

**THE MOUNTAIN CLUB ON LOON UNIT
OWNERS' ASSOCIATION
AND SUBSIDIARY**

**FOR THE YEAR ENDED DECEMBER 31, 2023
AND
INDEPENDENT AUDITORS' REPORT**

*Leone,
McDonnell
& Roberts*
PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
AND
SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Mountain Club on Loon Unit Owners' Association and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of The Mountain Club on Loon Unit Owners' Association and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of revenue and expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Mountain Club on Loon Unit Owners' Association and Subsidiary as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Mountain Club on Loon Unit Owners' Association and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mountain Club on Loon Unit Owners' Association and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mountain Club on Loon Unit Owners' Association and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Mountain Club on Loon Unit Owners' Association and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Spa Revenue and Expenses, Schedule of Hotel Revenue and Expenses, and Schedule of Restaurant Operations are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the Association’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on page 23 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

*Leone, Mc Donnell + Roberts
Professional Association*

Wolfeboro, New Hampshire
May 9, 2024

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2023**

	Operating Fund	Room Furnishing Replacement Reserve Fund	Major Common Area Reserve Fund	Spa Reserve Fund	Land, Building and Equipment Fund	Total All Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 468,008	\$ -	\$ 2,014,220	\$ -	\$ -	\$ 2,482,228
Accounts receivable, net of allowance for doubtful accounts of \$21,389	649,025	-	-	-	-	649,025
Owner assessments receivable, net of allowance for doubtful accounts of \$100,466	116,049	29,729	51,584	6,125	-	203,487
Employee Retention Credit receivable	423,614	-	-	-	-	423,614
Inventory	116,733	-	-	-	-	116,733
Prepaid expenses	155,391	-	-	-	-	155,391
Property and equipment	230,178	10,751,863	5,929,440	1,097,204	4,343,242	22,351,927
Less: accumulated depreciation	(212,759)	(5,774,615)	(3,275,276)	(612,387)	(2,883,925)	(12,758,962)
Deferred tax asset	117,832	-	-	-	-	117,832
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 2,064,071</u>	<u>\$ 5,006,977</u>	<u>\$ 4,719,968</u>	<u>\$ 490,942</u>	<u>\$ 1,459,317</u>	<u>\$ 13,741,275</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Accounts payable	\$ 124,868	\$ -	\$ -	\$ -	\$ -	\$ 124,868
Accrued expenses	534,515	-	-	-	-	534,515
Advance deposits	397,241	-	-	-	-	397,241
Deferred revenue	177,793	-	-	-	-	177,793
Gift certificates	160,502	-	-	-	-	160,502
Advances from unit owners	635,913	162,909	282,665	33,563	-	1,115,050
Note payable, net of deferred financing costs	-	-	2,852,828	-	-	2,852,828
Deferred tax liability	-	32,017	18,216	3,395	15,933	69,561
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	2,030,832	194,926	3,153,709	36,958	15,933	5,432,358
Fund balance	<u>33,239</u>	<u>4,812,051</u>	<u>1,566,259</u>	<u>453,984</u>	<u>1,443,384</u>	<u>8,308,917</u>
Total	<u>\$ 2,064,071</u>	<u>\$ 5,006,977</u>	<u>\$ 4,719,968</u>	<u>\$ 490,942</u>	<u>\$ 1,459,317</u>	<u>\$ 13,741,275</u>

