

April 30, 2019

Dear Owner:

Attached, please find the 2018 Audit Report for Mountain Valley Lodge Resort Owners Association, Inc. The Audit is being distributed as outlined in the Bylaws. **The complete report is available at the business office of the Association and copies will be provided upon an Owner's request.**

If you would like to request a copy of the full Audit, please contact Sarah Oliver, Executive Assistant, by email at sarah.oliver@vacationclub.com.

Please also consider opting-in to receive mailings required by the Association's governing documents or applicable law via electronic transmission through an email address. Examples of required mailings may include: notices of meetings, financial statements, budgets and amendments to the governing documents.

In order to receive these items by electronic transmission, Owners must first explicitly provide consent (or "opt-in"). Consent to receive required mailings by electronic transmission is effective unless it is revoked at a later time.

To opt-in, log into your Owner account on MarriottVacationClub.com. Click on "Account", click on "Profile", click on "Register for Online Document Notification". Edit Settings.

If you have any questions, please contact me by telephone at 970-547-2000 or by email at todd.lebow@vacationclub.com.

Sincerely,

Todd Lebow

General Manager

Marriott's Mountain Valley Lodge

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain Valley Lodge Resort Owners Association, Inc.
Breckenridge, Colorado

We have audited the accompanying financial statements of Mountain Valley Lodge Resort Owners Association, Inc. (A Colorado Non-Profit Corporation) (the "Association"), which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses and changes in fund balance - operating fund; revenues, expenditures and changes in fund balance - reserve for replacement fund; and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the financial statements. In order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The comparison of actual revenues and expenses to budget amounts – operating fund on page 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require the Supplementary Information on Future Major Repairs and Replacements (Unaudited) on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The financial statements of the Association as of December 31, 2017 were audited by other auditors whose report dated May 3, 2018 expressed an unmodified opinion on those statements. The financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Crowe LLP

Crowe LLP

Tampa, Florida
April 23, 2019

MOUNTAIN VALLEY LODGE RESORT
OWNERS ASSOCIATION, INC.
(A COLORADO NON-PROFIT CORPORATION)
BALANCE SHEETS
December 31, 2018

With Summarized Comparative Totals for December 31, 2017

	2018			<u>2017</u>
	<u>Operating Fund</u>	<u>Reserve for Replacement Fund</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 801,813	\$ 732,176	\$ 1,533,989	\$ 3,189,627
Investments	-	200,000	200,000	2,646,000
Maintenance fees receivable, net of allowance for doubtful accounts of approximately \$106,000 and \$184,000 at December 31, 2018 and 2017, respectively	65,845	19,418	85,263	171,414
Accrued interest receivable	-	245	245	11,265
Prepaid expenses and other assets	75,730	-	75,730	77,296
Due from Hotel Breckenridge Condominium Association, Inc.	1,670	-	1,670	1,670
Maintenance fee receivable due from Marriott Resorts Hospitality Corporation	1,915,916	356,392	2,272,308	110,987
Due from Marriott Resorts Hospitality Corporation	-	-	-	4,342
Due to Operating Fund	-	(9,376)	(9,376)	(1,510)
Due from Reserve from Replacement Fund	<u>9,376</u>	<u>-</u>	<u>9,376</u>	<u>1,510</u>
Total assets	<u>\$ 2,870,350</u>	<u>\$ 1,298,855</u>	<u>\$ 4,169,205</u>	<u>\$ 6,212,601</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accrued expenses	\$ 215,054	\$ -	\$ 215,054	\$ 217,346
Income taxes payable	3,377	2,705	6,082	6,637
Unearned maintenance fees	2,549,916	476,288	3,026,204	2,564,651
Due to Marriott Vacations Worldwide Corporation	<u>65,231</u>	<u>-</u>	<u>65,231</u>	<u>1,852</u>
Total liabilities	2,833,578	478,993	3,312,571	2,790,486
Fund balances	<u>36,772</u>	<u>819,862</u>	<u>856,634</u>	<u>3,422,115</u>
Total liabilities and fund balances	<u>\$ 2,870,350</u>	<u>\$ 1,298,855</u>	<u>\$ 4,169,205</u>	<u>\$ 6,212,601</u>

