

**Beaver Creek Resort Company of Colorado**

**Financial Report**

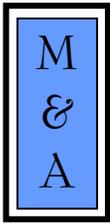
**September 30, 2016 and 2015**



**Beaver Creek Resort Company of Colorado  
(A Colorado Non-Profit Corporation)  
September 30, 2016 and 2015**

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## INDEPENDENT AUDITOR'S REPORT

### **To the Board of Directors Beaver Creek Resort Company of Colorado**

We have audited the accompanying financial statements of Beaver Creek Resort Company of Colorado, which comprise the statement of financial position as of September 30, 2016 and 2015, and the related statements of activities 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 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beaver Creek Resort Company of Colorado as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**January 26, 2017**

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Financial Position**  
**September 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	3,621,896	2,165,675
Accounts receivable:		
Common assessments	4,193	4,512
Real estate transfer assessments	214,843	288,828
Civic assessments	300,581	301,419
Recreation assessments	19,364	15,875
Related parties	215,053	192,666
Other	97,294	223,380
Prepaid transportation expense	1,456,405	1,226,494
Prepaid expenses - other	157,123	174,194
Deposits	31,719	47,681
Inventory	5,436	15,743
<b>Total Current Assets</b>	<b>6,123,907</b>	<b>4,656,467</b>
<b>Fixed assets:</b>		
Property and equipment, at cost	21,335,475	20,514,258
Accumulated depreciation	(12,740,237)	(12,008,828)
<b>Net Fixed Assets</b>	<b>8,595,238</b>	<b>8,505,430</b>
<b>Total Assets</b>	<b>14,719,145</b>	<b>13,161,897</b>
<b>Liabilities and Net Assets:</b>		
<b>Current liabilities:</b>		
Accounts payable:		
Related parties	322,983	689,721
Other	501,338	192,169
Accrued payroll and related expenses	25,750	13,457
Deferred revenue	1,000	-
Deposits		
Related parties	41,089	38,741
Other	540,250	537,165
Current portion of sponsorship payable	350,000	350,000
<b>Total Current Liabilities</b>	<b>1,782,410</b>	<b>1,821,253</b>
<b>Non-Current liabilities:</b>		
Sponsorship payable	925,874	1,258,631
<b>Total Non-Current Liabilities</b>	<b>925,874</b>	<b>1,258,631</b>
<b>Total Liabilities</b>	<b>2,708,284</b>	<b>3,079,884</b>
<b>Net Assets:</b>		
Unrestricted net assets	12,010,861	10,082,013
<b>Total Net Assets</b>	<b>12,010,861</b>	<b>10,082,013</b>
<b>Total Liabilities and Net Assets</b>	<b>14,719,145</b>	<b>13,161,897</b>

The accompanying notes are an integral part of these financial statements.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended September 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Assessments:		
Civic assessments	7,263,586	6,959,538
Lodging civic assessments	614,345	589,318
Recreation and mountain assessments	5,862,844	5,339,044
Real estate transfer assessments	3,788,730	4,373,140
Other income:		
Design Review Board fees	98,858	145,039
Business licenses	50,173	53,470
Ice rink revenues	386,751	310,697
Investment income	3,978	8,147
Activities and events	1,533,292	1,880,954
Other income	34,137	31,247
	<b>Total Revenues</b>	<b>19,690,594</b>
	<b>19,636,694</b>	<b>19,636,694</b>
<b>Expenses:</b>		
Administration	1,547,262	1,469,891
Activities and events	2,857,508	3,346,652
Professional services	126,392	76,935
Marketing	4,290,855	6,148,615
Transportation	1,581,466	1,606,796
Property maintenance	2,037,156	1,888,977
Public safety	2,120,655	1,968,753
Parking lot upgrades	419,925	-
Design review board	165,948	155,329
Property taxes	11,926	11,425
Insurance	268,524	243,029
Other expense	(549)	(318)
Interest	27,243	64,271
Depreciation	1,007,799	987,377
Vilar Center Contribution	1,245,736	1,263,491
	<b>Total Expenses</b>	<b>19,231,223</b>
	<b>17,707,846</b>	<b>17,707,846</b>
<b>Change in Net Assets</b>	<b>1,928,848</b>	<b>459,371</b>
<b>Net Assets - Beginning of Year</b>	<b>10,082,013</b>	<b>9,622,642</b>
<b>Net Assets - End of Year</b>	<b>12,010,861</b>	<b>10,082,013</b>