See Notes to Consolidated Financial Statements

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Room Furnishing Replacement Reserve Fund</u>	<u>Major Common Area Reserve Fund</u>	<u>Spa Reserve Fund</u>	<u>Land, Building and Equipment Fund</u>	<u>Total All Funds</u>
REVENUE						
Owner assessments	\$ 1,464,577	\$ 375,255	\$ 651,178	\$ 77,258	\$ -	\$ 2,568,268
Spa operations	81,732	-	-	-	-	81,732
Hotel operations	319,818	-	-	-	-	319,818
Restaurant operations	356,631	-	-	-	-	356,631
Core area lease to Hotel	218,000	-	-	-	-	218,000
Interest	30,303	-	-	-	-	30,303
Other	44,839	-	-	-	-	44,839
	2,515,900	375,255	651,178	77,258	-	3,619,591
EXPENSES						
Payroll and related expenses	1,061,996	-	-	-	-	1,061,996
Utilities	399,524	-	-	-	-	399,524
Repairs and maintenance	311,270	-	-	-	-	311,270
Insurance	137,364	-	-	-	-	137,364
Interest	600	-	123,488	-	-	124,088
Housekeeping fees	105,000	-	-	-	-	105,000
Legal and accounting	103,073	-	-	-	-	103,073
Cable television and radio	31,240	-	-	-	-	31,240
Property taxes	28,280	-	-	-	-	28,280
Meetings	24,534	-	-	-	-	24,534
Telephone & postage	22,378	-	-	-	-	22,378
Travel and entertainment	16,465	-	-	-	-	16,465
Employee recruitment and relations	16,408	-	-	-	-	16,408
Bad debts	11,339	-	-	-	-	11,339
Printing and stationary	1,739	-	-	-	-	1,739
Federal and state income taxes (credit)	(117,832)	53,761	30,388	5,691	26,844	(1,148)
Other	86,088	-	-	-	-	86,088
	2,239,466	53,761	153,876	5,691	26,844	2,479,638
EXCESS OF REVENUE OVER EXPENSES BEFORE DEPRECIATION EXPENSE AND LOSS ON ABANDONMENT OF ASSET	276,434	321,494	497,302	71,567	(26,844)	1,139,953
LESS DEPRECIATION	4,945	336,326	241,076	38,096	154,967	775,410
LOSS ON ABANDONMENT OF ASSET	-	19,435	-	-	-	19,435
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 271,489	\$ (34,267)	\$ 256,226	\$ 33,471	\$ (181,811)	\$ 345,108

See Notes to Consolidated Financial Statements

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Room Furnishing Replacement Reserve Fund</u>	<u>Major Common Area Reserve Fund</u>	<u>Spa Reserve Fund</u>	<u>Land, Building and Equipment Fund</u>	<u>Total All Funds</u>
FUND BALANCES - BEGINNING OF YEAR	\$ 384,643	\$ 3,767,797	\$ 1,901,726	\$ 543,197	\$ 1,366,446	\$ 7,963,809
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	271,489	(34,267)	256,226	33,471	(181,811)	345,108
TRANSFERS BETWEEN FUNDS	<u>(622,893)</u>	<u>1,078,521</u>	<u>(591,693)</u>	<u>(122,684)</u>	<u>258,749</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 33,239</u>	<u>\$ 4,812,051</u>	<u>\$ 1,566,259</u>	<u>\$ 453,984</u>	<u>\$ 1,443,384</u>	<u>\$ 8,308,917</u>

