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Racquet Club Owner's Association d/b/a Vail  
Racquet Club Mountain Resort

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**Financial Report**  
**with Supplemental Information**  
**May 31, 2021**

# Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort

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## Independent Accountant's Review Report

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

We have reviewed the accompanying financial statements of Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort, which comprise the balance sheet as of May 31, 2021 and 2020 and the related statements of revenue and expenses, changes in fund balances, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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.

### ***Accountant's Responsibility***

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 report.

### ***Accountant's Conclusion***

Based on our reviews, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended May 31, 2021, Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort adopted new accounting guidance related to revenue recognition. Our conclusion is not modified with respect to this matter.

*Plante & Moran, PLLC*

January 12, 2022

**Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort**

**Balance Sheet**

|   | May 31              |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2021                |                     |                     | 2020 (Restated)     |
|   | Homeowners          | Rental              | Total               | Total               |
| <b>Current Assets</b>                                     |                     |                     |                     |                     |
| Cash and cash equivalents                                 | \$ 2,099,579        | \$ 314,595          | \$ 2,414,174        | \$ 2,155,626        |
| Cash and cash equivalents - Restricted                    | 1,010,531           | 499,410             | 1,509,941           | 2,773,542           |
| Accounts receivable - Net                                 | 168,180             | 66,667              | 234,847             | 177,655             |
| Accounts receivable - Special assessment                  | -                   | -                   | -                   | 312,406             |
| Inventories   | 36,927              | 7,785               | 44,712              | 43,422              |
| Prepaid expenses and other                                | 3,651               | 4,134               | 7,785               | 7,768               |
| Total current assets                                      | 3,318,868           | 892,591             | 4,211,459           | 5,470,419           |
| <b>Property and Equipment</b>                             |                     |                     |                     |                     |
| Land  | 55,000              | -                   | 55,000              | 55,000              |
| Buildings   | 6,222,982           | 450,000             | 6,672,982           | 6,672,982           |
| Equipment   | 1,076,504           | 180,264             | 1,256,768           | 1,256,768           |
| Furniture   | 15,917              | 3,489               | 19,406              | 19,406              |
| Building improvements                                     | 210,316             | -                   | 210,316             | 210,316             |
|   | 7,580,719           | 633,753             | 8,214,472           | 8,214,472           |
| Less accumulated depreciation                             | (4,042,794)         | (389,105)           | (4,431,899)         | (4,145,759)         |
| Net property and equipment                                | 3,537,925           | 244,648             | 3,782,573           | 4,068,713           |
| Due from Homeowners                                       | -                   | 118,512             | 118,512             | -                   |
| Total assets  | <b>\$ 6,856,793</b> | <b>\$ 1,255,751</b> | <b>\$ 8,112,544</b> | <b>\$ 9,539,132</b> |
| <b>Liabilities and Fund Balances</b>                      |                     |                     |                     |                     |
| Accounts payable  | \$ 80,200           | \$ 1,661            | 81,861              | \$ 90,023           |
| Accrued expenses:   |                     |                     |                     |                     |
| Payroll and related                                       | 185,501             | 51,078              | 236,579             | 297,359             |
| Other   | 239,259             | 251,757             | 491,016             | 471,094             |
| Contract liabilities                                      |                     |                     |                     |                     |
| Rental deposits   | 2,326               | 132,452             | 134,778             | 112,668             |
| Special assessments collected in advance                  | 654,000             | -                   | 654,000             | 1,439,000           |
| Common assessments collected in advance                   | 629,631             | -                   | 629,631             | 595,490             |
| Paycheck Protection Program Loan                          | -                   | -                   | -                   | 110,328             |
| Due to Rental   | 118,510             | -                   | 118,510             | -                   |
| Total current liabilities                                 | 1,909,427           | 436,948             | 2,346,375           | 3,115,962           |
| Paycheck Protection Program Loan - Net of current portion | 283,700             | -                   | 283,700             | 173,372             |
| Contract liabilities                                      |                     |                     |                     |                     |
| Special assessments collected in advance - Net of current | 272,390             | -                   | 272,390             | 787,596             |
| Reserve assessments collected in advance - Net of current | 84,141              | 337,443             | 421,584             | 835,186             |
| Rental deposits   | 23,773              | 41,973              | 65,746              | 49,350              |
| Total liabilities   | 2,573,431           | 816,364             | 3,389,795           | 4,961,466           |
| <b>Fund Balances</b>                                      |                     |                     |                     |                     |
| Operating   | 4,283,362           | 277,420             | 4,560,782           | 4,560,782           |
| Reserve   | -                   | 161,967             | 161,967             | 16,884              |
| Total fund balances                                       | 4,283,362           | 439,387             | 4,722,749           | 4,577,666           |
| Total liabilities and operating fund balances             | <b>\$ 6,856,793</b> | <b>\$ 1,255,751</b> | <b>\$ 8,112,544</b> | <b>\$ 9,539,132</b> |

**Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort**  
**Statement of Revenue and Expenses**

|   | For the Years Ended May 31 |                   |                   | 2020 (Restated)   |       |
|---|----------------------------|-------------------|-------------------|-------------------|-------|
|   | 2021                       |                   | Total             |                   | Total |
|   | Homeowners                 | Rental            |                   |                   |       |
| <b>Revenue and Assessments</b>  |                            |                   |                   |                   |       |
| Club revenue  | \$ 819,733                 | \$ -              | \$ 819,733        | \$ 926,080        |       |
| Short-term rental revenue - Net   | -                          | 946,067           | 946,067           | 1,157,341         |       |
| Long-term rental commissions  | -                          | 54,111            | 54,111            | 49,291            |       |
| Common assessments  | 1,459,572                  | -                 | 1,459,572         | 1,344,972         |       |
| Repair and replacement assessments                                      | 847,496                    | -                 | 847,496           | 1,190,892         |       |
| Special assessments   | 1,300,206                  | -                 | 1,300,206         | 2,251,162         |       |
| Garden level rental income  | 279,356                    | -                 | 279,356           | 285,388           |       |
| Maid income   | -                          | 83,016            | 83,016            | 132,755           |       |
| Firewood income   | -                          | 5,086             | 5,086             | 5,502             |       |
| Interest income   | 5,490                      | 2,123             | 7,613             | 20,646            |       |
| Rent deposit forfeitures  | -                          | 43,788            | 43,788            | 34,580            |       |
| Other revenues  | 59,657                     | 120,147           | 179,804           | 179,397           |       |
| Total revenue and assessments   | <u>4,771,510</u>           | <u>1,254,338</u>  | <u>6,025,848</u>  | <u>7,578,006</u>  |       |
| <b>Departmental and Operating Expenses</b>                              |                            |                   |                   |                   |       |
| Repair and replacement expenditures                                     | 1,150,818                  | 33,519            | 1,184,337         | 549,528           |       |
| Special assessment expenditures   | 1,300,206                  | -                 | 1,300,206         | 2,251,162         |       |
| Cost of club sales  | 27,488                     | -                 | 27,488            | 22,358            |       |
| Rooms   | -                          | 761,400           | 761,400           | 1,032,693         |       |
| Operating   | 988,886                    | 147,462           | 1,136,348         | 1,227,057         |       |
| Marketing   | -                          | 46,201            | 46,201            | 88,485            |       |
| Repairs and maintenance   | 727,701                    | 39,533            | 767,234           | 806,775           |       |
| Utilities   | 471,432                    | 16,257            | 487,689           | 480,805           |       |
| Rental club usage fees  | -                          | 104,358           | 104,358           | 122,759           |       |
| Total direct expenses   | <u>4,666,531</u>           | <u>1,148,730</u>  | <u>5,815,261</u>  | <u>6,581,622</u>  |       |
| <b>Excess of Revenue Over Expenses - Before fixed charges and other</b> | 104,979                    | 105,608           | 210,587           | 996,384           |       |
| <b>Fixed Charges and Other</b>  |                            |                   |                   |                   |       |
| Paycheck Protection Program loan forgiveness                            | (207,409)                  | (76,291)          | (283,700)         | -                 |       |
| Property taxes  | 27,617                     | 3,696             | 31,313            | 31,336            |       |
| Insurance expense   | 27,419                     | 4,332             | 31,751            | 31,780            |       |
| Depreciation and amortization   | 257,352                    | 28,788            | 286,140           | 278,010           |       |
| Total fixed charges and other   | <u>104,979</u>             | <u>(39,475)</u>   | <u>65,504</u>     | <u>341,126</u>    |       |
| <b>Excess of Revenue over Expenses</b>                                  | <u>\$ -</u>                | <u>\$ 145,083</u> | <u>\$ 145,083</u> | <u>\$ 655,258</u> |       |

Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort

Statement of Changes in Fund Balances

Years Ended May 31, 2021 and 2020

|   | Homeowners          |              | Rental            |                   | Total               |
|---|---------------------|--------------|-------------------|-------------------|---------------------|
|   | Operating Fund      | Reserve Fund | Operating Fund    | Reserve Fund      |                     |
| <b>Balance - June 1, 2019</b>                     | 3,620,792           | 1,169,715    | 301,616           | 337,443           | 5,429,566           |
| Adoption of new accounting pronouncement (Note 2) | -                   | (1,169,715)  | -                 | (337,443)         | (1,507,158)         |
| Excess (deficit) of fund revenue over expenses    | 911,570             | (249,000)    | 17,804            | (25,116)          | 655,258             |
| Allocation to reserve funds                       | (249,000)           | 249,000      | (42,000)          | 42,000            | -                   |
| <b>Balance - May 31, 2020</b>                     | 4,283,362           | -            | 277,420           | 16,884            | 4,577,666           |
| Excess (deficit) of fund revenue over expenses    | 303,322             | (303,322)    | 178,602           | (33,519)          | 145,083             |
| Allocation to reserve funds                       | (303,322)           | 303,322      | (178,602)         | 178,602           | -                   |
| <b>Balance - May 31, 2021</b>                     | <b>\$ 4,283,362</b> | <b>\$ -</b>  | <b>\$ 277,420</b> | <b>\$ 161,967</b> | <b>\$ 4,722,749</b> |

Statement of Cash Flows

|   | May 31,             |                   |                     | 2020 (Restated)<br>Total |
|---|---------------------|-------------------|---------------------|--------------------------|
|   | Homeowners          | 2021<br>Rental    | Total               |                          |
| <b>Cash flows from operating activities</b>   |                     |                   |                     |                          |
| Excess (deficit) of revenue over expenses   | \$ -                | \$ 145,083        | \$ 145,083          | \$ 655,258               |
| Adjustments to reconcile excess of expenses over revenue to net cash and cash equivalents and restricted cash and cash equivalents (used in) provided by operating activities |                     |                   |                     |                          |
| Depreciation and amortization   | 257,352             | 28,788            | 286,140             | 278,010                  |
| Forgiveness of Payment Protection Program loan  | (207,409)           | (76,291)          | (283,700)           | -                        |
| Changes in certain assets and liabilities   |                     |                   |                     |                          |
| Accounts receivable   | (52,680)            | (4,512)           | (57,192)            | 12,289                   |
| Inventories   | (1,290)             | -                 | (1,290)             | 4,623                    |
| Prepaid expenses and other  | (17)                | -                 | (17)                | (3,998)                  |
| Special assessments receivable  | 312,406             | -                 | 312,406             | 1,315,229                |
| Accounts payable  | (5,914)             | (2,250)           | (8,164)             | (60,239)                 |
| Accrued expenses  | (46,573)            | 5,715             | (40,858)            | 99,323                   |
| Interfund transfers   | 42,221              | (42,221)          | -                   | -                        |
| Rental deposits   | 187                 | 38,319            | 38,506              | (41,645)                 |
| Assessments and dues collected in advance   | (1,679,667)         | -                 | (1,679,667)         | (2,941,979)              |
| Net cash and cash equivalents and restricted cash and cash equivalents (used in) provided by operating activities   | (1,381,384)         | 92,631            | (1,288,753)         | (683,129)                |
| <b>Cash flows from investing activities</b>   |                     |                   |                     |                          |
| Additions to buildings, units, and equipment  | -                   | -                 | -                   | (915,480)                |
| Net cash and cash equivalents and restricted cash and cash equivalents used in investing activities   | -                   | -                 | -                   | (915,480)                |
| <b>Cash flows from financing activities</b>   |                     |                   |                     |                          |
| Proceeds from debt  | 283,700             | -                 | 283,700             | 283,700                  |
| Net cash and cash equivalents and restricted cash and cash equivalents provided by financing activities   | 283,700             | -                 | 283,700             | 283,700                  |
| Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents   | (1,097,684)         | 92,631            | (1,005,053)         | (1,314,909)              |
| Cash and cash equivalents and restricted cash and cash equivalents - beginning of the year  | 4,207,794           | 721,374           | 4,929,168           | 6,244,077                |
| Cash and cash equivalents and restricted cash and cash equivalents - end of year  | <b>\$ 3,110,110</b> | <b>\$ 814,005</b> | <b>\$ 3,924,115</b> | <b>\$ 4,929,168</b>      |
| Classification of cash and cash equivalents and restricted cash and cash equivalents  |                     |                   |                     |                          |
| Cash and cash equivalents   | \$ 2,099,579        | \$ 314,595        | \$ 2,414,174        | \$ 2,155,626             |
| Cash and cash equivalents - Restricted  | 1,010,531           | 499,410           | 1,509,941           | 2,773,542                |
| Total cash and cash equivalents and restricted cash and cash equivalents  | <b>\$ 3,110,110</b> | <b>\$ 814,005</b> | <b>\$ 3,924,115</b> | <b>\$ 4,929,168</b>      |

**Note 1 - Nature of Business**

Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort (the "Association"), a nonprofit 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 Owner's Association added "d/b/a Vail Racquet Club Mountain Resort" to its name 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 30 percent of the owners participate in the program. Each owner is credited with 55 percent of the short-term room rental income received from the specific unit being rented. The Association retains 45 percent 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 (the "Board").

**Note 2 - Adoption of New Accounting Pronouncement**

As of June 1, 2020, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Association elected to apply the new revenue recognition guidance using the full retrospective approach. The revenue recognition policies adopted under Topic 606 are described in Note 3.