The accompanying notes are an integral part of these financial statements.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Statements of Cash Flows**  
**For the Year Ended September 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from assessments	17,704,857	17,022,760
Cash received from other sources	2,103,211	2,421,406
Cash received from interest earnings	3,978	8,147
Cash paid for goods and services	(17,230,103)	(17,779,463)
Cash paid for interest	(27,243)	(67,508)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,554,700</b>	<b>1,605,342</b>
<b>Cash Flows From Investing Activities:</b>		
Cash received from sale of fixed assets	4,500	-
Cash paid for fixed assets	(1,102,979)	(616,163)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(1,098,479)</b>	<b>(616,163)</b>
<b>Cash Flows From Financing Activities:</b>		
Principal payments on debt	-	(2,157,974)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>-</b>	<b>(2,157,974)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,456,221	(1,168,795)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>2,165,675</b>	<b>3,334,470</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>3,621,896</b>	<b>2,165,675</b>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Change in Net Assets	<b>1,928,848</b>	<b>459,371</b>
<b>Change in assets and liabilities:</b>		
Depreciation	1,007,799	987,377
Loss (gain) on disposal of fixed assets	872	1,886
(Increase) decrease in accounts receivable	175,352	(238,281)
(Increase) decrease in prepaid expenses	(212,840)	(213,104)
(Increase) decrease in deposits held by others	15,962	(45,557)
(Increase) decrease in inventory	10,307	49
Increase (decrease) in accounts payable	(57,569)	(318,484)
Increase (decrease) in accrued payroll	12,293	(64,455)
Increase (decrease) in deferred revenue	1,000	-
Increase (decrease) in deposit liability	5,433	27,909
Increase (decrease) in sponsorship payable	(332,757)	1,008,631
<b>Total change in assets and liabilities</b>	<b>625,852</b>	<b>1,145,971</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,554,700</b>	<b>1,605,342</b>

The accompanying notes are an integral part of these financial statements.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**

**1. Organization**

Beaver Creek Resort Company of Colorado (“BCRC”) was incorporated as a Colorado not-for-profit corporation pursuant to Articles of Incorporation filed May 4, 1979, and subsequently amended. The BCRC’s members are businesses and individuals with real property interest in the Beaver Creek subdivision located in Eagle County, Colorado. BCRC’s bylaws, as modified in 1997, provide for a nine-member Board of directors (the “Board”). Four of the directors are appointed by Vail Resorts, Inc. (“Vail Resorts”). The remaining five directors are representatives of the residential, lodging, and commercial communities of the Beaver Creek subdivision. Because of its property ownership percentage, Vail Resorts has the power to elect one of the remaining five directors.

During 2005, BCRC established Rink Productions, Inc. (“RPI”) as a separate not-for-profit corporation for the primary purpose of hosting community events and making application for special event permits. RPI was incorporated, as a wholly owned subsidiary of BCRC, pursuant to Articles of Incorporation filed on May 12, 2005.

BCRC and its wholly owned subsidiary, RPI (collectively, the “Organization”) provides various services related to the Beaver Creek area including marketing, security, transportation, architectural review, property maintenance, recreational activities, and various other support services.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

These consolidated financial statements include the accounts of BCRC and its wholly owned subsidiary, RPI. All significant intercompany accounts and transactions have been eliminated in these consolidated financial statements.

The accompanying financial statements have been prepared on the accrual basis of accounting. All amounts recorded in the statements of activities result from unrestricted activity. There are no assets subject to donor restrictions.

**B. Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, the Organization considers checking, money market savings, money market funds and investments with an original maturity of three months or less to be cash equivalents since these accounts are highly liquid or have no stated maturities.

**C. Allowance for Uncollectible Accounts**

The Organization uses the allowance method for recognizing the future potential uncollectibility of accounts receivable. At September 30, 2016 and 2015, the Organization had recorded an allowance for bad debts of \$4,500 and \$5,000, respectively.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**2. Summary of Significant Accounting Policies (continued)**

**D. Assessments**

The Board prepares an annual budget to estimate the expenses of the Organization. BCRC's Declarations empower the levying of the following assessments:

- (1) Civic Assessment:** A monthly Civic Assessment of 5.35% is assessed on sales of tangible personal property from businesses located in the Beaver Creek Resort area.
- (2) Lodging Civic Assessment:** A monthly Lodging Civic Assessment of .96% is assessed on short-term lodging revenue provided by businesses and individuals located in the Beaver Creek Resort area.
- (3) Recreation and Mountain Assessment:** A monthly assessment of 5% is assessed on gross receipts from the sale of recreational services, which include lift ticket sales, ski lessons, golf course greens fees, spa services, and equipment rentals.
- (4) Common Assessment:** An annual assessment may be levied based on the assessed valuation of all real property of each owner's site multiplied by the common assessment rate determined by the Board annually. The board did not levy a common assessment in fiscal years 2016 or 2015.
- (5) Real Estate Transfer Assessment:** An assessment of 2.375% is charged against the transferee upon the transfer of real property as defined in BCRC's bylaws.

**E. Prepaid Transportation Expense**

Prepaid transportation expense consists of amounts paid to the Beaver Creek Metropolitan District in excess of expenses incurred as of September 30, 2016. See Note 7(A) for further discussion of this agreement to provide transportation services.

**F. Income Taxes**

For federal income tax purposes, as of October 1, 1997, BCRC has qualified as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes on its related income.

Since RPI's activities are not considered to be within BCRC's tax-exempt purpose, RPI incurs Federal and State income taxes on its net income from operations.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**2. Summary of Significant Accounting Policies (continued)**

**G. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Inventory**

Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

**I. Fixed Assets**

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Capitalized assets are depreciated using the straight-line method over estimated useful lives according to the following schedule.