See Notes to Consolidated Financial Statements

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Operating Fund</u>	<u>Room Furnishing Replacement Reserve Fund</u>	<u>Major Common Area Reserve Fund</u>	<u>Spa Reserve Fund</u>	<u>Land, Building and Equipment Fund</u>	<u>Total All Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess (deficiency) of revenue over expenses	\$ 271,489	\$ (34,267)	\$ 256,226	\$ 33,471	\$ (181,811)	\$ 345,108
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash from operating activities:						
Deferred taxes	(117,832)	53,761	30,388	5,691	26,844	(1,148)
Depreciation and amortization	4,945	336,326	241,076	38,096	154,967	775,410
Allowance for bad debts	9,869	1,232	2,139	254	-	13,494
Reclassification of property and equipment between funds	-	(567,200)	567,200	-	-	-
Abandonment of asset	-	19,435	-	-	-	19,435
(Increase) decrease in assets:						
Accounts receivable	(240,592)	-	-	-	-	(240,592)
Owner assessments receivable	(41,734)	(11,922)	(20,689)	(2,458)	-	(76,803)
Inventory	(6,533)	-	-	-	-	(6,533)
Prepaid expenses	(55,141)	-	-	-	-	(55,141)
Increase (decrease) in liabilities:						
Accounts payable	60,301	-	-	-	-	60,301
Accrued expenses	7,765	-	-	-	-	7,765
Advance deposits	(93,359)	-	-	-	-	(93,359)
Deferred revenue	4,055	-	-	-	-	4,055
Gift certificates	2,675	-	-	-	-	2,675
Advances from unit owners	96,834	24,807	43,043	5,110	-	169,794
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(97,258)</u>	<u>(177,828)</u>	<u>1,119,383</u>	<u>80,164</u>	<u>-</u>	<u>924,461</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of equipment and real property	(6,109)	(900,693)	(87,503)	(10,687)	(258,749)	(1,263,741)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(6,109)</u>	<u>(900,693)</u>	<u>(87,503)</u>	<u>(10,687)</u>	<u>(258,749)</u>	<u>(1,263,741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of long term debt	-	-	(291,092)	-	-	(291,092)
Net repayment on demand note payable	(58,707)	-	-	-	-	(58,707)
Interfund transfers	(622,893)	1,078,521	(591,693)	(122,684)	258,749	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(681,600)</u>	<u>1,078,521</u>	<u>(882,785)</u>	<u>(122,684)</u>	<u>258,749</u>	<u>(349,799)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(784,967)	-	149,095	(53,207)	-	(689,079)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,252,975	-	1,865,125	53,207	-	3,171,307
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 468,008</u>	<u>\$ -</u>	<u>\$ 2,014,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,482,228</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash paid during the year for interest	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 123,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,088</u>

See Notes to Consolidated Financial Statements

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Mountain Club on Loon Unit Owners' Association (the Association) and its wholly owned subsidiary, Mon-Club Management, Inc. All material intercompany accounts and transactions have been eliminated.

Organizational Purpose

The Association was started in December of 1986 to provide, care for, and maintain the condominium units and common areas of The Mountain Club on Loon for the benefit of the unit owners. The Mountain Club on Loon consists of individual condominium units located in Lincoln, New Hampshire. Ownership of the condominium units is on the quartership basis, under which individual owners purchase one or more individual one-quarter interests in a condominium unit of The Mountain Club on Loon. For the year ended December 31, 2023, there were 468 quartership units.

The Mountain Club on Loon has historically operated as a hotel. Most unit owners place their units in a rental (booking) program to be used by guests as if they were hotel rooms, typically reserving for themselves limited, personal use. Effective January 1, 1996, the Association became the on-site booking agent for participating unit owners. The Association retained an independent management company to manage the Association and perform the day-to-day operations of the rental program, in effect undertaking customary hotel operational duties.

Effective May 1, 2001, a wholly owned subsidiary, Mon-Club Management, Inc. was established to assume all the management responsibilities previously provided by the independent management company.

Accounting Method

The financial statements of the Association have been prepared and the books are maintained on the accrual method of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when they are incurred.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Accordingly, all financial transactions have been recorded and reported by fund group.

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The assets, liabilities and fund balances of the Association are reported in five self-balancing fund groups as follows:

Operating Fund

The operating fund includes unrestricted resources and represents the portion of expendable funds that are available for support of the Association's operations.

Room Furnishing Replacement Reserve Fund

The room furnishing replacement reserve fund represents resources restricted by the condominium documents for the purpose of room furnishing replacements.

Major Common Area Reserve Fund

The major common area reserve fund represents resources restricted by the condominium documents for the purpose of property replacements and improvements of the common areas.

Spa Reserve Fund

The Spa reserve fund represents resources restricted by the condominium documents for the purpose of property replacements and improvements and equipment acquisitions for the spa.

Land, Building and Equipment Fund

The land, building and equipment fund represents resources restricted for land, building and equipment acquisitions and funds expended for land building and equipment.

Income Taxes

The Association has adopted Accounting Standards Codification Topic 740 as it relates to "Accounting for Income Taxes", which requires the use of the liability method of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based upon the temporary timing differences between the basis of assets and liabilities for financial reporting and income tax purposes, using enacted income tax rates in effect for the year in which the differences are expected to reverse.

