



**BEAVER RUN HOMEOWNERS ASSOCIATION**

**Financial Statements  
and  
Independent Auditors' Report  
December 31, 2014 and 2013**

**EKS&H**  
AUDIT | TAX | CONSULTING

# BEAVER RUN HOMEOWNERS ASSOCIATION

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Homeowners  
Beaver Run Homeowners Association  
Breckenridge, Colorado

### **REPORT ON FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Beaver Run Homeowners Association (the "Association"), which are comprised of the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues and expenses, changes in fund balances, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 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 Beaver Run Homeowners Association as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

In our report dated March 7, 2014, we expressed an opinion that the 2013 financial statements presented fairly, except for the effects of not including the accounts of Beaver Run Interim Center Acquisition, LLC ("BRICA"), the financial position, results of operations and cash flows of the Association in accordance with accounting principles generally accepted in the United States of America. The accompanying 2013 financial statements have been restated to reflect the activity and investment in BRICA (Note 8).

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on Schedule 1 of the accompanying information be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles 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 financial statements, and other knowledge we obtained during our audits of the 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining information in Schedules 2 and 3 of the accompanying information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual operating divisions. This supplemental 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*EKS&H LLLP*

EKS&H LLLP

March 27, 2015  
Denver, Colorado

## BEAVER RUN HOMEOWNERS ASSOCIATION

### Balance Sheets

	December 31,	
	2014	2013
		(Restated Note 8)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,625,178	\$ 3,859,346
Accounts receivable, net	1,362,996	1,276,327
Due from affiliates	-	288,964
Inventories	508,547	556,957
Prepaid expenses and other	<u>352,957</u>	<u>366,326</u>
Total current assets	6,849,678	6,347,920
Property and equipment, net	2,715,722	2,530,384
Investment in BRICA	<u>1,261,062</u>	<u>716,250</u>
Total assets	<u>\$ 10,826,462</u>	<u>\$ 9,594,554</u>
<b>Liabilities and Fund Balances</b>		
Current liabilities		
Accounts payable	\$ 817,038	\$ 834,529
Owners' distributions payable	1,227,256	1,168,807
Due to affiliates	61,019	-
Accrued payroll and related	647,919	550,455
Accrued taxes	525,257	445,763
Accrued other	707,249	624,736
Quarter-owner reserve	50,872	39,781
Advance deposits	2,770,564	2,254,190
Undistributed rental reserve	<u>348,164</u>	<u>37,988</u>
Total current liabilities	7,155,338	5,956,249
Non-current liabilities		
Note payable	<u>36,499</u>	<u>39,737</u>
Total liabilities	7,191,837	5,995,986
Commitments and contingencies		
Fund balances	<u>3,634,625</u>	<u>3,598,568</u>
Total liabilities and fund balances	<u>\$ 10,826,462</u>	<u>\$ 9,594,554</u>

See notes to financial statements.

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Statements of Revenues and Expenses

	For the Years Ended December 31,	
	2014	2013 (Restated Note 8)
Revenues		
Rooms - non-groups	\$ 10,108,837	\$ 8,493,007
Rooms - groups	5,061,383	5,310,471
Food and beverage	6,620,819	6,485,618
Operating assessments	2,928,769	2,750,774
Reserve assessments	1,014,373	1,055,266
Resort fees	841,381	765,565
Other income	684,036	677,809
Conference services	383,328	329,138
Employee housing	226,070	128,618
Guest services	128,003	110,411
Interest income	9,555	8,004
Total revenues	28,006,554	26,114,681
Departmental and operating expenses		
Food and beverage	4,760,822	4,540,812
Rooms	3,106,040	2,894,258
General and administrative	2,212,496	2,144,303
Utilities	1,231,005	1,203,688
Major repairs and replacement - other	1,189,835	347,459
Sales and marketing	1,079,828	975,538
Repairs and maintenance, net	844,638	835,446
Other	649,629	666,371
Conference services	560,751	534,486
Personnel	292,034	139,808
Employee housing	120,064	126,427
Total departmental and operating expenses	16,047,142	14,408,596
Excess of revenues over expenses before fixed charges	11,959,412	11,706,085
Fixed charges		
Lease	2,756,933	2,581,016
Management fees	202,494	202,494
Depreciation	409,804	398,595
Insurance and equipment leases	315,854	291,787
Property taxes	163,313	158,429
Interest expense	1,760	153
Total fixed charges	3,850,158	3,632,474
Excess of revenues over expenses before distributions to		
Rental Program participants	8,109,254	8,073,611
Distributions to Rental Program participants	(8,639,736)	(7,841,734)
(Deficit) excess of revenues over expenses before BRICA income	(530,482)	231,877
Income - BRICA investment	544,812	350,837
Excess of revenues over expenses	\$ 14,330	\$ 582,714

