Vail Racquet Club
Mountain Resort

Financial Statements
and
Independent Accountants' Review Report
May 31, 2016 and 2015

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RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Racquet Club Owner's Association d/b/a Vail Racquet Club
Mountain Resort
Vail, Colorado

We have reviewed the accompanying balance sheet of Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort (the "Association") as of May 31, 2016, and the related statements of operating revenue and expenses, change in fund balances, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANTS' CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Our reviews were made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The additional information included in the accompanying schedules is presented only for supplementary analysis purposes. Such information, except for the portion marked "not reviewed," has been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, and we are not aware of any material modifications that should be made to it.

SUPPLEMENTARY INFORMATION

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the AICPA. We have compiled this from information that is the representation of the Association's management without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

OTHER MATTER

The financial statements and accompanying information for the year ended May 31, 2015, were audited by us, and we expressed an unmodified opinion on them in our report dated August 5, 2015, but we have not performed any auditing procedures since that date.

EKS&H LLLP

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July 29, 2016
Denver, Colorado

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Balance Sheets

	May 31, 2016			Total
	Homeowners	Rental	Total (Reviewed)	May 31, 2015 (Audited)
Assets				
Current assets				
Cash and cash equivalents	$ 1,113,440	$ 260,547	$ 1,373,987	$ 1,412,650
Cash and cash equivalents - restricted	1,041,702	492,025	1,533,727	1,148,399
Accounts receivable, net	198,122	69,664	267,786	392,629
Accounts receivable - special assessment	3,125,756	-	3,125,756	-
Inventories, net	50,477	7,761	58,238	57,920
Prepaid expenses and other	10,150	-	10,150	3,538
Total current assets	5,539,647	829,997	6,369,644	3,015,136
Property and equipment				
Land	55,000	-	55,000	55,000
Buildings	4,707,982	450,000	5,157,982	5,137,393
Equipment	844,625	154,564	999,189	937,257
Furniture	15,917	3,489	19,406	19,406
Building improvements	163,016	-	163,016	154,016
	5,786,540	608,053	6,394,593	6,303,072
Less accumulated depreciation	(2,871,419)	(265,843)	(3,137,262)	(2,917,753)
Net property and equipment	2,915,121	342,210	3,257,331	3,385,319
Accounts receivable - special assessment, net of current portion	5,203,288	-	5,203,288	-
Total assets	$ 13,658,056	$ 1,172,207	$ 14,830,263	$ 6,400,455
Liabilities and Fund Balances				
Current liabilities				
Accounts payable	$ 20,221	$ -	$ 20,221	$ 124,874
Accrued expenses				
Payroll and related	171,847	33,572	205,419	198,955
Other	164,863	140,928	305,791	362,979
Short-term rental deposits	-	118,363	118,363	107,413
Assessments and dues collected in advance	513,895	-	513,895	514,696
Deferred revenue - special assessment	1,065,000	-	1,065,000	-
Total current liabilities	1,935,826	292,863	2,228,689	1,308,917
Deferred revenue - special assessment, net of current portion	7,570,000	-	7,570,000	-
Long-term rental deposits	24,408	43,900	68,308	81,241
Total liabilities	9,530,234	336,763	9,866,997	1,390,158
Commitments				
Fund balances				
Operating	3,392,076	343,419	3,735,495	3,861,898
Reserve	735,746	492,025	1,227,771	1,148,399
Total fund balances	4,127,822	835,444	4,963,266	5,010,297
Total liabilities and fund balances	$ 13,658,056	$ 1,172,207	$ 14,830,263	$ 6,400,455

See notes to financial statements.

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Statements of Operating Revenue and Expenses

	Year Ended May 31, 2016			Total Year Ended
	Homeowners	Rental	Total	May 31, 2015
			(Reviewed)	(Audited)
Assessments and revenue				
Club revenue	$ 926,095	$ -	$ 926,095	$ 910,374
Short-term room revenue	-	2,784,000	2,784,000	3,119,336
Long-term rental commissions	-	56,374	56,374	59,764
Common assessments	1,227,468	-	1,227,468	1,192,524
Garden level rental income	263,648	-	263,648	270,733
Maid income	-	125,537	125,537	111,600
Firewood income	-	6,103	6,103	7,968
Interest income	4,865	2,239	7,104	5,533
Rent deposit forfeitures	-	52,674	52,674	74,458
Other revenues	64,308	124,014	188,322	202,675
Total assessments and revenue	2,486,384	3,150,941	5,637,325	5,954,965
Direct expenses				
Cost of sales	27,518	-	27,518	31,058
Rooms	-	949,838	949,838	989,531
Operating	1,037,693	170,992	1,208,685	1,153,714
Marketing	-	113,634	113,634	109,367
Repairs and maintenance	707,255	55,881	763,136	765,687
Utilities	401,699	15,260	416,959	404,146
Rental club usage fees	-	141,664	141,664	158,918
Total direct expenses	2,174,165	1,447,269	3,621,434	3,612,421
Excess of revenue over expenses before fixed charges	312,219	1,703,672	2,015,891	2,342,544
Fixed charges				
Property taxes	23,326	3,216	26,542	26,470
Insurance expense	30,244	4,320	34,564	34,939
Depreciation and amortization	199,067	20,443	219,510	229,074
Total fixed charges	252,637	27,979	280,616	290,483
Excess of revenue over expenses before distributions to rental participants	59,582	1,675,693	1,735,275	2,052,061
Distributions to rental participants	-	(1,543,199)	(1,543,199)	(1,738,204)
Excess of revenue over expenses	$ 59,582	$ 132,494	$ 192,076	$ 313,857