The topic also clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Association's tax returns. The Association's tax filings are subject to audit by various taxing authorities. In evaluating the Association's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Association believes their estimates are appropriate based on current facts and circumstances.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Current income taxes are based upon the year's taxable income for United States and New Hampshire income tax reporting purposes.

Owner Assessment Revenue Recognition

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year. The balance of assessments receivable as of December 31, 2023 was \$203,487.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The allowance for doubtful accounts amounted to \$100,466 at December 31, 2023.

Revenue consists of assessments of the unit owners, which is based on estimates of the amounts of common expenses expected to be incurred during the year.

The revenue from assessments is recorded in the period over which the services are to be provided. The assessments are billed quarterly and are payable on the first day of the first month of the quarter. The amounts collected prior to December 31st from the quarterly billing for the next fiscal year are reflected as advances from unit owners on the accompanying balance sheet.

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability, advances from unit owners, are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to assessments. The balances of contract liabilities (assessments received in advance) as of end of the year are \$1,115,050.

Common Expenses and Profits

The quarter-share owners are liable for the common expenses and common deficits and are entitled to common profits of the Association in proportion to their number of votes in the Association.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The Board of Directors may either distribute the common profits to the quarter-share owners in proportion to the number of votes in the Association, or apply the common profits to the following year's expenses, or add the common profits to the reserves maintained as described in the Declaration of Condominium and the Association's by-laws.

Property, Equipment and Depreciation

Uses of current and other funds for land, building and equipment acquisitions are accounted for as transfers to the appropriate fund. Costs for maintenance and repairs are charged against operations. Renewals and betterments which materially extend the life of the assets are capitalized. Property and equipment is recorded at cost.

Depreciation is computed using accelerated and straight line methods over the estimated useful lives of the related assets as follows:

Buildings	39 years
Building improvements	15 - 39 years
Spa equipment	5 - 10 years
Furniture, fixtures and equipment	5 - 7 years

Depreciation expense aggregated \$775,410 for the year ended December 31, 2023.

At December 31, 2023, the balance of equipment reflected in the Operating Fund consisted of the following:

Computer equipment	\$ 147,058
Vehicles	<u>83,120</u>
	<u>\$ 230,178</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

At December 31, 2023, the balance of equipment reflected in the Room Furnishing Replacement Reserve Fund consisted of the following:

Rooms, furnishings and appliances	\$ 9,881,963
Computer hardware and software	155,059
Doors and windows	136,072
Electronic key locks	263,461
Televisions	85,268
Model room, furnishings and appliances	78,707
Telephone system	69,869
Carpeting	36,720
Vacuums	23,915
Heaters	13,797
Blinds	<u>7,032</u>
	<u>\$10,751,863</u>

At December 31, 2023, the balance of real property reflected in the Major Common Area Reserve Fund consisted of the following:

Buildings and improvements	\$ 3,009,135
Garage and improvements	2,350,277
Furniture, fixtures and equipment	475,015
Construction in progress	<u>95,013</u>
	<u>\$ 5,929,440</u>

At December 31, 2023, the balance of equipment reflected in the Spa Reserve Fund consisted of the following:

Spa remodel and improvements	\$ 880,795
Spa and fitness equipment	<u>216,409</u>
	<u>\$ 1,097,204</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

At December 31, 2023, the balance of real property and equipment reflected in the Land, Building and Equipment Fund consisted of the following:

Land	\$ 85,032
Buildings	1,253,688
Building improvements	1,221,013
Furniture, fixtures and equipment	1,468,903
Spa equipment	139,193
Greenhouse	90,413
Kinsman Meeting Room	<u>85,000</u>
	<u>\$ 4,343,242</u>

Advertising Costs

The Association's policy is to expense advertising and marketing costs as they are incurred. Total advertising and marketing costs for the year ended December 31, 2023 aggregated \$123,319.

Use of Estimates

The preparation of consolidated 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are included in cash. The Association considers all instruments with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable and Bad Debts

The Association uses the allowance method of accounting for bad debts which recognizes bad debt expense at the time the account is considered to be potentially worthless. As of December 31, 2023, management has estimated that \$121,855 of accounts receivable and owner assessments could potentially be uncollectible.

