	<u>(28,484)</u>	<u>-</u>	<u>(28,484)</u>
Property and Equipment, net	<u>2,429</u>	<u>-</u>	<u>2,429</u>
 TOTAL ASSETS	 <u><u>\$ 169,745</u></u>	 <u><u>\$ 83,122</u></u>	 <u><u>\$ 252,867</u></u>
 LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts payable	\$ 14,684	\$ -	\$ 14,684
Prepaid assessments	7,204	-	7,204
Total Current Liabilities	<u>21,888</u>	<u>-</u>	<u>21,888</u>
 FUND BALANCES	 <u>147,857</u>	 <u>83,122</u>	 <u>230,979</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 169,745</u></u>	 <u><u>\$ 83,122</u></u>	 <u><u>\$ 252,867</u></u>

See accompanying notes to the financial statements and independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended August 31, 2020

	Operating Fund	Replacement Fund	(Memo only) Total
REVENUES			
Assessments	\$ 260,940	\$ 27,060	\$ 288,000
Rental	16,200	-	16,200
Interest	-	16	16
Miscellaneous	3,938	-	3,938
Late fees	359	-	359
TOTAL REVENUES	<u>281,437</u>	<u>27,076</u>	<u>308,513</u>
EXPENSES			
Bank fees	540	35	575
Board of directors	140	-	140
Cable television	18,080	-	18,080
Common area cleaning	9,279	-	9,279
Contract labor	5,629	-	5,629
Depreciation	1,068	-	1,068
Electricity	17,197	-	17,197
Fire protection	1,874	-	1,874
Gravel road ways	7,745	-	7,745
Hot tub maintenance and supplies	16,564	-	16,564
Insurance	24,716	-	24,716
Landscaping	1,116	-	1,116
Maintenance labor and supplies	10,540	-	10,540
Management fees	28,080	-	28,080
Miscellaneous	155	-	155
Postage and office supplies	438	-	438
Professional fees	548	-	548
Roof repairs	1,726	-	1,726
Snow removal	47,821	-	47,821
Trash	8,299	-	8,299
Water and sewer	50,933	-	50,933
Water damage	2,470	-	2,470
Capital repairs	-	17,742	17,742
TOTAL EXPENSES	<u>254,958</u>	<u>17,777</u>	<u>272,735</u>
REVENUES OVER EXPENSES	26,479	9,299	35,778
BEGINNING FUND BALANCES	<u>121,378</u>	<u>73,823</u>	<u>195,201</u>
ENDING FUND BALANCES	<u>\$ 147,857</u>	<u>\$ 83,122</u>	<u>\$ 230,979</u>

See accompanying notes to the financial statements and independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Statement of Cash Flows
For the Year Ended August 31, 2020

	Operating Fund	Replacement Fund	(Memo only) Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Revenues over expenses	\$ 26,479	\$ 9,299	\$ 35,778
Adjustments to reconcile revenues over expenses to cash provided by (used in) operating activities:			
Depreciation	1,068	-	1,068
(Increase) decrease in assets:			
Assessments receivable	4,365	-	4,365
Prepaid expenses	6,881	-	6,881
Undeposited funds	(1,200)	-	(1,200)
Due to Replacement Fund	-	3,872	3,872
Increase (decrease) in liabilities:			
Accounts payable	8,672	-	8,672
Prepaid assessments	3,001	-	3,001
Due from Operating Fund	(3,872)	-	(3,872)
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,394	13,171	58,565
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,394	13,171	58,565
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	114,053	69,951	184,004
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 159,447	\$ 83,122	\$ 242,569
Supplemental Information:			
Cash paid for interest			\$ -
Cash paid for income taxes			\$ -

See accompanying notes to the financial statements and independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2020

Note 1 NATURE OF ORGANIZATION

The Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association (the "Association") is a statutory condominium association organized as a non-profit corporation incorporated in the State of Colorado on July 9, 1982. The Association is responsible for the operation and maintenance of the common property of the Eagle's Nest Townhouses, a 40-unit residential townhome complex located in Mt. Crested Butte, Colorado. In addition, two small studio units are owned in common by the members and rented to Crested Butte Lodging & Property Management, Inc.

Note 2 DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated subsequent events and transactions for potential required recognition or disclosure through the date on the audit report.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred

Fund Accounting

In accordance with generally accepted accounting principles, 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 for designated purposes. 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 operation of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs, replacements, and acquisitions.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2020

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalent.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required 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.