Prior to the adoption of the ASU, the Association reported the reserve funds as direct revenue and as revenue to the reserve fund in the period in which it was received. Under Topic 606, the performance obligations for these funds are the actual spending of moneys on specific items for which the assessment was made, and the assessments will not be recognized as revenue until the moneys have been spent for their intended purpose. Prior to the adoption of the ASU, reserve fund balances were reported as part of equity but are now considered contract liabilities - assessments in advance on the balance sheet, and the revenue and expenses are recorded in the statement of revenue and expenses. Prior to the adoption of the ASU, the Association recognized rental room revenue at the gross amount charged to the guest and separately recognized the distribution to the unit owner. Upon adoption of the ASU, the Association recognizes rental revenue net of distributions to the unit owner. This resulted in additional liabilities and a reduction of fund balances at June 1, 2019 of \$1,507,158. The fund balances at June 1, 2019 would have been reduced by \$1,169,715 and \$337,443 for the homeowners reserve fund and rental reserve fund, respectively.

# Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort

## Notes to Financial Statements

May 31, 2021 and 2020

### Note 2 - Adoption of New Accounting Pronouncement (Continued)

The Association, in using the full retrospective approach to implement the ASU, has restated the May 31, 2020 financial statements. The following tables represent the effect of the adoption of Topic 606 on the balance sheet and statement of revenue and expenses as of and for the year ended May 31, 2020:

#### Statement of Revenue and Expenses

|                                      | For the Year Ended May 31, 2020         |              |                  |
|--------------------------------------|---|--------------|------------------|
|                                      | As Previously Reported - Operating Fund | As Restated  | Effect of Change |
| Total revenue and assessments        | \$ 5,427,184                            | \$ 7,578,006 | \$ 2,150,822     |
| Total direct expenses                | 3,710,260                               | 6,581,622    | 2,871,362        |
| Distributions to rental participants | 1,361,904                               | -            | (1,361,904)      |
| Excess of revenue over expenses      | 13,894                                  | 655,258      | 641,364          |

#### Balance Sheet

|   | May 31, 2020           |             |                  |
|---|------------------------|-------------|------------------|
|   | As Previously Reported | As Restated | Effect of Change |
| Contract liability - Reserve assessments in advance | \$ -                   | \$ 835,186  | \$ 835,186       |
| Reserve fund balance                                | 852,070                | 16,884      | (835,186)        |
| Total liabilities and fund balances                 | \$ 852,070             | \$ 852,070  | \$ -             |

### Note 3 - Significant Accounting Policies

#### *Cash and Cash Equivalents*

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and certificates of deposit. Included in restricted cash and cash equivalents are designated restricted funds for repair and replacement reserves. 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.

#### *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 \$39,610 at May 31, 2021 and 2020.

#### *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 net realizable value, determined using the first-in, first-out (FIFO) method.

**Note 3 - Significant Accounting Policies (Continued)**

***Recognition of Assets and Depreciation Policy***

The policy of the Association is to capitalize real and personal property at cost when 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 nonowners.

These assets are depreciated using the straight-line method over estimated lives ranging from 3 to 39 years. Costs of maintenance are charged to expense as incurred.

***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 long-lived assets have been impaired. No impairment was recorded for the years ended May 31, 2021 and 2020.

***Revenue Recognition***

**Revenue**

Homeowner assessment revenue consists of board-approved assessments for operating purposes or other designated purposes.

All homeowners are required to be club members. The Club also allows for nonhomeowner members.

Rental room revenue is generated when homeowners elect to participate in the rental program, which rents to third-party guests.

Other revenue is for ancillary services offered to homeowners and guests.

**Timing and Satisfaction of Performance Obligations**

For the homeowners' association common assessment revenue, the Association typically satisfies its performance obligations and recognizes revenue over time on a monthly basis. For assessments for other purposes, such as repair and replacement, the Association satisfies its performance obligations and recognizes revenue as funds are expended for their intended purpose. Until expended, the funds accumulated for these purposes are reflected as contract liabilities on the balance sheet.

For club revenue, the Association typically satisfies its performance obligations and recognizes revenue over time as services are performed on a monthly basis for homeowner and nonhomeowner members and each night for rental guests.

For the rental revenue, the Association typically satisfies its performance obligations and recognizes revenue over time as units are occupied each night by a guest. A significant portion of the rental operation's revenue is 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. The Association acts as the agent on behalf of the owners who elect to participate in the rental program, as described in Note 11.

For ancillary services, revenue is generally recognized at a point in time when the good or service is provided to the customer.

**Note 3 - Significant Accounting Policies (Continued)**

**Specific Payment Terms**

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 are allocated on a per unit basis. Monthly dues billed but not yet earned are deferred and presented as a liability, common and reserve assessments and dues collected in advance. The Board allocated a predetermined percentage of total assessments to the repair and replacement reserve fund, which was approximately 23 percent and 29 percent for the years ended May 31, 2021 and 2020, respectively.

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.

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, common and reserve assessments and dues collected in advance. The Club has nonhomeowner members that are billed in advance and accounted for in the same manner. The Club receives 5 percent of short-term rental revenue, for which association rental guests receive the right to use the Club.

Payments for rental revenue typically align with the timing of when the service is provided. Payments are typically received at checkout primarily by credit card or check for room rental. The payment can include advance deposits received in advance of the guest's stay. Payment received for a future stay is recognized as a rental deposit, which is included in liabilities on the balance sheet. Advance deposits are recognized as revenue when units are occupied. The advanced deposits are generally recognized as revenue within a one-year period.

**Transaction Price**

The transaction price of a contract is the amount of consideration to which the Association expects to be entitled in exchange for transferring promised services or goods to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes).

The Association's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash. Refunds related to service are generally recognized as an adjustment to the transaction price at the time the rental program stay occurs or services are rendered.

**Other Information**

Accounts receivable from contracts with customers at June 1, 2019 were \$1,817,578.

The assessments received in advance and rental deposits at June 1, 2019 were \$5,984,916 and \$203,633, respectively.

There are no significant economic factors that affect the nature, amount, timing, and uncertainty of the Association's revenue and cash flows, other than the dependency of snowfall each year and impact of COVID-19 (see Note 10). Contracts with rental guests are less than one year in duration.

**Reserve Fund**

The Association generally transfers any excess of revenue over expenses to the reserve fund. Such amounts accumulated in the reserve fund are utilized for expenditures prior to assessments received in advance.

**Note 3 - Significant Accounting Policies (Continued)**

***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 nonrecurring expenditures.

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, 2021 and 2020.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Marketing Costs***

The Club and rental operations expense marketing costs as incurred.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including January 12, 2022, which is the date the financial statements were available to be issued.

**Note 4 - Special Assessment**

During 2016, the Board special assessed homeowners \$8,635,000 for specific future repairs and replacement projects. As of May 31, 2021, the Association has fully billed and collected special assessments and related fees totaling \$8,793,247. 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 percent fee; and plan C allows the homeowner to be billed monthly over 60 months with a 2 percent 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.

The balances and activities associated with the special assessments as of and for the years ended May 31, 2021 and 2020 are detailed in Note 6. The remaining amount of the assessment is included in special assessment collected in advance on the accompanying balance sheet, as expenditures have not yet been incurred. The assessments will be recognized as reserve fund assessment revenue as the expenditures occur.

**Note 5 - Restricted Cash for Future Major Repairs and Replacements**

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 \$1,509,941 and \$2,773,542 in separate designated cash accounts at May 31, 2021 and 2020, respectively, for this purpose.

# Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort

## Notes to Financial Statements

May 31, 2021 and 2020

### Note 5 - Restricted Cash for Future Major Repairs and Replacements (Continued)

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 6 - Assessments Received in Advance

The following tables provide information on the changes in the balances associated with repair and replacement reserves and the special assessment reserves for the years ended May 31:

#### Repair and Replacement Reserves

|   | 2021       |            |            | 2020         |            |              |
|---|------------|------------|------------|--------------|------------|--------------|
|   | Homeowners | Rental     | Total      | Homeowners   | Rental     | Total        |
| Opening balance - Assessments received in advance                 | \$ 497,743 | \$ 337,443 | \$ 835,186 | \$ 1,169,715 | \$ 337,443 | \$ 1,507,158 |
| Assessments received  | 433,894    | -          | 433,894    | 518,920      | -          | 518,920      |
| Revenue recognized due to satisfaction of performance obligations | (847,496)  | -          | (847,496)  | (1,190,892)  | -          | (1,190,892)  |
| Total   | \$ 84,141  | \$ 337,443 | \$ 421,584 | \$ 497,743   | \$ 337,443 | \$ 835,186   |

#### Special Assessment Reserves

|   | Homeowners   |              |
|---|--------------|--------------|
|   | 2021         | 2020         |
| Opening balance - Assessments received in advance                 | \$ 2,226,596 | \$ 4,477,758 |
| Revenue recognized due to satisfaction of performance obligations | (1,300,206)  | (2,251,162)  |
| Total   | \$ 926,390   | \$ 2,226,596 |

### Note 7 - Line of Credit and Long-term Debt

Under a line of credit agreement with a bank, the Association has available borrowings of approximately \$800,000, which will terminate on April 1, 2023. Interest is payable monthly at *The Wall Street Journal* U.S. prime rate. There is no balance outstanding on the line of credit as of May 31, 2021 and 2020.

On April 18, 2020, the Association obtained a \$283,700 loan in connection with the Paycheck Protection Program (PPP) in order to fund payroll and ensure stability of the workforce. The PPP funds were initially established as a note payable with monthly payments of approximately \$13,000, including interest at 1.00 percent, with a maturity date in April 2022. On February 8, 2021, the full amount of the PPP note payable, including accrued interest, was forgiven by the Small Business Administration (SBA) as part of the terms of the program and recognized as Paycheck Protection Program loan forgiveness revenue. The revenue was allocated to the Association, Club, and rental in proportion to total salaries related to each entity submitted on the loan forgiveness application. The SBA has up to six years from the date the loan was forgiven to require additional documentation and conduct an audit of the Association's eligibility for the loan. In the event the SBA subsequently determines the Association did not meet the eligibility requirements for the PPP loan or did not utilize the funds on allowable expenditures, the Association could be required to repay the SBA for the proceeds of the loan plus interest.

**May 31, 2021 and 2020**

**Note 7 - Line of Credit and Long-term Debt (Continued)**

On March 2, 2021, the Association obtained a second \$283,700 loan in connection with the Paycheck Protection Program (PPP) in order to fund payroll and ensure stability of the workforce as part of the second round of PPP funding. The note provides for loan forgiveness for a portion or all of the borrowed amount if the Association uses the loan proceeds for the permitted loan purpose described in the note agreement and maintains certain compensation, employment levels, and economic impacts; the portion not forgiven will require the Association to pay back this amount in full with equal monthly principal installment payments beginning on August 1, 2022, with the final payment due in March 2026, and interest at 1.00 percent. The Association has the right to prepay any amount outstanding at any time without penalty.

**Note 8 - 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 2021 and 2020, matching contributions of \$25,813 and \$27,874 were made by the homeowners' operation, \$10,534 and \$13,409 were made by the rental operation, and \$6,015 and \$6,694 were made by the Club, respectively.

**Note 9 - Related Party Transactions**

***Vail Racquet Club***

The Club was developed and owned by the original registered partnership of the Vail Racquet Club Condominiums. 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 percent of short-term room rental revenue to the Club for which the Association's rental guests are entitled to use the Club. The 5 percent revenue represented approximately \$123,000 and \$146,000 in 2021 and 2020, respectively.

**Note 10 - Impact of Disease Outbreak**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

As of the date of issuance of the financial statements, the Association has experienced a decline in rental and club operations, while homeowners' operations have remained steady. Beginning in March 2020, the Club temporarily ceased operations, and rental operations were suspended in response to the pandemic and as required by government order. The Club reopened following the Centers for Disease Control and Prevention guidelines for social distancing and implemented revised quality controls with respect to daily operations, and rental operations have slowly expanded occupancy availability.

Management has reviewed the fair value of their financial assets and determined that the potential impact cannot be determined at this time. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

**Notes to Financial Statements**

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**May 31, 2021 and 2020**

**Note 10 - Impact of Disease Outbreak (Continued)**

Management believes that current operating cash, available borrowings under the line of credit, and expected operating cash flows will be sufficient to meet the projected cash needs for the next year. While the Association's activities, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

**Note 11 - Short-term Rental Revenue**

Short-term rental revenue reflected in the statement of revenue and expenses represents the retention of 45 percent of the gross rooms revenue. The revenue is net of the distributions to the rental participants. Short-term rental revenue is recognized at the time the condominium is used by the guests, and any amounts received in advance of guest usage are reflected on the balance sheet as short-term rental deposits.

The gross revenue and distributions to the rental participants are as follows for the years ended May 31:

|                                      | <u>2021</u>        | <u>2020</u>         |
|--------------------------------------|--------------------|---------------------|
| Short-term room revenue              | \$ 2,132,539       | \$ 2,519,245        |
| Distributions to rental participants | <u>(1,186,472)</u> | <u>(1,361,904)</u>  |
| Total                                | <u>\$ 946,067</u>  | <u>\$ 1,157,341</u> |

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## Supplemental Information

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## Independent Accountant's Report on Supplemental Information

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

We have reviewed the financial statements of Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort as of and for the years ended May 31, 2021 and 2020. The accompanying supplemental information, consisting of the homeowners' and club combining balance sheet, homeowners' and club combining statement of revenue and expenses, homeowners' operating expenses, rental operating expenses, and club operating expenses, is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual funds and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplemental information. We have not audited the supplemental information and do not express an opinion on such information.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 25 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplemental information, and we do not express an opinion, a conclusion, nor provide any assurance on it.