During the year ended December 31, 2023, the Association wrote off \$13,494 of accounts receivable.

Inventory

Inventory is stated at the lower of cost (determined on a first-in, first-out method) or realizable value.

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Sales Tax

The Association is required to collect, on behalf of the State of New Hampshire, sales tax based on 8.5% of most gross sales. The Association's policy is to exclude sales taxes from revenue when collected and expenses when paid and instead, record the collection and payment of sales taxes through a liability account.

2. INVENTORY

Inventory at December 31, 2023 consisted of the following:

Food and beverage	\$ 104,449
Spa-related goods	<u>12,284</u>
Total inventory	<u>\$ 116,733</u>

3. PROPERTY TAXES

For the year ended December 31, 2023, the unit owners were billed directly by the Town of Lincoln, New Hampshire for property taxes. Property taxes for common areas are billed to the Association and are included in the consolidated statement of revenue and expenses. These consisted of the following:

Core building area	\$ 15,493
Spa	6,878
Parking garage	4,463
Other	<u>4,011</u>
Total	<u>\$ 30,845</u>

4. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to a concentration of credit risk consist primarily of cash and equivalents and accounts receivable.

The Association maintains cash accounts in various financial institutions. The balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2023, cash balances exceeded the FDIC limits by approximately \$2,286,944.

With regards to accounts receivable, the Association grants credit to customers and owners, substantially all of whom are within the New England area. Management constantly monitors its customers and owners for credit worthiness.

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. DEFERRED REVENUE

Deferred revenue reported in the operating fund consists of membership fees paid in advance by users of the Spa. The net operations of the Spa are shown as revenue or expense in the operating fund.

6. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for normal operations.

During the year ended December 31, 2011, Criterium Turner Engineers, on behalf of the Board of Directors of the Association, conducted a study to estimate the remaining useful lives and the replacement costs of the components of the property. The table included in the supplementary information on future major repairs and replacements is based on the study performed during the year ended December 31, 2011 (See Supplemental Schedule 4).

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study performed during the year ended December 31, 2011 and the estimates developed in that study of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement for the room furnishing reserve, common area reserve and Spa reserve of \$375,255, \$651,178 and \$77,258, respectively, has been included in the 2023 assessment.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of the property components. 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 Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

7. DEMAND NOTE PAYABLE

The Association has available to it a line of credit with a bank that expires during August of 2024. Maximum available credit is \$280,000. Interest is stated at 4.00%. Interest is payable monthly. Principal is due on demand or upon expiration, unless extended in writing by the bank. The note is secured by a certificate of deposit. There was no balance outstanding on the demand note payable at December 31, 2023.

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

8. NOTE PAYABLE

The note payable at December 31, 2023 consisted of the following:

Note payable to a bank in monthly installments consisting of two consecutive interest only payments beginning on March 14, 2021 with interest stated at 4.00%, 58 monthly consecutive principal and interest payments of \$31,842 beginning on May 14, 2021 with interest stated at 4.00%, 85 monthly consecutive principal and interest payments of \$31,854 beginning on April 14, 2033 with interest calculated at the Federal Home Loan Bank of Boston 5 Year Term/20 rate plus a margin of 2.50% and one principal and interest payment of \$31,853 with interest calculated at the Federal Home Loan Bank of Boston 5 Year Term/20 rate plus a margin of 2.50%. The note is collateralized by a first mortgage on land and improvements, a first lien on all business assets and the assignment of leases and rents.

	\$ 2,885,953
Unamortized deferred financing costs	<u>(33,125)</u>
Total	<u><u>\$ 2,852,828</u></u>

The scheduled maturities of the note payable at December 31, 2023 were as follows:

<u>Year Ending December 31</u>	<u>Amount Due</u>
2024	\$ 281,736
2025	293,215
2026	305,161
2027	317,593
2028	330,532
Thereafter	<u>1,357,716</u>
Total	<u><u>\$ 2,885,953</u></u>

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

9. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The ERC is a CARES Act relief program that allows for a refundable tax credit against qualified wages. Small businesses were eligible for the ERC in 2020 and 2021 if the business was fully or partially shut down due to a mandated government order or if the business had reductions in revenue as outlined in the Act.