Recognition of Assets and Depreciation Policy

Real property and common areas acquired from the developer and related improvements to such property are owned by the individual unit owners in common and not by the Association. Accordingly, these assets are not recorded on the Association's financial statements. Common property includes interior common areas, building exteriors, hot tub, landscaping, rental units, parking, etc. The Association capitalizes personal property over \$500, and with an estimated life of more than one year, at cost. The personal property is depreciated over an estimated useful life ranging from five to ten years using tax depreciation methods, which approximates the straight-line method. Depreciation expense for the year ended August 31, 2020 was \$1,068.

Member Assessments

Association members are subject to monthly installments of the annual assessment to provide funds for the Association's operating expenses, future capital acquisition, and major repairs and replacements. The Board of Directors determines the annual budget and the assessment of owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Assessments Receivable

Assessments receivable at the balance sheet date represent amounts due from unit owners. The Association has the right to enforce the collection of assessments by placing a lien on the underlying title to the property. Given this leverage afforded to the Association, and the past collection history of the Association, an allowance for uncollectible assessments is not considered necessary.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2020

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collection Policy

Members are subject to monthly installments of the annual assessment, which become delinquent if they are not paid by the 10th day of each month. Delinquent assessments bear interest at the rate of 18% per annum beginning on the first day of delinquency until paid in full. In addition to interest, the Association may apply a \$10 late charge to a delinquent account. Prior to referral to the Association's legal counsel or a collection agency, the Association mails the owner a notice that specifies the total amount due, whether the opportunity to enter into a payment plan exists and instructions to initiate the payment plan, and that action is required to cure the delinquency within 30 days. If the delinquency is not cured within 30 days, the account is referred to legal counsel or a collection agency for collection.

Prepaid Expenses

Prepaid expenses are expenditures made in advance of when the economic benefit of the cost will be realized, and which will be expensed in future periods. As of August 31, 2020 prepaid expenses consisted of prepaid insurance and prepaid management fees totaling \$4,912 as reported in prepaid expenses on the Balance Sheet.

Prepaid Assessments

Prepaid assessments represent member assessments received in advance of the period earned. As of August 31, 2020 prepaid assessments totaled \$7,204 as shown on the Balance Sheet.

Note 4 MANAGEMENT AGREEMENT

The Association's daily operations are managed by Crested Butte Lodging & Property Management, Inc. in accordance with a management agreement. The agreement automatically renews annually on September 1st until terminated by either party. During the year ended August 31, 2020, the Association paid Crested Butte Lodging & Property Management, Inc. \$91,427, which included \$28,080 in management fees; \$9,279 in common area cleaning; \$16,563 in hot tub maintenance, labor, and supplies; \$1,116 in landscaping; \$10,530 in maintenance and supplies; \$14,217 in snow removal; \$7,745 in gravel road ways maintenance, and \$3,897 for other miscellaneous services. The Association owed \$9,071 to Crested Butte Lodging & Property Management, Inc. as of August 31, 2020, which is included in accounts payable on the Balance Sheet.

During the year ended August 31, 2020, the Association paid the Snow Team CB Inc. \$29,092 for snow removal and shoveling services. There is common ownership between Crested Butte Lodging & Property Management, Inc. and Snow Team CB, Inc. There are no amounts owed to Snow Team CB Inc. as of August 31, 2020.

See accompanying independent auditors' report.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Notes to the Financial Statements

August 31, 2020

Note 5 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements; however, the Board of Directors of the Association has chosen to accumulate funds. It is the Association's policy to allocate interest earned on such funds to the Replacement Fund. During the year ended August 31, 2020 the Association collected \$27,060 in Replacement Fund dues. During that same period, expenditures from the Replacement Fund totaled \$17,742, primarily for asphalt repair, engineer work, and inspection of crawl spaces and garages.

Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the Replacement 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 to increase regular assessments, levy special assessments, borrow funds or postpone repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

Note 6 INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended August 31, 2020, the Association was taxed as a homeowners association and filed form 1120-H. As a homeowner's association, exempt function income is not taxable. Nonexempt function income less nonexempt function expenses is taxable if it exceeds \$100. For the year ended August 31, 2020, the Association did not report net income unrelated to member activities and therefore no provision for income taxes is reflected in the financial statements.