MOUNTAIN VALLEY LODGE RESORT
OWNERS ASSOCIATION, INC.
(A COLORADO NON-PROFIT CORPORATION)
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE – OPERATING FUND
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Maintenance fees	\$ 4,730,527	\$ 4,481,849
Bank interest income	30,027	9,274
Late fees	11,675	12,825
Maintenance fee interest income	42,182	74,872
Miscellaneous income	<u>39,341</u>	<u>53,729</u>
Total revenues	<u>4,853,752</u>	<u>4,632,549</u>
Expenses		
Accounting and administration	402,536	391,723
Activities	61,009	59,296
Audit fee	8,698	8,782
Bad debt expense	123,249	178,824
Board of Directors	6,040	6,389
Credit card fee	53,185	61,084
Electricity	70,403	68,148
Front desk	531,250	509,028
Hotel Breckenridge Condominium Association, Inc.	1,931,495	1,887,003
Housekeeping, net	587,062	555,686
Human resources	37,006	33,698
Income tax	10,519	3,225
Insurance	63,362	59,252
Legal	4,487	2,344
Maintenance	273,277	241,971
Management fee	335,358	315,996
Owner services	156,365	147,503
Postage and printing	13,573	11,004
Property taxes	128,888	126,733
Telephone	<u>17,043</u>	<u>17,043</u>
Total expenses	<u>4,814,805</u>	<u>4,684,732</u>
Excess (deficit) of revenues over expenses	38,947	(52,183)
Fund balance (deficit), beginning of year	<u>(2,175)</u>	<u>50,008</u>
Fund balance (deficit), end of year	<u>\$ 36,772</u>	<u>\$ (2,175)</u>

MOUNTAIN VALLEY LODGE RESORT
OWNERS ASSOCIATION, INC.
(A COLORADO NON-PROFIT CORPORATION)
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – RESERVE FOR REPLACEMENT FUND
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Reserve for replacement assessment	\$ 889,932	\$ 881,104
Bank interest income	27,713	30,684
Maintenance fee interest income	<u>7,818</u>	<u>15,093</u>
Total revenues	<u>925,463</u>	<u>926,881</u>
Expenditures		
Furniture and fixtures	3,521,465	606,310
Income tax expense	<u>8,426</u>	<u>9,509</u>
Total expenditures	<u>3,529,891</u>	<u>615,819</u>
(Deficit) excess of revenues over expenditures	(2,604,428)	311,062
Fund balance, beginning of year	<u>3,424,290</u>	<u>3,113,228</u>
Fund balance, end of year	<u>\$ 819,862</u>	<u>\$ 3,424,290</u>

MOUNTAIN VALLEY LODGE RESORT
OWNERS ASSOCIATION, INC.
(A COLORADO NON-PROFIT CORPORATION)
COMPARISON OF ACTUAL REVENUES AND
EXPENSES TO BUDGET AMOUNTS - OPERATING FUND
Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance (Unaudited)</u>
Revenues			
Maintenance fees	\$ 4,730,527	\$ 4,730,527	\$ -
Bank interest income	30,027	8,541	21,486
Late fees	11,675	13,383	(1,708)
Maintenance fee interest income	42,182	70,217	(28,035)
Miscellaneous income	39,341	38,966	375
Total revenues	<u>\$ 4,853,752</u>	<u>\$ 4,861,634</u>	<u>\$ (7,882)</u>
Expenses			
Accounting and administration	402,536	403,650	1,114
Activities	61,009	59,489	(1,520)
Audit fee	8,698	8,791	93
Bad debt expense	123,249	191,994	68,745
Board of Directors	6,040	8,001	1,961
Credit card fee	53,185	66,055	12,870
Electricity	70,403	76,639	6,236
Front desk	531,250	542,290	11,040
Hotel Breckenridge Condominium Association, Inc.	1,931,495	1,931,495	-
Housekeeping, net	587,062	470,782	(116,280)
Human resources	37,006	37,064	58
Income tax	10,519	3,119	(7,400)
Insurance	63,362	70,219	6,857
Legal	4,487	4,987	500
Maintenance	273,277	294,503	21,226
Management fee	335,358	335,358	-
Owner services	156,365	156,365	-
Postage and printing	13,573	10,561	(3,012)
Property taxes	128,888	123,212	(5,676)
Telephone	17,043	17,043	-
Total expenses	<u>4,814,805</u>	<u>4,811,617</u>	<u>(3,188)</u>
Excess of revenues over expenses	<u>\$ 38,947</u>	<u>\$ 50,017</u>	<u>\$ (11,070)</u>