The Association met the requirements for the ERC for the second, third and fourth quarters of 2020, as well as the first quarter of 2021. The Association has elected to account for the ERC as a conditional government grant under Topic 958 of the FASB's Accounting Standards Codification, and as a result, has recognized revenue in the amount of \$815,071 as of and for the year ended December 31, 2022. The Association received \$391,457 during the year ended December 31, 2022. The remaining amount of \$423,614 is recorded as Employee Retention Credit receivable on the accompanying consolidated balance sheet at December 31, 2023.

10. CASH RESERVE FUNDS

At December 31, 2023 total year-end cash reserves were \$2,014,220 in the Room Furnishing Replacement, Major Common Area, and Spa Reserve Fund.

11. CORE AREA LEASE

During the year ended December 31, 2000, the Association purchased core area facilities from Loon Mountain Recreation Corporation. Simultaneously, with the closing, the parties executed a lease, whereby Loon Mountain Recreation Corporation leased a portion of the core area back from the Association for an annual base rent of one dollar. The term of the lease runs until Loon Mountain Recreation Corporation no longer uses the facilities in connection with its snow making or related maintenance operations.

During the year ended December 31, 2023, the Mountain Club on Loon Unit Owners' Association leased facilities to Mon-Club Management, Inc. (the Hotel) for the use of the core area facilities. The purpose of the lease was to allocate expenses of the Association to the Hotel for use of the common facilities and staff of the Association. The cost of the lease to the Hotel and income to the Association is \$218,000.

Also, per the terms of the agreement, fees paid to the Association for managing the Hotel must be adjusted for any profits or losses realized by the Hotel. If revenues exceed expenses, the excess is due to the Association. If expenses exceed revenues, the Association must reimburse the management company.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

For the year ended December 31, 2023, the Hotel reported a profit of \$319,818. Accordingly, this amount has been recorded as an increase in revenue in the accompanying consolidated statement of revenue and expenses.

12. INCOME TAXES

For the year ended December 31, 2023, the Association has elected to be taxed under Internal Revenue Code Section 277, whereby the Association is liable for taxes on its non-membership income.

The components of the income tax provision (credit) for the year ended December 31, 2023 were as follows:

Current Tax		
Federal	\$	-
State		-
		<u> -</u>
Total current tax		<u> -</u>
Deferred Tax		
Federal		(5,394)
State		<u>4,246</u>
		<u> -</u>
Total deferred tax credit		<u> (1,148)</u>
Total income tax credit		<u>\$ (1,148)</u>

The components of the deferred tax assets (liabilities) as of December 31, 2023 consisted of the following:

<u>Temporary Differences</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Book to tax depreciation	\$ 119,175	\$ 331,243	
Tax rate	<u>7.60%</u>	<u>21%</u>	
Carryforward tax credits	<u>8,938</u>	<u>(69,561)</u>	
	<u>16,523</u>	<u>92,371</u>	
Total net deferred tax asset	<u>\$ 25,461</u>	<u>\$ 22,810</u>	<u>\$ 48,271</u>

The deferred taxes are related to differences in depreciation methods for additional bonus depreciation and Section 179 limits allowed for federal and state tax purposes which could be adjusted by the taxing authorities.

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

13. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing financial statements. Non recognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date.

Management has evaluated subsequent events through May 9, 2024 the date at which the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
(See Independent Auditors' Report)

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**SCHEDULE OF SPA REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

REVENUE

Memberships	\$ 309,067
Massage	294,137
Services	169,371
Retail	<u>43,527</u>
 Total revenue	 816,102
Cost of goods sold	<u>(32,461)</u>
 Net revenue	 <u>783,641</u>

EXPENSES

Payroll and related expenses	511,438
Linen and laundry	39,613
Massage and spa services	37,134
Repairs and maintenance	35,003
Supplies	30,591
Pool supplies	28,430
Computer and support	7,976
Contract cleaning	6,609
Guest supplies	3,368
Telephone and postage	1,357
Uniforms	<u>390</u>
 Total expenses	 <u>701,909</u>