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include deciding on an allocation of income and expenses between member and nonmember activities and deciding whether to file Form 1120 or Form 1120-H. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Association has assessed its tax positions for all open tax years and has concluded that there are currently no significant unrecognized tax benefits or liabilities to be recognized.

Note 7 RENTAL UNITS

The Association owns two units, which it leased to Crested Butte Lodging & Property Management, Inc. at a rate of \$675 per unit per month. During the year ended August 31, 2020. total rental income collected from Crested Butte Lodging & Property Management, Inc. was \$16,200.

See accompanying independent auditors' report.

SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association
Mt. Crested Butte, Colorado

We have audited the financial statements of Eagle's Nest Townhouses of Mt. Crested Butte Condominium Association as of and for the year ended August 31, 2020, and our report thereon dated December 1, 2020 which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The statement of revenues and expenses-budget versus actual, 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 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 supplemental information on future major repairs and replacements on page 11 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.

A handwritten signature in blue ink that reads "McNurlin, Hitchcock & Associates, P.C." in a cursive script.

McNurlin, Hitchcock & Associates, P.C.
December 1, 2020

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Statement of Revenues and Expenses - Budget Versus Actual (Non-GAAP)

For the Year Ended August 31, 2020

	Unaudited Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Assessments	\$ 288,000	\$ 288,000	\$ -
Rental	16,200	16,200	-
Interest	25	16	(9)
Miscellaneous	1,000	3,938	2,938
Late fees	-	359	359
TOTAL REVENUES	305,225	308,513	3,288
EXPENSES			
Bank fees	-	575	575
Board of directors	300	140	160
Cable television	17,768	18,080	(312)
Common area clearing	12,400	9,279	3,121
Contract labor	9,000	5,629	3,371
Depreciation	-	1,068	(1,068)
Electricity	19,867	17,197	2,670
Fire protection	1,500	1,874	(374)
Gravel road ways	4,500	7,745	(3,245)
Hot tub maintenance and supplies	17,680	16,564	1,116
Insurance	25,102	24,716	386
Internet	170	-	170
Landscaping	2,000	1,116	884
Maintenance labor and supplies	20,000	10,540	9,460
Management fees	28,080	28,080	-
Miscellaneous	-	155	(155)
Postage and office supplies	360	438	(78)
Professional fees	650	548	102
Roof repairs	1,800	1,726	74
Snow removal	59,000	47,821	11,179
Trash	6,650	8,299	(1,649)
Water and sewer	47,918	50,933	(3,015)
Water damage	2,400	2,470	(70)
Capital repairs	26,600	17,742	8,858
TOTAL EXPENSES	303,745	272,735	32,160
REVENUES OVER EXPENSES	\$ 1,480	\$ 35,778	\$ 35,448

See accompanying independent auditors' report on supplemental information.

**EAGLE'S NEST TOWNHOUSES OF MT. CRESTED BUTTE
CONDOMINIUM ASSOCIATION**

Supplemental Information on Future Major Repairs and Replacements (Compiled)
August 31, 2020

The following information is based on the 2020 internal reserve study, distributed by Crested Butte Lodging & Property Management, Inc. The amounts are to be used as a guide of expected Replacement Fund expenses of the Association. Other Replacement Fund expenses not listed here are possible and could be significant. This listing is largely based on past engineer reports and can vary greatly in the future based on Board decisions and general economic conditions. Projects are listed in order of estimated year in which the project will be completed.

Description	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost
Soffit repair	0	\$ 1,500
Garage apron drains	0	1,800
Parking lot maintenance - Sealco	0	15,100
Refurbish parts of complex & manager units trim	1	66,010
Stain retaining walls	1	25,000
Mud jack 3 garages	2	11,550
Parking lot maintenance - Sealco	2	16,300
Guard rails	3	80,000
Replace small timber retaining walls	3	9,000
Hire engineer to inspect the retaining walls	4	2,500
Parking lot maintenance - Sealco	4	17,600
Mud jack 3 garages	4	12,000
New upper hot tub	5	18,000
Refurbish parts of complex & manager units trim	6	75,911
Parking lot maintenance - Sealco	6	19,000
Mud jack 3 garages	6	12,500
Reserve study	7	20,000
Parking lot maintenance - Sealco	8	20,500
Mud jack 3 garages	8	13,500
Refurbish exterior	9	20,500
New Hot Tub for Lower	9	19,000
		\$ 477,271

See accompanying independent auditors' report on supplemental information.