*Plante & Moran, PLLC*

January 12, 2022

**Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort**

**Homeowners' and Club Combining Balance Sheet**

| Assets   | May 31, 2021               |                            |                            | May 31, 2020               |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | Homeowners                 | Club                       | Total                      | Total (Restated)           |
| <b>Current Assets</b>                                      |                            |                            |                            |                            |
| Cash and cash equivalents                                  | \$ 1,869,891               | \$ 229,688                 | \$ 2,099,579               | \$ 1,788,579               |
| Cash and cash equivalents - Restricted                     | 1,010,531                  | -                          | 1,010,531                  | 2,419,215                  |
| Accounts receivable - Net                                  | 136,858                    | 31,322                     | 168,180                    | 115,500                    |
| Accounts receivable - Special assessment                   | -                          | -                          | -                          | 312,406                    |
| Inventories  | 23,661                     | 13,266                     | 36,927                     | 35,637                     |
| Prepaid expenses and other                                 | 3,322                      | 329                        | 3,651                      | 3,634                      |
| Total current assets                                       | <u>3,044,263</u>           | <u>274,605</u>             | <u>3,318,868</u>           | <u>4,674,971</u>           |
| <b>Property and Equipment</b>                              |                            |                            |                            |                            |
| Land   | -                          | 55,000                     | 55,000                     | 55,000                     |
| Buildings  | 1,619,316                  | 4,603,666                  | 6,222,982                  | 6,222,982                  |
| Equipment  | 622,937                    | 453,567                    | 1,076,504                  | 1,076,504                  |
| Furniture  | 15,917                     | -                          | 15,917                     | 15,917                     |
| Buildings improvements                                     | 210,316                    | -                          | 210,316                    | 210,316                    |
|  | 2,468,486                  | 5,112,233                  | 7,580,719                  | 7,580,719                  |
| Less accumulated depreciation                              | <u>(1,487,764)</u>         | <u>(2,555,030)</u>         | <u>(4,042,794)</u>         | <u>(3,785,442)</u>         |
| Net property and equipment                                 | <u>980,722</u>             | <u>2,557,203</u>           | <u>3,537,925</u>           | <u>3,795,277</u>           |
| Total Assets   | <u><b>\$ 4,024,985</b></u> | <u><b>\$ 2,831,808</b></u> | <u><b>\$ 6,856,793</b></u> | <u><b>\$ 8,470,248</b></u> |
| <b>Liabilities and Fund Balances</b>                       |                            |                            |                            |                            |
| Accounts payable   | \$ 80,200                  | \$ -                       | \$ 80,200                  | \$ 86,112                  |
| Accrued expenses   |                            |                            |                            |                            |
| Accrued payroll  | 96,328                     | 89,173                     | 185,501                    | 228,123                    |
| Other accrued liabilities                                  | 205,421                    | 33,838                     | 239,259                    | 243,210                    |
| Contract liabilities                                       |                            |                            |                            |                            |
| Rental deposits  | 2,326                      | -                          | 2,326                      | 2,326                      |
| Special assessments collected in advance - Current portion | 654,000                    | -                          | 654,000                    | 1,439,000                  |
| Common assessments collected in advance                    | 531,341                    | 98,290                     | 629,631                    | 595,490                    |
| Paycheck Protection Program Loan - Current portion         | -                          | -                          | -                          | 110,328                    |
| Due to Rental  | <u>(4,219,353)</u>         | <u>4,337,863</u>           | <u>118,510</u>             | <u>-</u>                   |
| Total current liabilities                                  | <u>(2,649,737)</u>         | <u>4,559,164</u>           | <u>1,909,427</u>           | <u>2,704,589</u>           |
| Paycheck Protection Program Loan - Net of current portion  | 283,700                    | -                          | 283,700                    | 173,372                    |
| Contract liabilities                                       |                            |                            |                            |                            |
| Special assessments collected in advance                   | 272,390                    | -                          | 272,390                    | 787,596                    |
| Reserve assessments in advance                             | 84,141                     | -                          | 84,141                     | 497,743                    |
| Rental deposits  | 23,773                     | -                          | 23,773                     | 23,586                     |
| Total liabilities  | <u>(1,985,733)</u>         | <u>4,559,164</u>           | <u>2,573,431</u>           | <u>4,186,886</u>           |
| <b>Operating Fund Balance</b>                              | <u>6,010,718</u>           | <u>(1,727,356)</u>         | <u>4,283,362</u>           | <u>4,283,362</u>           |
| Total liabilities and fund balances                        | <u><b>\$ 4,024,985</b></u> | <u><b>\$ 2,831,808</b></u> | <u><b>\$ 6,856,793</b></u> | <u><b>\$ 8,470,248</b></u> |

**Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort**  
**Homeowners' and Club Combining Statement of Revenue and Expenses**

|  | For the Year Ended May 31, 2021 |                    |             | For the Year<br>Ended May 31,<br>2020 (Restated) |
|--|---------------------------------|--------------------|-------------|--|
|  | Homeowners                      | Club               | Total       | Total  |
| <b>Assessments and Revenue</b>                                 |                                 |                    |             |  |
| Club revenue   | \$ -                            | \$ 819,733         | \$ 819,733  | \$ 926,080                                       |
| Common assessments   | 1,459,572                       | -                  | 1,459,572   | 1,344,972  |
| Repair and replacement assessments                             | 847,496                         | -                  | 847,496     | 1,190,892  |
| Special assessments  | 1,300,206                       | -                  | 1,300,206   | 2,251,162  |
| Garden level rental income                                     | 279,356                         | -                  | 279,356     | 285,388  |
| Interest income  | 4,841                           | 649                | 5,490       | 13,494   |
| Other revenues   | 59,657                          | -                  | 59,657      | 44,723   |
| Total assessments and revenue                                  | 3,951,128                       | 820,382            | 4,771,510   | 6,056,711  |
| <b>Direct Expenses</b>   |                                 |                    |             |  |
| Repair and replacement expenditures                            | 1,150,818                       | -                  | 1,150,818   | 549,528  |
| Special assessment expenditures                                | 1,300,206                       | -                  | 1,300,206   | 2,251,162  |
| Cost of club sales   | -                               | 27,488             | 27,488      | 22,358   |
| Operating  | 486,282                         | 502,604            | 988,886     | 1,071,410  |
| Repairs and maintenance  | 667,850                         | 59,851             | 727,701     | 753,761  |
| Utilities  | 367,786                         | 103,646            | 471,432     | 462,385  |
| Total direct expenses  | 3,972,942                       | 693,589            | 4,666,531   | 5,110,604  |
| Excess of revenue over expenses before fixed charges and other | (21,814)                        | 126,793            | 104,979     | 946,107  |
| <b>Fixed Charges and Other</b>                                 |                                 |                    |             |  |
| Paycheck Protection Program loan forgiveness                   | (153,261)                       | (54,148)           | (207,409)   | -  |
| Property taxes   | 5,652                           | 21,965             | 27,617      | 27,628   |
| Insurance expense  | 12,719                          | 14,700             | 27,419      | 27,449   |
| Depreciation and amortization                                  | 79,476                          | 177,876            | 257,352     | 253,576  |
| Total fixed charges and other                                  | (55,414)                        | 160,393            | 104,979     | 308,653  |
| <b>Excess (Deficit) of Operating Revenue Over Expenses</b>     | <b>\$ 33,600</b>                | <b>\$ (33,600)</b> | <b>\$ -</b> | <b>\$ 637,454</b>                                |

# Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain

## Homeowners' Operating Expenses

|                                      | Year Ended May 31, 2021 |                          |                    |
|--------------------------------------|-------------------------|--------------------------|--------------------|
|                                      | Actual                  | Budget<br>(Not Reviewed) | Variance           |
| <b>Administrative Department</b>     |                         |                          |                    |
| Salaries, payroll taxes and benefits | \$ 169,102              | \$ 157,094               | \$ 12,008          |
| Dues and publications                | 783                     | 1,034                    | (251)              |
| Guest and entertainment              | -                       | 432                      | (432)              |
| Office supplies and miscellaneous    | 236                     | 538                      | (302)              |
| Training                             | 115                     | 540                      | (425)              |
| Postage                              | 73                      | 384                      | (311)              |
| Travel and transport                 | -                       | 120                      | (120)              |
| Total administrative department      | <u>\$ 170,309</u>       | <u>\$ 160,142</u>        | <u>\$ 10,167</u>   |
| <b>Accounting Department</b>         |                         |                          |                    |
| Salaries, payroll taxes and benefits | \$ 81,959               | \$ 68,477                | \$ 13,482          |
| Office supplies                      | 1,384                   | 865                      | 519                |
| Postage                              | 938                     | 346                      | 592                |
| Advertising - employees              | -                       | 108                      | (108)              |
| Transportation                       | 54                      | 284                      | (230)              |
| Guest and entertainment              | 7                       | 144                      | (137)              |
| Dues and publications                | -                       | 200                      | (200)              |
| Training                             | -                       | 320                      | (320)              |
| Total accounting department          | <u>\$ 84,342</u>        | <u>\$ 70,744</u>         | <u>\$ 13,598</u>   |
| <b>Maintenance Department</b>        |                         |                          |                    |
| Salaries, net of Club work orders    | \$ 318,365              | \$ 345,122               | \$ (26,757)        |
| Water and sewer                      | 308,507                 | 304,784                  | 3,723              |
| Repairs and maintenance              | 175,600                 | 164,000                  | 11,600             |
| Payroll taxes and benefits           | 94,401                  | 104,109                  | (9,708)            |
| Gas and electric                     | 59,279                  | 60,512                   | (1,233)            |
| Lawn care                            | 11,704                  | 20,000                   | (8,296)            |
| Equipment repairs                    | 10,526                  | 15,120                   | (4,594)            |
| Trash removal                        | 20,522                  | 13,640                   | 6,882              |
| Telephone                            | 14,382                  | 12,000                   | 2,382              |
| Snow removal                         | 4,854                   | 8,500                    | (3,646)            |
| Supplies                             | 14,656                  | 14,800                   | (144)              |
| Fire alarm                           | 13,213                  | 12,500                   | 713                |
| Uniforms                             | 3,024                   | 4,000                    | (976)              |
| Miscellaneous                        | 987                     | 1,800                    | (813)              |
| Training                             | -                       | 1,000                    | (1,000)            |
| Total maintenance department         | <u>\$ 1,050,020</u>     | <u>\$ 1,081,887</u>      | <u>\$ (31,867)</u> |

# Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain

## Homeowners' Operating Expenses

(Continued from the previous page)

|  | Year Ended May 31, 2021 |                     |                    |
|--|-------------------------|---------------------|--------------------|
|  | Actual                  | Budget              | Variance           |
|  |                         | (Not Reviewed)      |                    |
| <b>Other Operating Expenses</b>                  |                         |                     |                    |
| Depreciation                                     | \$ 27,204               | \$ 27,205           | \$ (1)             |
| Computer expenses                                | 19,667                  | 17,818              | 1,849              |
| Insurance expense                                | 12,719                  | 14,652              | (1,933)            |
| Professional fees                                | 10,392                  | 10,392              | -                  |
| Director/owner communication and meeting expense | 3,133                   | 10,208              | (7,075)            |
| Legal fees                                       | 4,144                   | 12,996              | (8,852)            |
| Property taxes                                   | 5,652                   | 5,650               | 2                  |
| Office supplies                                  | 1,207                   | 3,060               | (1,853)            |
| Office equipment maintenance                     | 2,554                   | 2,387               | 167                |
| Miscellaneous                                    | 1,559                   | 1,813               | (254)              |
| Unemployment tax                                 | 1,698                   | 2,640               | (942)              |
| Entertainment expense                            | 131                     | 1,410               | (1,279)            |
| Postage  | -                       | -                   | -                  |
| Total other operating expenses                   | <u>\$ 90,060</u>        | <u>\$ 110,231</u>   | <u>\$ (20,171)</u> |
| <b>Front Desk Expense - Allocated</b>            | <u>\$ 46,629</u>        | <u>\$ 46,629</u>    | <u>\$ -</u>        |
| <b>Garden Level Rental Units</b>                 |                         |                     |                    |
| Commissions                                      | \$ 54,310               | \$ 28,661           | \$ 25,649          |
| Depreciation                                     | 52,272                  | 52,275              | (3)                |
| Water and sewer                                  | 22,762                  | 21,162              | 1,600              |
| Television                                       | 18,881                  | 18,636              | 245                |
| Property taxes                                   | 12,660                  | 12,660              | -                  |
| Repairs and maintenance                          | 12,859                  | 6,000               | 6,859              |
| Electricity                                      | 4,661                   | 4,224               | 437                |
| Total garden level rental units                  | <u>\$ 178,405</u>       | <u>\$ 143,618</u>   | <u>\$ 34,787</u>   |
| Total homeowners' operating expenses             | <u>\$ 1,619,765</u>     | <u>\$ 1,613,251</u> | <u>\$ 6,514</u>    |

## Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort

### Rental Operating Expenses

|                                      | Year Ended May 31, 2021 |                          |                  |
|--------------------------------------|-------------------------|--------------------------|------------------|
|                                      | Actual                  | Budget<br>(Not Reviewed) | Variance         |
| <b>Administrative Department</b>     |                         |                          |                  |
| Salaries, payroll taxes and benefits | \$ 59,293               | \$ 39,223                | \$ 20,070        |
| Office supplies and miscellaneous    | 232                     | 812                      | (580)            |
| Dues and publications                | 567                     | 400                      | 167              |
| Postage                              | 109                     | 576                      | (467)            |
| Training                             | -                       | 810                      | (810)            |
| Guest and entertainment              | -                       | 648                      | (648)            |
| Travel and transport                 | -                       | 180                      | (180)            |
| Total administrative department      | <u>\$ 60,201</u>        | <u>\$ 42,649</u>         | <u>\$ 17,552</u> |
| <b>Accounting Department</b>         |                         |                          |                  |
| Salaries, payroll taxes and benefits | \$ 81,799               | \$ 47,271                | \$ 34,528        |
| Postage                              | 938                     | 396                      | 542              |
| Office supplies                      | 586                     | 865                      | (279)            |
| Transportation                       | 54                      | 284                      | (230)            |
| Guest and entertainment              | 7                       | 144                      | (137)            |
| Dues and publications                | -                       | 200                      | (200)            |
| Training                             | -                       | 320                      | (320)            |
| Advertising - employees              | -                       | 108                      | (108)            |
| Total accounting department          | <u>\$ 83,384</u>        | <u>\$ 49,588</u>         | <u>\$ 33,796</u> |
| <b>Maintenance Department</b>        |                         |                          |                  |
| Repairs and maintenance              | \$ 39,533               | \$ 22,538                | \$ 16,995        |
| Gas and electric                     | 8,827                   | 9,697                    | (870)            |
| Water and sewer                      | 3,736                   | 6,702                    | (2,966)          |
| Telephone                            | 5,484                   | 6,120                    | (636)            |
| Trash removal                        | 3,694                   | 2,075                    | 1,619            |
| Firewood                             | -                       | 2,050                    | (2,050)          |
| Supplies                             | -                       | 600                      | (600)            |
| Total maintenance department         | <u>\$ 61,274</u>        | <u>\$ 49,782</u>         | <u>\$ 11,492</u> |