See notes to financial statements.

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Statement of Changes in Fund Balances
Years Ended May 31, 2016 and 2015

	Homeowners		Rental		
	Operating Fund	Reserve Fund	Operating Fund	Reserve Fund	Total
Balance - May 31, 2014 (Reviewed)	$ 3,556,297	$ 589,994	$ 393,960	$ 440,067	$ 4,980,318
Excess of operating revenue over expenses	90,892	-	222,965	-	313,857
Transfer to reserve fund	(286,000)	286,000	(254,000)	254,000	-
Reserve fund assessment	-	519,396	-	-	519,396
Reserve fund expenditures	-	(627,064)	-	(176,210)	(803,274)
Transfer of assets	137,784	(137,784)	-	-	-
Balance - May 31, 2015 (Audited)	3,498,973	630,542	362,925	517,857	5,010,297
Excess of operating revenue over expense	59,582	-	132,494	-	192,076
Transfer to reserve fund	(258,000)	258,000	(152,000)	152,000	-
Reserve fund assessment	-	519,396	-	-	519,396
Reserve fund expenditures	-	(580,671)	-	(177,832)	(758,503)
Transfer of assets	91,521	(91,521)	-	-	-
Balance - May 31, 2016 (Reviewed)	$ 3,392,076	$ 735,746	$ 343,419	$ 492,025	$ 4,963,266

See notes to financial statements.

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Statements of Cash Flows

	Year Ended May 31, 2016			Total Year Ended
	Homeowners	Rental	Total (Reviewed)	May 31, 2015 (Audited)
Cash flows from operating activities				
Excess of operating revenue over expenses	$ 59,582	$ 132,494	$ 192,076	$ 313,857
Adjustments to reconcile excess of operating revenue over expenses to net cash provided by operating activities				
Reserve assessments	519,396	-	519,396	519,396
Reserve expenditures	(580,671)	(177,832)	(758,503)	(803,274)
Depreciation and amortization	199,067	20,443	219,510	229,074
Changes in certain assets and liabilities				
Accounts receivable	102,069	22,774	124,843	(166,326)
Inventories	(342)	24	(318)	(8,298)
Prepaid expenses and other	(6,612)	-	(6,612)	3,442
Special assessments receivable	(8,329,044)	-	(8,329,044)	-
Accounts payable	(102,876)	(1,777)	(104,653)	50,229
Accrued expenses	659	(51,383)	(50,724)	42,324
Deferred revenue - special assessment	8,635,000	-	8,635,000	-
Rental deposits	(3,693)	1,710	(1,983)	(3,478)
Assessments and dues collected in advance	9,981	(10,782)	(801)	19,378
Net cash provided by operating activities	502,516	(64,329)	438,187	196,324
Cash flows from investing activities				
Additions to buildings, units, and equipment	(91,522)	-	(91,522)	(137,784)
Net cash used in investing activities	(91,522)	-	(91,522)	(137,784)
Net increase in cash and cash equivalents	410,994	(64,329)	346,665	58,540
Cash and cash equivalents - beginning of year	1,744,148	816,901	2,561,049	2,502,509
Cash and cash equivalents - end of year	$ 2,155,142	$ 752,572	$ 2,907,714	$ 2,561,049

For other cash flow information, see Note 1.

See notes to financial statements.

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

Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort (the "Association"), a non-profit corporation, was incorporated in 1973 and merged with the Racquet Club Townhomes in 1980. The Association's purpose is to govern and manage the common affairs of owners of condominium and townhouse property located in Vail, Colorado. The Association consists of 311 condominiums and townhomes and related common areas. The Association is responsible for maintaining the common areas and managing the rental operations. On December 18, 1998, the Association purchased Vail Racquet Club (the "Club") and 23 condominium units to be utilized for employee housing from the original developer. In 2003, the deed restriction to these units expired. During 2013, the Racquet Club Owners Association added d/b/a Vail Racquet Club Mountain Resort to better describe the property for marketing purposes.

The owners of the condominium units may individually elect to offer their units for rent as part of a short-term rental program. Approximately 31% of the owners participate in the program. Each owner is credited with 55% of the short-term room-rental income received from the specific unit being rented. The Association retains 45% of room revenue to offset related operations costs, including usage of the Club. Association expenses are allocated between the homeowners' operating fund and the rental operating fund based on percentages reviewed and approved annually by the Board of Directors ("Board").