See notes to financial statements.

**BEAVER RUN HOMEOWNERS ASSOCIATION**

**Statement of Changes in Fund Balances  
For the Years Ended December 31, 2014 and 2013**

	Funds			Total
	Operating	Asset	Maintenance	
Balance - December 31, 2012 - (Reported)	\$ 670,067	\$ 1,338,339	\$ 626,452	\$ 2,634,858
Restatement	<u>365,413</u>	<u>-</u>	<u>-</u>	<u>365,413</u>
Balance - December 31, 2012 - (Restated Note 8)	1,035,480	1,338,339	626,452	3,000,271
Excess (deficit) of revenues over expenses	225,168	(350,261)	707,807	582,714
Non-cash fund transfers - equipment purchases	-	439,890	(439,890)	-
Net collection of working capital	<u>15,583</u>	<u>-</u>	<u>-</u>	<u>15,583</u>
Balance - December 31, 2013 - (Restated Note 8)	1,276,231	1,427,968	894,369	3,598,568
Excess (deficit) of revenues over expenses	544,812	(355,020)	(175,462)	14,330
Non-cash fund transfers - equipment purchases	-	595,142	(595,142)	-
Net collection of working capital	<u>21,727</u>	<u>-</u>	<u>-</u>	<u>21,727</u>
Balance - December 31, 2014	<u>\$ 1,842,770</u>	<u>\$ 1,668,090</u>	<u>\$ 123,765</u>	<u>\$ 3,634,625</u>

See notes to financial statements.

## BEAVER RUN HOMEOWNERS ASSOCIATION

### Statements of Cash Flows

	For the Years Ended	
	December 31,	
	<u>2014</u>	<u>2013</u>
		(Restated Note 8)
Cash flows from operating activities		
Excess of revenues over expenses	\$ 14,330	\$ 582,714
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation and amortization	409,804	398,595
Income - BRICA investment	(544,812)	(350,837)
Changes in assets and liabilities		
Accounts receivable	(86,669)	(442,314)
Inventories	48,410	(27,378)
Prepaid expenses and other	13,369	(102,650)
Accounts payable	(17,491)	104,938
Due to/from affiliates	349,983	(195,222)
Owners' distributions payable	58,449	206,640
Accrued expenses	259,471	270,578
Quarter-owner reserve	11,091	7,791
Advance deposits	516,374	106,674
Undistributed rental reserve	310,176	37,943
	<u>1,328,155</u>	<u>14,758</u>
Net cash provided by operating activities	<u>1,342,485</u>	<u>597,472</u>
Cash flows from investing activities		
Purchase of property and equipment	(595,142)	(399,890)
Net cash used in investing activities	<u>(595,142)</u>	<u>(399,890)</u>
Cash flows from financing activities		
Payments on note payable	(3,238)	(263)
Net collection of working capital	21,727	15,583
Net cash provided by financing activities	<u>18,489</u>	<u>15,320</u>
Net increase in cash and cash equivalents	765,832	212,902
Cash and cash equivalents - beginning of year	<u>3,859,346</u>	<u>3,646,444</u>
Cash and cash equivalents - end of year	<u>\$ 4,625,178</u>	<u>\$ 3,859,346</u>

#### Supplemental disclosure of non-cash activity:

The Association paid \$1,760 and \$153 in interest during the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2013, the Association acquired \$40,000 of property and equipment through a note payable.

See notes to financial statements.



# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies**

Beaver Run Homeowners Association (the "Association") was incorporated under the laws of Colorado in 1979. The Association administers and operates 438 condominium units of Beaver Run Resort and Conference Center (the "Resort") in Breckenridge, Colorado.