## 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, 2021 |                          |                  |
|--|-------------------------|--------------------------|------------------|
|  | Actual                  | Budget<br>(Not Reviewed) | Variance         |
| <b>Other Operating Expenses</b>              |                         |                          |                  |
| Computer expenses                            | \$ 28,458               | \$ 22,079                | \$ 6,379         |
| Depreciation                                 | 28,788                  | 28,790                   | (2)              |
| Accounting and legal                         | 10,716                  | 10,716                   | -                |
| Insurance expense                            | 4,332                   | 4,326                    | 6                |
| Taxes - other                                | 3,486                   | 5,573                    | (2,087)          |
| Property taxes                               | 3,696                   | 3,700                    | (4)              |
| Miscellaneous                                | 2,271                   | 1,813                    | 458              |
| Office equipment maintenance                 | 2,554                   | 2,437                    | 117              |
| Office supplies                              | 540                     | 2,970                    | (2,430)          |
| Entertainment expense                        | 349                     | 1,406                    | (1,057)          |
| Postage                                      | -                       | 1,009                    | (1,009)          |
| Total other operating expenses               | <u>\$ 85,190</u>        | <u>\$ 84,819</u>         | <u>\$ 371</u>    |
| <b>Front Desk Expenses</b>                   |                         |                          |                  |
| Salaries, payroll taxes and benefits         | \$ 218,687              | \$ 177,565               | \$ 41,122        |
| HOA long-term rent                           | 21,192                  | 21,197                   | (5)              |
| Office supplies                              | 4,713                   | 5,400                    | (687)            |
| Key blank expense                            | 2,352                   | 3,125                    | (773)            |
| Telephone                                    | 1,893                   | 1,800                    | 93               |
| Miscellaneous                                | 603                     | 300                      | 303              |
| Advertising                                  | 1,032                   | 1,200                    | (168)            |
| Uniforms                                     | 2,139                   | 1,400                    | 739              |
| Postage                                      | 298                     | 600                      | (302)            |
| Transportation                               | -                       | 240                      | (240)            |
| Training                                     | -                       | 600                      | (600)            |
| Front desk expenses related to HOA           | (46,629)                | (46,629)                 | -                |
| Pro shop front desk expense - Allocated Club | (99,475)                | (99,475)                 | -                |
| Total front desk expenses                    | <u>\$ 106,805</u>       | <u>\$ 67,323</u>         | <u>\$ 39,482</u> |

## 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, 2021 |                          |                    |
|--|-------------------------|--------------------------|--------------------|
|  | Actual                  | Budget<br>(Not Reviewed) | Variance           |
| <b>Sales and Marketing Department</b>                  |                         |                          |                    |
| Salaries, payroll taxes and benefits                   | \$ 144,289              | \$ 152,673               | \$ (8,384)         |
| Advertising  | 32,446                  | 50,409                   | (17,963)           |
| Dues   | 11,937                  | 10,000                   | 1,937              |
| Travel and transport                                   | -                       | 1,000                    | (1,000)            |
| Promotion  | 1,040                   | 1,500                    | (460)              |
| Contract services                                      | 188                     | 1,000                    | (812)              |
| Training   | 23                      | 450                      | (427)              |
| Office supplies  | 298                     | 750                      | (452)              |
| Advertising - employees                                | 79                      | -                        | 79                 |
| Postage  | 37                      | 75                       | (38)               |
| Advertising - brochures                                | -                       | -                        | -                  |
| Guest and entertainment                                | 153                     | 200                      | (47)               |
|  | <u>190,490</u>          | <u>218,057</u>           | <u>(27,567)</u>    |
| Total sales and marketing department                   | <b>\$ 190,490</b>       | <b>\$ 218,057</b>        | <b>\$ (27,567)</b> |
| <b>Reservations Department</b>                         |                         |                          |                    |
| Credit card commissions                                | \$ 57,961               | \$ 28,970                | \$ 28,991          |
| Travel agent commissions                               | 47,618                  | 27,800                   | 19,818             |
| Adjustments  | (43)                    | 600                      | (643)              |
|  | <u>105,536</u>          | <u>57,370</u>            | <u>48,166</u>      |
| Total reservations department                          | <b>\$ 105,536</b>       | <b>\$ 57,370</b>         | <b>\$ 48,166</b>   |
| <b>Housekeeping Department</b>                         |                         |                          |                    |
| Housekeeping - Non-billable                            | \$ 125,432              | \$ 108,602               | \$ 16,830          |
| Housekeeping - Billable                                | 71,347                  | 43,172                   | 28,175             |
| Contract labor   | 74,505                  | 70,100                   | 4,405              |
| Guest supplies   | 23,361                  | 10,944                   | 12,417             |
| Laundry supplies                                       | 4,045                   | 8,250                    | (4,205)            |
| Guest amenities  | 14,574                  | 7,778                    | 6,796              |
| Linen replacement                                      | 34,038                  | 11,100                   | 22,938             |
| Glass, china, silver                                   | 426                     | 1,500                    | (1,074)            |
| Cleaning expenses                                      | 3,453                   | 3,000                    | 453                |
| Office supplies  | 1,008                   | 360                      | 648                |
| Repairs/supplies - Machinery                           | 2,600                   | 1,440                    | 1,160              |
| Postage  | -                       | 180                      | (180)              |
| Travel and transport                                   | -                       | 360                      | (360)              |
| Training   | -                       | 400                      | (400)              |
|  | <u>354,789</u>          | <u>267,186</u>           | <u>87,603</u>      |
| Total housekeeping department                          | <b>\$ 354,789</b>       | <b>\$ 267,186</b>        | <b>\$ 87,603</b>   |
| Total rental operating expenses exclusive of Club fees | <b>\$ 1,047,669</b>     | <b>\$ 836,774</b>        | <b>\$ 210,895</b>  |

## Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort

### Club Operating Expenses

|  | Year Ended May 31, 2021 |                          |                    |
|--|-------------------------|--------------------------|--------------------|
|  | Actual                  | Budget<br>(Not Reviewed) | Variance           |
| Cost of sales                                | \$ 27,488               | \$ 12,036                | \$ 15,452          |
| <b>Payroll and Employee Expenses</b>         |                         |                          |                    |
| Club administration                          | \$ 105,680              | \$ 90,953                | \$ 14,727          |
| Pro shop front desk - Allocated              | 99,475                  | 99,475                   | -                  |
| Contract labor - Housekeeping<br>and laundry | 79,529                  | 92,401                   | (12,872)           |
| Accounting salaries                          | 69,114                  | 36,193                   | 32,921             |
| Payroll taxes and benefits                   | 40,924                  | 40,475                   | 449                |
| Class instructions                           | 5,952                   | 19,098                   | (13,146)           |
| Housekeeping                                 | -                       | -                        | -                  |
| Massage therapists salaries                  | 4,118                   | 10,550                   | (6,432)            |
| Fitness salaries                             | 4,688                   | 7,650                    | (2,962)            |
| Personal trainers                            | 2,419                   | 2,778                    | (359)              |
| Tennis pro                                   | 5,000                   | 5,000                    | -                  |
| Swim instructor/lifeguard salaries           | 3,927                   | -                        | 3,927              |
| Taxes - Other                                | 568                     | 1,750                    | (1,182)            |
| Uniforms                                     | -                       | 50                       | (50)               |
| Maintenance salaries                         | 982                     | 1,000                    | (18)               |
| Training                                     | -                       | 560                      | (560)              |
| Labor Assistant                              | -                       | -                        | -                  |
| Total payroll and employee expenses          | <u>\$ 422,376</u>       | <u>\$ 407,933</u>        | <u>\$ 14,443</u>   |
| <b>Office Expenses</b>                       |                         |                          |                    |
| Computer expenses                            | \$ 22,062               | \$ 20,183                | \$ 1,879           |
| Office supplies and miscellaneous            | 2,306                   | 2,000                    | 306                |
| Office equipment maintenance                 | 2,554                   | 2,437                    | 117                |
| Printing                                     | 810                     | 600                      | 210                |
| Postage                                      | 284                     | 200                      | 84                 |
| Total accounting department                  | <u>\$ 28,016</u>        | <u>\$ 25,420</u>         | <u>\$ 2,596</u>    |
| <b>Maintenance Department</b>                |                         |                          |                    |
| Gas and electric                             | \$ 71,117               | \$ 80,675                | \$ (9,558)         |
| Association repairs and maintenance          | 33,480                  | 53,040                   | (19,560)           |
| Water and sewer                              | 29,885                  | 53,618                   | (23,733)           |
| Repairs and maintenance                      | 15,943                  | 25,671                   | (9,728)            |
| Trash removal                                | 2,496                   | 2,500                    | (4)                |
| Telephone                                    | 2,644                   | 2,221                    | 423                |
| Fire alarm expense                           | 1,284                   | 1,800                    | (516)              |
| Snow removal                                 | -                       | -                        | -                  |
| Supplies                                     | 2,602                   | 600                      | 2,002              |
| Landscaping                                  | 2,438                   | 2,000                    | 438                |
| Equipment repairs and fuels                  | -                       | 900                      | (900)              |
| Total maintenance department                 | <u>\$ 161,889</u>       | <u>\$ 223,025</u>        | <u>\$ (61,136)</u> |