Fund Accounting

The Association uses fund accounting, which requires that funds, as described below, be classified separately for accounting and reporting purposes. Disbursements for operations are generally at the discretion of the Board and property manager. Disbursements from the repair and replacement reserve fund generally may be made only for designated purposes.

Homeowners' Operating Fund

Included in this classification of transactions are assets, liabilities, revenues, and expenses for the non-rental operations of the Association. This fund includes typical Association costs and revenues. The homeowners' operating fund balance represents the net cumulative difference of such transactions.

The Association maintains working capital, which is reported together with the homeowners' operating fund. Working capital consists of predetermined amounts that are collected at the time of the initial sale of the condominium unit. Collections of working capital are considered contributions of capital. Working capital included in the homeowners' operating fund balance was $73,961 at May 31, 2016 and 2015.

Homeowners' Reserve Fund

Included in the homeowners' reserve fund are amounts assessed to the residential owners and expenses for Board-designated major repairs and replacements.

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

Rental Operating Fund

Included in this classification of transactions are assets, liabilities, revenues, and expenses for the rental operations of the Association. The rental operating fund includes typical rental revenues and expenses. The rental operating fund balance represents the cumulative difference of such transactions.

Rental Reserve Fund

Included in the rental reserve fund are amounts assessed to the rental owners and expenses for Board-designated major repairs and replacements or other expenditures as determined by the Board. For the years ended May 31, 2016 and 2015, the Board approved payment of 5% back of regular rental night revenue to the rental participants based on the results of the year.

Club Operating Fund

Included in this classification of transactions are assets, liabilities, revenues, and expenses for the operations of the Club. This fund includes typical Club revenues and expenses. The Club operating fund balance represents the cumulative difference of such transactions.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and certificates of deposit. Included in cash and cash equivalents are designated restricted funds for the repair and replacement reserve fund. The Association invests a portion of its cash funds in money market funds and bank savings accounts administered by high-quality financial institutions. The Association keeps deposits at several different financial institutions to limit risk associated with exceeding federally insured limits; however, at times deposited amounts do exceed such limits. Such deposits are held in high-quality financial institutions.

Accounts Receivable

Accounts receivable represent amounts due from owners and members. At the time the accounts receivable are originated, the Association considers a reserve for doubtful accounts based on the creditworthiness of the homeowner or member. The provision for uncollectible accounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Association on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. The Association had an allowance of $23,929 at May 31, 2016 and 2015.

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

Inventories

Inventories consist primarily of maintenance and housekeeping items for owners' units and items available for sale at the Club. Inventories are stated at the lower of cost or market, determined using the first-in, first-out method. The Association had an allowance of $14,285 and $17,160 at May 31, 2016 and 2015, respectively.

Recognition of Assets and Depreciation Policy

The policy of the Association is to capitalize real and personal property at cost on the operating fund to which the Association has separate title or ownership and that may be sold individually, or from which significant cash flows can be derived based on usage by owners and non-owners.

These assets are depreciated using the straight-line method over estimated lives ranging from three to thirty years.

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 fair value of the underlying assets and secondarily to the discounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No impairment was recorded for the years ended May 31, 2016 or 2015.

Rental Deposits

Rental deposits are payments received in advance for future reservations and are recorded as a liability until rooms and other services are provided and revenues are earned.

Concentration of Risk

A significant portion of the rental operation's revenues are derived during the winter months. If the Vail area were to experience a significant decline in snowfall, it could have a significant impact on the rental operation's revenue.

Income Taxes

The Association does not qualify to be treated as an association exempt from income taxes pursuant to Internal Revenue Code Section 528. Although the Association is a not-for-profit corporation, it is subject to income tax, essentially in the same manner as a regular business corporation, with the exception of assessments held as long-term reserves for non-recurring expenditures.

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

Income Taxes (continued)

The Association evaluates its tax positions taken or expected to be taken in the course of preparing the Association's tax returns to determine whether the tax positions will more likely than not be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are not recorded as a tax benefit or expense in the current year. Interest and penalties, if applicable, are recorded in the period assessed as general and administrative expenses. However, no interest or penalties have been assessed as of May 31, 2016 and 2015.

Homeowners' Assessments and Revenue

The Association assesses dues monthly, two months in advance, which are payable by the last day of the month. The assessments are allocated based upon square footage and certain costs on a per-unit basis. Monthly dues billed but not yet earned are deferred and presented as a liability, assessments and dues collected in advance. The Board has allocated approximately 30% of total assessments to the repair and replacement reserve fund in 2016 and 2015.

Insurance costs are billed to each owner as a separate assessment based on actual insurance costs.

At various times, the Association's Board may elect to assess or distribute prior year operating deficits or income. Typically, however, income is transferred to the reserve fund.