The owners of the condominium units may individually elect to offer their units for rent as part of an overall rental program (the "Rental Program"). Approximately 95% of the owners participate in the Rental Program. Each owner is credited with the rental income received from the specific unit being rented. Expenses related to the rental operations are shared by those owners participating in the Rental Program based on their respective share of the gross rental revenue.

#### Fund Accounting

The Association uses fund accounting, which requires that funds, as described below, 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 asset and maintenance funds generally may be made only for designated purposes.

#### Operating Fund

Included in the operating fund transactions are the primary assets, liabilities, expenses, and revenues for the operations of the Association. Assessments are charged to owners to provide funds for the common costs of operations. The operating fund balance represents the net cumulative difference of such transactions plus cumulative collections of working capital.

#### Working Capital

The Association maintains working capital, which is reported together with the operating fund. Working capital consists of funds equal to three months of assessments, which are collected at the time of the initial sale and/or resale of the condominium unit. Collections of working capital are considered contributions of capital. Working capital included in the operating fund was \$695,902 and \$674,175 at December 31, 2014 and 2013, respectively.

#### Asset Fund

The asset fund includes property and equipment, the related depreciation expense, notes payable, and capital leases as well as the related rental income and debt interest expense on the employee housing units.

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Maintenance Fund (for Future Major Repairs and Replacements)

The maintenance fund includes funds reserved for the acquisition, construction, maintenance, repair, and replacement of property existing for the common use of the individual owners of the condominium units. The Board of Directors approves the allocation of assessments to the maintenance fund, as well as payments or transfers from the maintenance fund. The Board of Directors has conducted a study, which is updated annually, to estimate the remaining useful lives and the replacement costs of the components of common property. The Board of Directors determines annual assessments for future major repairs and replacement items as part of the annual budget process.

#### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, money market accounts, credit card accounts, and certificates of deposit with original maturities of three months or less. The Association places its cash with high-credit quality financial institutions. Occasionally, deposits may exceed the federally insured limit.

#### Inventories

Inventories consist of maintenance supplies, unit refurbishment items, room and cleaning supplies, owner replacements, ski lift tickets, and marketing brochures and are stated at the lower of cost or market, determined using the first-in, first-out method.

#### Recognition of Assets and Depreciation Policy

The policy of the Association is to capitalize at cost, in the asset fund, real property not directly associated with the units and personal property to which the Association has separate title or ownership and which may be sold individually or from which significant cash flows can be derived based on usage by owners and non-owners. Consequently, the Association has capitalized vehicles, computers, furniture, equipment, and 23 cooperative units, which were purchased as employee housing. The Association also has furniture, fixtures, equipment, and guest linens related to the rental operation.

These assets are depreciated using the straight-line method over estimated useful lives from 5 to 10 years for vehicles, equipment, and furniture and fixtures, and 20 to 40 years for the buildings and improvements. Guest linens have been recorded at cost and are amortized over three years to a base stock amount with future purchases being expensed.

#### Equity Investment In BRICA

The Association is the sole owner of the Class C membership interest in Beaver Run Interim Center Acquisition LLC ("BRICA"). The Association recorded the investment using the equity method (Note 5).

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Long-Lived Assets

The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Association looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. There were no impairments in 2014 or 2013.

#### Quarter-Owner Reserve Fund

The quarter-owner reserve fund represents funds collected from or due from certain interval unit owners. The funds are to be used for the repair and replacement of those units' components.

#### Assessments Revenue and Receivables

Assessments are based on the budget adopted by the Board of Directors. The policy of the Association is to bill the owners for common assessments on a monthly basis. Individual owner assessments are based on the owner's relative area of their unit to the total area of all units. The Association's policy is to file liens on units with delinquent assessments and pursue foreclosure if lien obligations are not paid.

#### Advance Deposits

Advance deposits consist of room deposits received for future room rentals. The Rental Program's winter policy requires a deposit within 10 days from the date the reservation is made and the remaining room fee to be paid in full 45 days prior to the guest's stay.

#### Revenue Recognition

Revenue is recognized at the time rooms or other services are provided.