## 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, 2021 |                          |                    |
|------------------------------------|-------------------------|--------------------------|--------------------|
|                                    | Actual                  | Budget<br>(Not Reviewed) | Variance           |
| <b>Other Operating Expenses</b>    |                         |                          |                    |
| Tennis court supplies              | \$ 1,821                | \$ 2,600                 | \$ (779)           |
| Exercise equipment                 | -                       | -                        | -                  |
| Massage room expense               | 162                     | 900                      | (738)              |
| Supplies                           | 1,608                   | 240                      | 1,368              |
| Rental equipment                   | -                       | 500                      | (500)              |
| Total other operating expenses     | <u>\$ 3,591</u>         | <u>\$ 4,240</u>          | <u>\$ (649)</u>    |
| <b>Supplies</b>                    |                         |                          |                    |
| Swimming pool                      | \$ 8,195                | \$ 10,800                | \$ (2,605)         |
| Locker room                        | 4,272                   | 6,300                    | (2,028)            |
| Linen                              | -                       | 3,960                    | (3,960)            |
| Supplies                           | 8,101                   | 5,400                    | 2,701              |
| Laundry                            | 1,037                   | 2,750                    | (1,713)            |
| Weight room                        | 249                     | 900                      | (651)              |
| Total supplies                     | <u>\$ 21,854</u>        | <u>\$ 30,110</u>         | <u>\$ (8,256)</u>  |
| <b>Taxes and Business Licenses</b> |                         |                          |                    |
| Property                           | \$ 21,514               | \$ 21,519                | \$ (5)             |
| License fees                       | 451                     | 450                      | 1                  |
| Total taxes and business licenses  | <u>\$ 21,965</u>        | <u>\$ 21,969</u>         | <u>\$ (4)</u>      |
| <b>General Expenses</b>            |                         |                          |                    |
| Depreciation                       | \$ 177,876              | \$ 177,877               | \$ (1)             |
| Insurance property and liability   | 14,700                  | 14,700                   | -                  |
| Commissions                        | 11,799                  | 8,300                    | 3,499              |
| Accounting and legal               | 10,392                  | 10,388                   | 4                  |
| Advertising                        | -                       | 6,000                    | (6,000)            |
| Music, television, and internet    | 3,836                   | 4,392                    | (556)              |
| Entertainment/travel               | 76                      | 1,835                    | (1,759)            |
| Miscellaneous expense              | 1,046                   | 1,813                    | (767)              |
| Club activities                    | -                       | 1,000                    | (1,000)            |
| Promotions                         | -                       | 300                      | (300)              |
| Dues and publications              | 1,226                   | 720                      | 506                |
| Advertising - employees            | -                       | 588                      | (588)              |
| Adjustments                        | -                       | 300                      | (300)              |
| Total general expenses             | <u>\$ 220,951</u>       | <u>\$ 228,213</u>        | <u>\$ (7,262)</u>  |
| Total Club operating expenses      | <u>\$ 908,130</u>       | <u>\$ 952,946</u>        | <u>\$ (44,816)</u> |

**Racquet Club Owner's Association d/b/a Vail Racquet Club Mountain Resort**  
**Supplementary Information on Major Repairs and Replacements (Not Reviewed)**  
**Year Ended May 31, 2021**

The Board estimates the remaining useful lives and the replacement costs of the components of common property based on estimated replacement dates and lives of common property. The following table is based on management's estimates and presents significant information about the components of common property. The estimates were derived by management. Actual expenditures may vary from the estimated amounts and the variations could be material.

| Components               | Estimated Remaining Useful Lives | Total Estimated Replacement Costs | Amount Funded     |
|--------------------------|----------------------------------|-----------------------------------|-------------------|
| Roofs                    | Townhomes                        | 30 - 50                           | \$ 1,200,000      |
|                          | Condos                           | 2 - 35                            | 1,500,000         |
|                          | Club                             | 8                                 | 250,000           |
|                          |                                  | <u>2 - 50</u>                     | <u>2,950,000</u>  |
| Pools and spas           | Pool-side hot tub                | 15                                | 50,000            |
|                          | Adult hot tub                    | 4                                 | 200,000           |
|                          | Pool                             | 20                                | 300,000           |
|                          |                                  | <u>4 - 20</u>                     | <u>550,000</u>    |
| Tennis courts            | Hard courts                      | 20                                | 400,000           |
|                          | Clay courts                      | 12                                | 250,000           |
|                          | Fencing                          | 12                                | 50,000            |
|                          |                                  | <u>12 - 20</u>                    | <u>700,000</u>    |
| Exterior siding and trim | Townhomes                        | 10 - 20                           | 600,000           |
|                          | Condos                           | 5 - 25                            | 300,000           |
|                          | Club                             | 8                                 | 120,000           |
|                          |                                  | <u>8 - 25</u>                     | <u>1,020,000</u>  |
| Mechanical equipment     | Boilers                          | 1 - 20                            | 132,000           |
|                          | HVAC                             | 5 - 25                            | 108,000           |
|                          | Water heaters                    | 2 - 15                            | 110,000           |
|                          |                                  | <u>1 - 25</u>                     | <u>350,000</u>    |
| Streets and parking      | All                              | 1 - 20                            | 1,500,000         |
| Decks                    | All                              | 1 - 25                            | 3,150,000         |
| Vehicles                 | All                              | 3 - 12                            | 300,000           |
| Sidewalks and patios     | All                              | 3 - 25                            | 1,200,000         |
| Other                    | All                              | 1 - 40                            | 2,600,000         |
| Unallocated              |                                  | -                                 | 583,551           |
|                          |                                  | <u>\$ 14,320,000</u>              | <u>\$ 583,551</u> |