Club Revenue

The Club receives 5% of short-term rental revenue, for which Association rental guests receive the right to use the Club. Additionally, all homeowners are required to be Club members and are billed monthly, two months in advance, for dues. Monthly dues billed but not yet earned are deferred and presented as a liability, assessments and dues collected in advance. The Club has non-homeowner members that are billed in advance and accounted for in the same manner.

Rental Revenue

Rental room revenue is recognized as lodging is provided.

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.

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

Marketing Costs

The Club and rental operations expense marketing costs as incurred.

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. There were no subsequent events that required recognition or disclosure in the financial statements.

Note 2 - Special Assessment

The Board has special assessed homeowners $8,635,000 for specific future repairs and replacement projects. The homeowners were given three different billing options. Plan A allows the homeowner to be billed the full amount; Plan B allows the homeowner to be billed for the assessment in four annual installments with a 1% fee; and under Plan C, the homeowner is billed monthly over 60 months with a 2% fee. The fee amounts will be fixed for the first year and may adjust annually in subsequent years based on market conditions. Upon sale of a unit, the remaining amount of unpaid assessment is due at the time of closing.

As of May 31, 2016, the Association has billed $2,978,677, $305,956 of which was collected prior to year-end. The remaining $8,329,044 is included in accounts receivable - special assessment on the accompanying balance sheets. The current portion of $3,125,756 is the amount anticipated to be collected in the next year. The remaining amount is the long-term portion.

The full amount of the assessment is included in deferred revenue - special assessment on the accompanying balance sheets as expenditures have not yet been incurred. The assessments will be recognized as reserve fund assessment revenue as the expenditures occur. The expenditures are expected to occur starting in fiscal year 2017 through fiscal year 2020.

Note 3 - Restricted Cash

The Association and rental program accumulate funds for future repairs and replacements in designated restricted accounts, which generally are not available for expenditures for normal operations. The Association held $1,533,727 and $1,148,399 in separate designated cash accounts at May 31, 2016 and 2015, respectively, for this purpose.

Actual expenditures may vary from the estimated future expenditures, 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 Board has the right, subject to the requirements of the bylaws and declarations, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 4 - Line-of-Credit

The Association has an $800,000 line-of-credit with a bank bearing interest at 4.5% at May 31, 2016. The line-of-credit matures in April 2017 and is collateralized by Association-owned rental units. There was no outstanding balance due on the line-of-credit at May 31, 2016 or 2015.

Note 5 - Section 401(k) Plan

The Association has adopted a 401(k) plan (the "Plan") for eligible employees. The Plan provides for discretionary matching contributions by the Association. During fiscal years 2016 and 2015, matching contributions of $22,177 and $21,539 were made by the homeowners' operation, $11,369 and $14,658 by the rental operation, and $6,198 and $6,222 by the Club, respectively.

Note 6 - Related Party Transactions

Vail Racquet Club

The Club was developed and owned by the original registered partnership of the Racquet Club Townhomes and Condominiums, which was governed by the Association's bylaws and declarations. The bylaws and declarations provided for several types of transactions between the Association or individual owners and the Club. On December 18, 1998, the Association purchased the Club.

Club Dues

Appurtenant to each unit is a Club membership. The Club bills each owner individually for Club dues.

Club Percentage of Short-Term Rental Revenue

The Association remits 5% of short-term room revenue to the Club, for which the Association rental guests are entitled to use the Club. The 5% revenue represented approximately $142,000 and $156,000 in 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Homeowners' and Club Combined Balance Sheets

	May 31, 2016			Total
	Homeowners	Club	Total	May 31, 2015
			(Reviewed)	(Audited)
Assets				
Current assets				
Cash and cash equivalents	$ 839,237	$ 274,203	$ 1,113,440	$ 1,113,606
Cash and cash equivalents - restricted	1,041,702	-	1,041,702	630,542
Accounts receivable, net	186,470	11,652	198,122	300,191
Accounts receivable - special assessment	3,125,756	-	3,125,756	-
Inventories, net	23,775	26,702	50,477	50,135
Prepaid expenses and other	9,372	778	10,150	3,538
Total current assets	5,226,312	313,335	5,539,647	2,098,012
Property and equipment				
Land	-	55,000	55,000	55,000
Buildings	1,590,316	3,117,666	4,707,982	4,687,393
Equipment	483,937	360,688	844,625	782,693
Furniture	15,917	-	15,917	15,917
Building improvements	163,016	-	163,016	154,016
	2,253,186	3,533,354	5,786,540	5,695,019
Less accumulated depreciation	(1,104,690)	(1,766,729)	(2,871,419)	(2,672,353)
Net property and equipment	1,148,496	1,766,625	2,915,121	3,022,666
Interfund transfers	3,002,060	(3,002,060)	-	-
Accounts receivable - special assessment, net of current portion	5,203,288	-	5,203,288	-
Total assets	$ 14,580,156	$ (922,100)	$ 13,658,056	$ 5,120,678
Liabilities and Fund Balances				
Current liabilities				
Accounts payable	$ 20,221	$ -	$ 20,221	$ 123,097
Accrued expenses				
Payroll and related	115,161	56,686	171,847	175,372
Other	130,066	34,797	164,863	160,679
Assessments and dues collected in advance	441,740	72,155	513,895	503,914
Deferred revenue - special assessment	1,065,000	-	1,065,000	-
Total current liabilities	1,772,188	163,638	1,935,826	963,062
Deferred revenue - special assessment, net of current portion	7,570,000	-	7,570,000	-
Long-term rental deposits	24,408	-	24,408	28,101
Total liabilities	9,366,596	163,638	9,530,234	991,163
Commitments				
Fund balances				
Operating	4,477,814	(1,085,738)	3,392,076	3,498,973
Reserve	735,746	-	735,746	630,542
Total fund balances	5,213,560	(1,085,738)	4,127,822	4,129,515
Total liabilities and fund balances	$ 14,580,156	$ (922,100)	$ 13,658,056	$ 5,120,678