#### Income Taxes

The Association is taxed as a regular corporation on the excess (deficit) of revenue over expenditures generated in the operating and asset funds. The results of rental operations flow through to and are taxed individually to the owners. The excess of revenue over expenses in the maintenance fund is not taxable as it qualifies as a contribution to capital under Internal Revenue Code Section 118. The Association has a net operating loss carryover of approximately \$1,500,000 as of December 31, 2014. There is no deferred tax asset recorded as it has been fully reserved.

The Association follows guidance on accounting for uncertainty in income taxes. If taxing authorities were to disallow any tax positions taken by the Association, the additional income taxes, if any, would be imposed on the members rather than the Association. Accordingly, there would be no effect on the Association's financial statements.

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)**

#### Income Taxes (continued)

Interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expenses. No interest or penalties have been assessed as of December 31, 2014 and 2013. The Association's income tax returns for tax years subject to examination by tax authorities include 2010 and 2011 through the current period for state and federal tax reporting purposes, respectively.

#### Advertising Costs

The Association expenses advertising costs as incurred.

#### 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 disclosures 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.

#### Subsequent Events

The Association has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance, noting none requiring disclosure.

### **Note 2 - Balance Sheet Disclosures**

Accounts receivable are summarized as follows:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 1,379,971	\$ 1,276,631
Allowance for doubtful accounts	(44,487)	(48,526)
Due from owners	-	17,186
Other	<u>27,512</u>	<u>31,036</u>
	<u>\$ 1,362,996</u>	<u>\$ 1,276,327</u>

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 2 - Balance Sheet Disclosures (continued)**

Property and equipment consist of the following:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 208,000	\$ 208,000
Buildings and improvements	1,530,105	1,530,105
Furniture, fixtures, equipment, and vehicles	4,515,495	3,920,353
Less accumulated depreciation	<u>(3,537,878)</u>	<u>(3,128,074)</u>
	<u>\$ 2,715,722</u>	<u>\$ 2,530,384</u>

### **Note 3 - Undistributed Rental Reserve**

The excess of the revenue over expenses in the Rental Program is established as a rental reserve. The reserve funds are to be used as directed by the Board of Directors. The reserve accumulates annually for the benefit of each individual owner. At December 31, 2014 and 2013, the Rental Program had a reserve of \$348,164 and \$37,988, respectively.

### **Note 4 - Note Payable**

In 2013, the Association acquired an asset that was partially financed with a note payable. The note accrues interest at 4.6%, is due in monthly principal and interest payments of \$416, and matures December 2023. The balance on the note payable as of December 31, 2014 was \$36,499.

Maturities of the note payable is as follows:

#### Year Ending December 31,

2015	\$ 3,390
2016	3,549
2017	3,716
2018	3,890
2019	4,073
Thereafter	<u>17,881</u>
	<u>\$ 36,499</u>

### **Note 5 - Related Party Transactions**

The relationships of the Association, BRICA, and Bridge Hospitality, LLC ("Bridge") result in various transactions that create amounts due to and from each entity.

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### Note 5 - Related Party Transactions (continued)

The following related party balances are included in the balance sheets:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Due (to) from affiliates (BRICA)	<u>\$ (61,019)</u>	<u>\$ 288,964</u>

#### Management Contract

The Association has contracted with Bridge for the management of the Association. The contract expires December 31, 2016. Management fees paid to Bridge totaled \$90,000 for each of the years ended December 31, 2014 and 2013.

The Association has contracted with Bridge for management of the Rental Program. The contract calls for Bridge to perform management services and to market and manage the Rental Program. The total management fees paid to Bridge was \$112,494 for each of the years ended December 31, 2014 and 2013. The contract expires December 31, 2016.

The Rental Program has entered into an agreement with Bridge to manage the Food and Beverage Operations. During the years ended December 31, 2014 and 2013, \$117,498 was paid to Bridge. Under the contract, the Rental Program is to receive all net profits and losses from the Food and Beverage Operations. The contract expires December 31, 2016. As of December 31, 2014 and 2013, the Rental Program recognized \$289,287 and \$397,839, respectively, of income and losses from the Food and Beverage Operations.