EXCESS OF REVENUE OVER EXPENSES

\$ 81,732

See Independent Auditors' Report

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**SCHEDULE OF HOTEL REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

REVENUE

Room and condominium rentals	\$ 3,940,573
Component income	527,413
Bear Essentials store income	108,697
Maid service - Hotel	87,040
Maid Service - Unit Owners	105,000
Forfeited deposits	66,502
Arcade commissions	33,292
Ski ticket income	42,074
Other	1,278
	<hr/>
Total revenue	4,911,869

EXPENSES

Payroll and related expenses	1,512,592
Leases	218,000
Guest supplies and services	153,911
Marketing	123,319
Commissions	121,273
Repairs and maintenance	104,768
Bear Essentials store expenses	72,198
Linen and laundry expenses, net of recoveries	68,763
Insurance	58,003
Utilities	44,392
Computer support	39,066
Dues and publications	16,957
Depreciation	14,488
Radio and television	13,388
Administration and general	12,907
Telephone and postage	9,851
Employee recruitment and relations	7,784
Reservation expense	7,295
New Hampshire Business Enterprise tax	7,009
Legal and accounting	4,991
Printing and stationary	4,777
Travel and entertainment	3,815
Bad debts	2,155
	<hr/>
Total expenses	2,621,702

EXCESS OF REVENUE OVER EXPENSES BEFORE OWNERS' DISTRIBUTION	2,290,167
OWNERS' DISTRIBUTION	<hr/> (1,970,349)
EXCESS OF REVENUES OVER EXPENSES	<hr/> \$ 319,818

See Independent Auditors' Report

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**SCHEDULE OF RESTAURANT OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

SALES	\$ 2,525,738
COST OF SALES	<u>835,294</u>
GROSS PROFIT	<u>1,690,444</u>
EXPENSES	
Payroll and related expenses	1,088,139
Paper, linen and cleaning supplies	90,840
Supplies	75,246
Credit card commissions	32,756
Music and entertainment	24,585
Repairs and maintenance	13,096
China, glass and equipment	8,789
Computer support	<u>362</u>
Total expenses	<u>1,333,813</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 356,631</u></u>

See Independent Auditors' Report

**THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
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**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023
(UNAUDITED)**

Criterium Turner Engineers, on behalf of the Board of Directors conducted a study during 2011 to estimate the remaining useful lives and the replacement costs of the components of the property.

The following table is based on the study with subsequent review by the Board of Directors and presents significant information about the components of the property.

	Remaining Estimated Useful Lives (Years)	Estimated Current Replacement Costs	2023 Components Funding Requirement	Fund Balance at 12/31/2023
Spa Reserves				
Drainage	1	\$ 580,000	\$ 62,300	\$ 366,093
Decking, tiling and fencing	2 - 11	120,000	12,890	75,725
Renovations	2 - 5	<u>19,250</u>	<u>2,068</u>	<u>12,167</u>
		<u>\$ 719,250</u>	<u>\$ 77,258</u>	<u>\$ 453,984</u>
Room Reserves:				
Unit renovations	3 - 14	\$ 9,593,700	\$ 333,505	\$ 4,276,470
Hallways	8	910,000	31,634	405,656
Interior doors	1	<u>291,000</u>	<u>10,116</u>	<u>129,925</u>
		<u>\$ 10,794,700</u>	<u>\$ 375,255</u>	<u>\$ 4,812,051</u>
Common Area Reserves:				
Building interior	1 - 14	\$ 2,223,650	\$ 218,132	\$ 524,697
Mechanical systems	1 - 14	1,812,400	177,790	427,589
Other	1 - 2	1,125,000	110,359	265,481
Building exterior	1 - 19	915,695	89,826	215,987
Site	1 - 14	<u>561,391</u>	<u>55,071</u>	<u>132,505</u>
		<u>\$ 6,638,136</u>	<u>\$ 651,178</u>	<u>\$ 1,566,259</u>

See Independent Auditors' Report