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Homeowners' and Club Combined Statements of Operating Revenue and Expenses

	Year Ended May 31, 2016			Total
	Homeowners	Club	Total (Reviewed)	May 31, 2015 (Audited)
Assessments and revenue				
Club revenue	$ -	$ 926,095	$ 926,095	$ 910,374
Common assessments	1,227,468	-	1,227,468	1,192,524
Garden level rental income	263,648	-	263,648	270,733
Interest income	4,016	849	4,865	3,836
Other revenues	64,308	-	64,308	67,428
Total assessments and revenue	1,559,440	926,944	2,486,384	2,444,895
Direct expenses				
Cost of sales	-	27,518	27,518	31,058
Operating	450,320	587,373	1,037,693	982,236
Repairs and maintenance	605,533	101,722	707,255	700,885
Utilities	295,770	105,929	401,699	388,146
Total direct expenses	1,351,623	822,542	2,174,165	2,102,325
Excess of revenue over expenses before fixed charges	207,817	104,402	312,219	342,570
Fixed charges				
Property taxes	4,650	18,676	23,326	23,254
Insurance expense	18,244	12,000	30,244	30,614
Depreciation and amortization	72,426	126,641	199,067	197,810
Total fixed charges	95,320	157,317	252,637	251,678
Excess (deficit) of revenue over expenses	$ 112,497	$ (52,915)	$ 59,582	$ 90,892

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Homeowners' Operating Expenses

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Administrative Department			
Salaries	$ 127,700	$ 120,383	$ 7,317
Payroll taxes and benefits	21,992	23,483	(1,491)
Dues and publications	1,199	1,034	165
Office supplies and miscellaneous	840	816	24
Training	490	600	(110)
Guest and entertainment	279	960	(681)
Transportation	204	120	84
Postage	88	384	(296)
Total administrative department	152,792	147,780	5,012
Accounting Department			
Salaries	48,877	47,654	1,223
Payroll taxes and benefits	11,355	11,845	(490)
Office supplies	1,787	2,000	(213)
Postage	966	384	582
Dues and publications	125	400	(275)
Guest and entertainment	91	160	(69)
Training	20	1,066	(1,046)
Transportation	-	316	(316)
Miscellaneous	-	120	(120)
Total accounting department	63,221	63,945	(724)
Maintenance Department			
Salaries, net of Club allocation	288,364	311,935	(23,571)
Water and sewer	248,779	253,000	(4,221)
Repairs and maintenance	147,087	144,000	3,087
Payroll taxes and benefits	89,546	85,021	4,525
Gas and electric	46,991	51,660	(4,669)
Lawn care	20,530	20,000	530
Trash removal	14,690	13,640	1,050
Supplies	13,045	14,800	(1,755)
Equipment repairs	11,757	15,120	(3,363)
Telephone	11,192	10,380	812
Fire alarm	9,819	12,500	(2,681)
Snow removal	8,467	8,500	(33)
Uniforms	1,982	4,000	(2,018)
Miscellaneous	246	1,800	(1,554)
Total maintenance department	912,495	946,356	(33,861)

(Continued on the following page)

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Homeowners' Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Other Operating Expenses			
Depreciation	21,807	25,000	(3,193)
Insurance expense	18,244	13,148	5,096
Computer expenses	17,532	17,266	266
Director/owner communication and meeting expense	16,069	15,865	204
Legal fees	12,609	12,996	(387)
Professional fees	10,128	10,128	-
Property tax	4,650	4,650	-
Unemployment tax	2,746	3,200	(454)
Office supplies	2,725	3,060	(335)
Office equipment maintenance	2,653	1,764	889
Entertainment expense	2,536	2,820	(284)
Miscellaneous	2,253	2,113	140
Postage	613	1,006	(393)
Total other operating expenses	114,565	113,016	1,549
Front Desk Expenses			
Front desk expense - allocated	42,129	42,129	-
Total front desk expenses	42,129	42,129	-
Garden Level Rental Units			
Commissions	50,848	44,816	6,032
Depreciation	50,619	49,515	1,104
Water and sewer	17,503	17,120	383
Television	15,712	16,008	(296)
Taxes - property	12,062	12,062	-
Repairs and maintenance	11,973	12,000	(27)
Electricity	3,024	4,224	(1,200)
Total garden level rental units	161,741	155,745	5,996
Total homeowners' operating expenses	$ 1,446,943	$ 1,468,971	$ (22,028)