#### Conference Center Lease

On August 31, 2010, the Beaver Run Conference Center ("Conference Center") was purchased by BRICA, an entity under common control. The Rental Program entered into an agreement with BRICA to lease the Conference Center. The agreement requires monthly lease payments of 4% of the Rental Program's adjusted income through December 31, 2030. Total lease expense was \$599,739 and \$545,872 for the years ended December 31, 2014 and 2013, respectively.

In addition, BRICA can require additional supplemental lease payments from the Rental Program. The supplemental lease amount for the years ended December 31, 2014 and 2013 was \$600,000 and \$500,000, respectively.

#### Conference Center and Food and Beverage CAMM

Under the Conference Center lease, the Rental Program is required to pay a major maintenance fund deposit of \$150,000 per year. Total CAMM charges incurred for each of the years ended December 31, 2014 and 2013 were \$150,000, which are included in lease expense. During each of the years ended December 31, 2014 and 2013, Food and Beverage Operations made payments of \$75,000, which are included in lease expense.

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### Note 5 - Related Party Transactions (continued)

#### Coppertop Facility Lease

Effective August 31, 2010, with the purchase of the Conference Center by BRICA, the Rental Program entered into a contract with BRICA for use of the Coppertop Facility. Under the contract, the Rental Program and the Food and Beverage Operations will each lease the Coppertop facilities for \$25,000 each per quarter through December 2021. The amount of the lease may be adjusted periodically based on an index of LIBOR plus 1%. During each of the years ended December 31, 2014 and 2013, the Association and Food and Beverage Operations each made approximately \$112,000 of payments, respectively, which is included in lease expense.

#### Coppertop Facility CAMM

Under the Coppertop Facility lease agreement, the Association is also required to pay common area maintenance fees of \$30,000 per year. During each of the years ended December 31, 2014 and 2013, the Rental Program made \$30,000 of maintenance fee payments, which is included in lease expense. The Food and Beverage Operations are also required to pay common area maintenance fees of \$35,000 for the use of the Coppertop Facility. During the years ended December 31, 2014 and 2013, the Food and Beverage Operations made payments of \$35,000 for maintenance fees, which are included in lease expense.

#### Food and Beverage Lease

Effective August 31, 2010, the Association entered into a contract with BRICA to operate the Food and Beverage Operations in the Conference Center. The lease expires December 31, 2030. Lease expense under the agreement consists of the following:

- (a) For all of the facilities, except Skywalk Market, the Rental Program will pay as an annual lease payment, a sum equal to 10% of the adjusted gross revenues from Food and Beverage sales. This amounted to \$546,753 and \$537,491 for the years ended December 31, 2014 and 2013, respectively.
- (b) For Skywalk Market, the Rental Program will pay an annual lease payment of the greater of 10% of the gross revenues from the Food and Beverage sales of Skywalk Market or \$101,000 plus Consumer Price Index increases. This amounted to \$110,144 and \$107,136 for the years ended December 31, 2014 and 2013, respectively.
- (c) Food and Beverage Operations are also required to remit 5% of the guests' Food and Beverage purchases as a resort fee payable to BRICA. This amounted to \$304,613 and \$301,370 for the years ended December 31, 2014 and 2013, respectively.

# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 5 - Related Party Transactions (continued)**

#### Administrative Lease

The Association rents certain administrative areas in the Conference Center from BRICA under an operating lease that expires on August 31, 2030. During the years ended December 31, 2014 and 2013, the Association made total payments of \$158,906 and \$154,567 to BRICA under this lease, respectively. The Association is responsible for insurance, a portion of related taxes, and operating expenses, as defined.

#### Employee Rental Income

The Association through the Rental Program rents 23 employee housing units to employees. Total rental income from Rental to the Association was \$171,744 and \$166,044 for the years ended December 31, 2014 and 2013, respectively.

#### Common Expenses

BRICA reimbursed the Association for certain costs incurred by the Association on its behalf as follows:

	December 31,	
	2014	2013
Maintenance	\$ 26,078	\$ 30,076
Security	97,980	95,568
Janitorial	66,000	64,344
Administrative	43,992	40,000
	<u>\$ 234,050</u>	<u>\$ 229,988</u>

#### Conference Center Acquisition

During 2009, BRICA was created to facilitate the acquisition of the Conference Center from Beaver Run Development. BRICA is owned by the Association and a voluntary group of homeowners. The homeowners invested in BRICA to facilitate the acquisition. Once those homeowners who invested have received their defined return on their investment, the Association will then remain as the sole owner of BRICA. In addition, BRICA obtained debt financing from a financial institution and Beaver Run Development that provided subordinated financing to facilitate the acquisition.

### **Note 6 - Line-of-Credit**

The Association entered into a line-of-credit agreement that allows borrowings up to \$1,000,000 with monthly interest payments on the outstanding balance at the bank's prime rate plus 1% (4.25% at December 31, 2014) with a floor of 5.5%. The line-of-credit matures May 2015. The line-of-credit is collateralized by all inventory, equipment, deposit accounts, investment property, and general intangibles. There was no outstanding balance due on the line-of-credit as of December 31, 2014.



# BEAVER RUN HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

### **Note 7 - Future Major Repairs and Replacement**

The Association accumulates funds for future major repairs and replacements in designated accounts held by the operating fund, which generally are not available for expenses for normal operations.

The Board of Directors and management have conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained or derived by the property's management.

Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the maintenance 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, subject to ownership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

### **Note 8 - Restatement**

The financial statements as of December 31, 2013 and for the year ended December 31, 2013 have been restated to include the allocated income from the Association's equity interest in the Class C membership interest of BRICA. The restatement resulted in the inclusion of the allocated income and resulting equity interest in BRICA to its inception.

**ACCOMPANYING INFORMATION**

**BEAVER RUN HOMEOWNERS ASSOCIATION**

**Schedule 1**

**Supplementary Information on Major Repairs and Replacements  
For the Year Ended December 31, 2014  
(Unaudited)**

The Board of Directors has conducted a study, which is updated annually, to estimate the remaining useful lives and the replacement costs of the 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	2014 Cumulative Funding Requirement	2014 Fund Balance
Buildings	1 to 40	\$ 5,811,548	\$ 2,888,851	\$ -
Grounds	1 to 37	195,926	140,943	-
Electrical and mechanical	1 to 24	3,372,200	1,691,187	-
Furniture and fixtures	1 to 17	1,681,325	923,813	-
Technology	1 to 14	1,336,812	731,420	-
Vehicles and equipment	1 to 24	1,088,875	716,531	-
Rental Program assets	1 to 18	1,303,749	834,175	-
Unallocated		<u>-</u>	<u>-</u>	<u>123,765</u>
Total		<u>\$ 14,790,435</u>	<u>\$ 7,926,920</u>	<u>\$ 123,765</u>

**BEAVER RUN HOMEOWNERS ASSOCIATION**

**Schedule 2**

**Combining Balance Sheet  
December 31, 2014**

	<u>Beaver Run Homeowner Association</u>	<u>Beaver Run Rental Program</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 76,765	\$ 4,548,413	\$ -	\$ 4,625,178
Accounts receivable, net	3,339	1,359,657	-	1,362,996
Due from affiliates	26,868	224,892	(251,760)	-
Inventories	134,971	373,576	-	508,547
Prepaid expenses and other	<u>242,314</u>	<u>110,643</u>	-	<u>352,957</u>
Total current assets	484,257	6,617,181	(251,760)	6,849,678
Property and equipment, net	2,715,722	-	-	2,715,722
Due from Association	-	193,092	(193,092)	-
Investment in BRICA	<u>1,261,062</u>	-	-	<u>1,261,062</u>
Total assets	<u>\$ 4,461,041</u>	<u>\$ 6,810,273</u>	<u>\$ (444,852)</u>	<u>\$ 10,826,462</u>
<b>Liabilities and Fund Balances</b>				
Current liabilities				
Accounts payable	\$ 109,657	\$ 707,381	\$ -	\$ 817,038
Due to affiliates	312,779	-	(251,760)	61,019
Owners' distributions payable	-	1,227,256	-	1,227,256
Accrued payroll and related	70,844	577,075	-	647,919
Accrued taxes	4,366	520,891	-	525,257
Accrued other	48,307	658,942	-	707,249
Quarter-owner reserve	50,872	-	-	50,872
Advance deposits	-	2,770,564	-	2,770,564
Undistributed rental reserve	-	<u>348,164</u>	-	<u>348,164</u>
Total current liabilities	<u>596,825</u>	<u>6,810,273</u>	<u>(251,760)</u>	<u>7,155,338</u>
Non-current liabilities				
Notes payable - Rental Program	193,092	-	(193,092)	-
Note payable	<u>36,499</u>	-	-	<u>36,499</u>
Total non-current liabilities	229,591	-	(193,092)	36,499
Commitments and contingencies				
Fund balances	<u>3,634,625</u>	-	-	<u>3,634,625</u>
Total liabilities and fund balances	<u>\$ 4,461,041</u>	<u>\$ 6,810,273</u>	<u>\$ (444,852)</u>	<u>\$ 10,826,462</u>