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Rental Operating Expenses

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Administrative Department			
Salaries	$ 47,857	$ 46,495	$ 1,362
Payroll taxes and benefits	12,239	13,420	(1,181)
Office supplies and miscellaneous	424	1,224	(800)
Dues and publications	346	1,541	(1,195)
Guest and entertainment	200	1,440	(1,240)
Postage	131	576	(445)
Training	90	900	(810)
Transportation	-	180	(180)
Total administrative department	61,287	65,776	(4,489)
Accounting Department			
Salaries	48,891	47,797	1,094
Payroll taxes and benefits	11,364	11,871	(507)
Postage	901	698	203
Miscellaneous	484	-	484
Office supplies	477	2,000	(1,523)
Transportation	142	316	(174)
Dues and publications	125	400	(275)
Guest and entertainment	91	160	(69)
Training	20	1,066	(1,046)
Advertising and promotion	-	120	(120)
Total accounting department	62,495	64,428	(1,933)
Maintenance Department			
Repairs and maintenance	49,639	48,200	1,439
Gas and electric	8,732	9,620	(888)
Telephone	6,746	7,860	(1,114)
Firewood	5,262	9,600	(4,338)
Water and sewer	4,164	3,979	185
Trash removal	2,364	2,360	4
Supplies	980	600	380
Total maintenance department	77,887	82,219	(4,332)

(Continued on the following page)

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Rental Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Other Operating Expenses			
Computer expenses	26,623	25,898	725
Depreciation	20,443	20,644	(201)
Accounting and legal	10,542	10,440	102
Insurance expense	4,320	4,326	(6)
Taxes - other	3,864	6,413	(2,549)
Property taxes	3,216	3,260	(44)
Entertainment expense	2,805	2,811	(6)
Miscellaneous	2,671	2,113	558
Office equipment maintenance	2,653	1,764	889
Office supplies	2,493	2,970	(477)
Postage	22	1,009	(987)
Total other operating expenses	79,652	81,648	(1,996)
Front Desk Expenses			
Salaries	187,553	200,532	(12,979)
Payroll	38,953	43,622	(4,669)
HOA long-term rent	16,800	16,800	-
Key blank expense	10,920	3,000	7,920
Office supplies	4,217	5,400	(1,183)
Advertising	4,009	2,400	1,609
Telephone	1,782	1,800	(18)
Miscellaneous	1,358	300	1,058
Postage	344	600	(256)
Uniforms	305	2,400	(2,095)
Training	250	600	(350)
Transportation	-	240	(240)
Front desk expenses related to HOA	(42,129)	(42,129)	-
Pro shop front desk expense - allocated Club	(83,590)	(83,590)	-
Total front desk expenses	140,772	151,975	(11,203)

(Continued on the following page)

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Rental Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Sales and Marketing Department			
Salaries	182,601	173,365	9,236
Advertising	75,311	72,045	3,266
Payroll taxes and benefits	39,910	36,937	2,973
Dues	22,987	24,674	(1,687)
Travel and transport	5,555	11,000	(5,445)
Training	3,560	2,000	1,560
Promotion	1,774	5,000	(3,226)
Contract services	1,767	3,000	(1,233)
Advertising - brochures	1,579	3,000	(1,421)
Office supplies	790	1,000	(210)
Guest and entertainment	261	1,000	(739)
Postage	50	1,000	(950)
Total sales and marketing department	336,145	334,021	2,124
Reservations Department			
Credit card commissions	66,067	62,900	3,167
Travel agent commissions	6,920	-	6,920
Postage	8	-	8
Adjustments	(338)	600	(938)
Total reservations department	72,657	63,500	9,157
Housekeeping Department			
Housekeeping - non-billable	234,798	215,385	19,413
Housekeeping - billable	97,168	91,940	5,228
Contract labor	96,192	95,900	292
Linen replacement	22,905	22,300	605
Guest supplies	20,778	23,800	(3,022)
Guest amenities	17,642	17,300	342
Laundry supplies	5,893	9,000	(3,107)
Cleaning expenses	5,032	3,000	2,032
Glass, china, and silver	1,176	1,500	(324)
Repairs/supplies - machinery	650	1,440	(790)
Office supplies	340	360	(20)
Transportation	114	360	(246)
Postage	1	-	1
Training	-	400	(400)
Miscellaneous	-	180	(180)
Total housekeeping department	502,689	482,865	19,824
Total rental operating expenses exclusive of Club fees	$ 1,333,584	$ 1,326,432	$ 7,152