**BEAVER RUN HOMEOWNERS ASSOCIATION**

**Schedule 3**

**Combining Statement of Revenues and Expenses  
For the Year Ended December 31, 2014**

	<u>Beaver Run Homeowner Association</u>	<u>Beaver Run Rental Program</u>	<u>Eliminations</u>	<u>Total</u>
Revenues				
Rooms - non-groups	\$ -	\$ 10,108,837	\$ -	\$ 10,108,837
Rooms - groups	-	5,061,383	-	5,061,383
Food and beverage	-	6,620,819	-	6,620,819
Operating assessments	2,928,769	-	-	2,928,769
Reserve assessments	1,014,373	-	-	1,014,373
Resort fees	-	841,381	-	841,381
Conference services	-	383,328	-	383,328
Other income	164,774	519,262	-	684,036
Employee housing	171,744	226,070	(171,744)	226,070
Guest services	-	128,003	-	128,003
Interest income	-	25,047	(15,492)	9,555
Lease income - rental	<u>182,994</u>	<u>-</u>	<u>(182,994)</u>	<u>-</u>
Total revenues	<u>4,462,654</u>	<u>23,914,130</u>	<u>(370,230)</u>	<u>28,006,554</u>
Departmental and operating expenses				
Food and beverage	-	4,760,822	-	4,760,822
Rooms	-	3,122,834	(16,794)	3,106,040
General and administrative	573,048	1,639,448	-	2,212,496
Utilities	1,082,957	148,048	-	1,231,005
Major repairs and replacements	1,189,835	-	-	1,189,835
Sales and marketing	-	1,079,828	-	1,079,828
Repairs and maintenance, net	844,638	-	-	844,638
Other	509,257	140,372	-	649,629
Conference services	-	560,751	-	560,751
Personnel	-	292,034	-	292,034
Employee housing	-	<u>291,808</u>	<u>(171,744)</u>	<u>120,064</u>
Total departmental and operating expenses	<u>4,199,735</u>	<u>12,035,945</u>	<u>(188,538)</u>	<u>16,047,142</u>
Excess of revenues over expenses before fixed charges	<u>262,919</u>	<u>11,878,185</u>	<u>(181,692)</u>	<u>11,959,412</u>
Fixed charges				
Lease	-	2,756,933	-	2,756,933
Rent - Association	-	166,200	(166,200)	-
Management fees	90,000	112,494	-	202,494
Depreciation	409,804	-	-	409,804
Insurance and equipment leases	271,785	44,069	-	315,854
Property taxes	4,560	158,753	-	163,313
Interest expense	<u>17,252</u>	<u>-</u>	<u>(15,492)</u>	<u>1,760</u>
Total fixed charges	<u>793,401</u>	<u>3,238,449</u>	<u>(181,692)</u>	<u>3,850,158</u>
(Deficit) excess of revenues over expenses before distributions to Rental Program participants	<u>(530,482)</u>	<u>8,639,736</u>	<u>-</u>	<u>8,109,254</u>
Distributions to Rental Program participants	<u>-</u>	<u>(8,639,736)</u>	<u>-</u>	<u>(8,639,736)</u>
Deficit of revenues over expenses before BRICA income	<u>(530,482)</u>	<u>-</u>	<u>-</u>	<u>(530,482)</u>
Income - BRICA investment	<u>544,812</u>	<u>-</u>	<u>-</u>	<u>544,812</u>
Excess of revenues over expenses	<u>\$ 14,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,330</u>