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Club Operating Expenses

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Cost of sales	$ 27,518	$ 25,160	$ 2,358
Payroll and Employee Expenses			
Pro shop front desk - allocated	83,590	83,590	
Contract labor - housekeeping and laundry	82,230	76,652	5,578
Club manager	56,566	54,382	2,184
Accounting salaries	48,877	47,962	915
Administration	31,358	29,273	2,085
Class instructions	30,701	27,783	2,918
Housekeeping - billable	25,478	26,372	(894)
Massage therapists salaries	24,076	25,340	(1,264)
Benefits - insurance	19,580	19,441	139
Payroll taxes and benefits	18,953	19,512	(559)
Fitness salaries	17,800	20,150	(2,350)
Employee benefits	11,992	12,383	(391)
Personal trainers	5,479	5,775	(296)
Tennis pro salary	5,000	6,000	(1,000)
Swim instructor/lifeguard salaries	3,260	4,500	(1,240)
Maintenance salaries	2,074	1,000	1,074
Taxes - other	1,818	3,000	(1,182)
Uniforms	632	1,000	(368)
Training	312	1,548	(1,236)
Total payroll and employee expenses	469,776	465,663	4,113
Office Expenses			
Computer expenses	20,075	21,836	(1,761)
Office supplies and miscellaneous	6,100	4,000	2,100
Office equipment maintenance	2,671	1,500	1,171
Printing	899	1,200	(301)
Postage	662	1,400	(738)
Total office expenses	30,407	29,936	471
Maintenance Department			
Gas and electric	70,389	80,060	(9,671)
Owners association repairs	60,589	55,000	5,589
Water and sewer	33,311	30,000	3,311
Repairs and maintenance	30,589	36,000	(5,411)
Landscaping	3,163	3,500	(337)
Trash removal	2,875	2,500	375
Fire alarm expense	2,683	1,800	883
Telephone	2,229	2,160	69
Equipment repairs	768	2,100	(1,332)
Total maintenance department	206,596	213,120	(6,524)

(Continued on the following page)

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Club Operating Expenses

(Continued from the previous page)

	Year Ended May 31, 2016		
	Actual	Budget (Not Reviewed)	Variance
Other Operating Expenses			
Tennis court supplies	2,405	4,000	(1,595)
Massage room expense	1,103	1,300	(197)
Supplies	1,055	480	575
Rental equipment	14	1,000	(986)
Total other operating expenses	4,577	6,780	(2,203)
Supplies			
Swimming pool	13,234	14,400	(1,166)
Locker room	12,980	9,000	3,980
Supplies	5,871	6,000	(129)
Linen	4,111	4,404	(293)
Laundry	1,526	3,000	(1,474)
Weight room	625	1,000	(375)
Total supplies	38,347	37,804	543
Taxes and Business Licenses			
Property	18,240	18,218	22
License fees	436	450	(14)
Total taxes and business licenses	18,676	18,668	8
General Expenses			
Depreciation	126,641	129,000	(2,359)
Advertising	12,425	12,000	425
Insurance property and liability	12,000	12,000	-
Commissions	10,912	9,000	1,912
Accounting and legal	10,128	10,132	(4)
Music, television, and internet	4,190	4,392	(202)
Entertainment/travel	3,095	3,648	(553)
Miscellaneous expense	2,206	2,113	93
Advertising - employees	1,741	600	1,141
Dues and publications	471	920	(449)
Club activities	153	1,000	(847)
Promotions	-	600	(600)
Adjustments	-	300	(300)
Total general expenses	183,962	185,705	(1,743)
Total Club operating expenses	$ 979,859	$ 982,836	$ (2,977)

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Supplementary Information on HOA 10-Year Capital Plan - Summary (Not Reviewed)

The Board and management estimate the remaining useful lives and the replacement costs of the components of common property of residential unit owners on an annual basis. The estimates were obtained or derived by the property's management based on previous costs, estimates from contractors and management, and the Board's experience. Over the next 10 years, the Board and management anticipate incurring the below capital expenditures.

The following table is based on the study and is not audited or reviewed:

	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	Total
Major capital projects											
Condo deck and patio/walkway replacement											
Deck replacement (assumes half building per year)	$ 765,000	$ 685,000	$ 570,000	$ 618,000	$ 212,500	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 4,100,500
Condo roof replacement	-	110,000	-	110,000	-	-	-	-	-	-	220,000
Condo fireplace conversion to gas units	-	20,000	130,000	600,000	650,000	-	-	-	-	-	1,400,000
Condo buildings 9-12 fireplace upgrade incentive	-	-	120,000	30,000	30,000	30,000	30,000	24,000	-	-	264,000
Townhome exteriors	60,000	512,000	1,024,000	960,000	1,344,000	-	-	-	-	-	3,900,000
Townhome roof replacement	-	160,000	320,000	300,000	420,000	-	-	-	-	-	1,200,000
Major asphalt replacement	85,000	-	-	-	-	75,000	75,000	75,000	75,000	75,000	460,000
Main sidewalk snowmelt expansion	-	-	-	-	-	-	-	60,000	60,000	60,000	180,000
Landscaping and other grounds major projects	12,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	192,000
Vehicles and equipment replacement	-	-	-	-	-	40,000	8,000	-	-	-	48,000
Hot tub and pool	-	-	-	-	-	-	60,000	15,000	15,000	15,000	105,000
Locker rooms and restaurant	-	-	25,000	250,000	325,000	-	-	-	-	-	600,000
Bike storage building and playground replacement	10,000	130,000	-	-	100,000	-	-	-	-	-	240,000
Tennis court resurfacing and fence replacement	230,000	10,000	10,000	10,000	10,000	10,000	20,000	10,000	10,000	10,000	330,000
Other major club refurbishment projects	-	15,000	15,000	15,000	15,000	30,000	30,000	30,000	30,000	30,000	210,000
Other major condo and townhome projects	54,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	504,000
Assessment projects contingency	-	60,000	60,000	60,000	60,000	-	-	-	-	-	240,000
Subtotal	1,216,000	1,772,000	2,344,000	3,023,000	3,236,500	505,000	543,000	534,000	510,000	510,000	14,193,500
Maintenance capital											
Condominium maintenance capital items											
Roof, gutters, downspouts, and heat tape	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	230,000
Chimneys, chase tops, power vents, and fireplaces	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
Decks, balusters, and railing	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
Plumbing, electric, structural, stucco, and siding	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Subtotal	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	57,000	570,000
Townhomes maintenance capital items											
Roofs (including snow guards and gutters)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Decks, balusters, railing, siding, and entries	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Subtotal	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	60,000
Club maintenance capital items											
Roofs, snow guards, gutter, downspout, and heat tape	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Decks, handrails, balusters, stairs, siding, and stucco	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Plumbing, mechanical, HVAC, electrical, and lighting	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	150,000
Window, doors, and security system	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Restaurant refurbishment and equipment replacement	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	60,000
Fitness equipment	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	145,000
Subtotal	41,500	41,500	41,500	41,500	41,500	41,500	41,500	41,500	41,500	41,500	415,000
Grounds maintenance capital items											
Trees, landscaping, irrigation, and retaining walls	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	90,000
Water, drainage, and sewer	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
Exterior light fixtures and signage	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
Parking lots and asphalt maintenance	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	200,000
Subtotal	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	34,000	340,000
Equipment maintenance capital items											
Trucks, plows, bobcat, and lift	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
Snow blowers, lawn mowers, and aerators	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Office furniture, computers, copiers, phones, and radios	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	125,000
Subtotal	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	195,000
Other infrastructure maintenance											
Garden level unit remodels	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
Subtotal	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	183,000	1,830,000
Total for all budgeted capital items	$ 1,399,000	$ 1,955,000	$ 2,527,000	$ 3,206,000	$ 3,419,500	$ 688,000	$ 726,000	$ 717,000	$ 693,000	$ 693,000	$ 16,023,500

RACQUET CLUB OWNER'S ASSOCIATION D/B/A
VAIL RACQUET CLUB MOUNTAIN RESORT

Supplementary Information on Funding Summary - 10-Year Capital Plan (Not Reviewed)
(In Thousands)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Reserve fund beginning balance	$ 735.7	$ 3,457.8	$ 3,841.0	$ 3,652.2	$ 2,784.4	$ 548.5	$ 549.9	$ 513.3	$ 485.7	$ 482.1	
Reserve expenditures	(1,399.0)	(1,955.0)	(2,527.0)	(3,206.0)	(3,419.5)	(688.0)	(726.0)	(717.0)	(693.0)	(693.0)	$ (16,023.5)
	(663.3)	1,502.8	1,314.0	446.2	(635.1)	(139.5)	(176.1)	(203.7)	(207.3)	(210.9)	
Capital assessments from owners	519.4	519.4	519.4	519.4	519.4	519.4	519.4	519.4	519.4	519.4	5,194.0
Special assessment from owners	3,431.7	1,648.8	1,648.8	1,648.8	494.2	-	-	-	-	-	8,872.3
From operations	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	170.0	1,700.0
Subtotal funding	4,121.1	2,338.2	2,338.2	2,338.2	1,183.6	689.4	689.4	689.4	689.4	689.4	$ 15,766.3
Reserve fund ending balance	$ 3,457.8	$ 3,841.0	$ 3,652.2	$ 2,784.4	$ 548.5	$ 549.9	$ 513.3	$ 485.7	$ 482.1	$ 478.5	

Shown in current fiscal year 2016 dollars.

No increase in capital assessment is included in the funding projection.