<u>Asset</u>	<u>Estimated Useful Life</u>
Improvements	3-20
Buildings	10-30
Vehicles	2-10
Equipment	2-15
Furniture and Fixtures	5
Computers and Software	3-5

**J. Subsequent Events**

Management has evaluated subsequent events through January 26, 2017, the date the financial statements were available to be issued.

**K. Reclassification**

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassification has no effect on net assets or total assets, liabilities, expenses or revenues.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**3. Fixed Assets**

Fixed asset activity during fiscal year 2016 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Construction in progress	\$ 141,225	\$ 665,582	\$ (762,617)	\$ 44,190
Artwork	301,947	-	-	301,947
Capital assets, being depreciated:				
Improvements	9,708,013	624,479	(191,693)	10,140,799
Buildings	7,927,411	-	-	7,927,411
Vehicles	250,904	86,396.00	(74,826)	262,474
Equipment	1,906,032	475,172	(11,678)	2,369,526
Furniture and fixtures	120,211	-	(1,004)	119,207
Computers and software	158,515	13,967	(2,561)	169,921
Total capital assets being depreciated	20,514,258	1,865,596	(1,044,379)	21,335,475
Less accumulated depreciation	(12,008,828)	(1,007,799)	276,390	(12,740,237)
<b>Total capital assets, net</b>	<b>\$ 8,505,430</b>	<b>\$ 857,797</b>	<b>\$ (767,989)</b>	<b>\$ 8,595,238</b>

Fixed asset activity during fiscal year 2015 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Construction in progress	\$ 52,711	\$ 141,225	\$ (52,711)	\$ 141,225
Artwork	301,947	-	-	301,947
Capital assets, being depreciated:				
Improvements	9,497,117	222,346	(11,450)	9,708,013
Buildings	7,927,411	-	-	7,927,411
Vehicles	336,508	-	(85,604)	250,904
Equipment	1,814,932	209,722	(118,622)	1,906,032
Furniture and fixtures	120,211	-	-	120,211
Computers and software	62,934	95,581	-	158,515
Total capital assets being depreciated	20,113,771	668,874	(268,387)	20,514,258
Less accumulated depreciation	(11,235,240)	(987,377)	213,789	(12,008,828)
<b>Total capital assets, net</b>	<b>\$ 8,878,531</b>	<b>\$ (318,503)</b>	<b>\$ (54,598)</b>	<b>\$ 8,505,430</b>

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**4. Design Review Board (“DRB”) Deposit Liability**

The Design Review Board (“DRB”) reviews construction plans prior to the start of any construction within BCRC’s boundaries in order to maintain a certain community architectural uniformity. The DRB collects a deposit, based on the total value of the construction project, as collateral to ensure the project adheres to the plans the DRB approved. Upon completion of the project, the DRB inspects the project and returns the deposit after its final approval. A fee is charged by the DRB for the review of architectural plans. The fee is based upon the size and type of construction. Interest earned on deposits is retained by the BCRC. At September 30, 2016 and 2015, BCRC had \$581,339 and \$575,906, respectively, of DRB deposits outstanding, which is reflected in cash and cash equivalents and the Deposits liability on the Statements of Financial Position.

**5. Line of Credit**

In May 2009, BCRC entered into a promissory note with Alpine Bank for a line of credit not to exceed \$2,000,000. The outstanding principal accrued interest at a variable rate of 1.25% above the JP Morgan Chase Bank prime rate index, limited to a rate per annum between 5.0% and 24%. This note is secured by collection of assessments from BCRC members. BCRC executed a change in terms agreement during fiscal year 2016 to extend the maturity date to May 2017 and change the interest rate to a fixed rate of 4.50%. There was no outstanding principal at September 30, 2016 and 2015.

**6. Sponsorship Payable**

BCRC entered into an agreement with the Vail Valley Foundation (“VVF”) on April 30, 2014, to provide funding to VVF in support of the Alpine World Ski Championship scheduled for February 2 through February 15, 2015. Under the terms of the agreement BCRC agrees to pay VVF support funds totaling \$2,500,000 upon receipt of invoice based on the following schedule:

December 2014	\$850,000
December 2015	\$350,000
December 2016	\$350,000
December 2017	\$350,000
December 2018	\$350,000
December 2019	\$250,000

At September 30, 2015, \$1,608,631 had been accrued as a liability. At September 30, 2016, BCRC has \$1,275,874 recorded as a liability, representing the discounted remaining support funds due to VVF. The total remaining payments have been recorded during fiscal 2015 because all required events and commitments of VVF have been fulfilled. The future cash outflows have been discounted at a rate of 1.37%, equal to the risk-free U.S. Treasury rate at September 30, 2015.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**7. Commitments and Contingencies**

**A. Beaver Creek Metropolitan District Transportation Agreement**

BCRC entered into an agreement with Beaver Creek Metropolitan District ("BCMD") during January 1999, to assign all of its rights and obligations in connection with providing transportation services within the Beaver Creek subdivision to BCMD. As such, since 1999, a common assessment previously collected by BCRC was being collected by BCMD. BCRC had agreed to fund BCMD for the total cost of operating the transportation system in excess of amounts collected from the common assessment.

During March 2013, BCRC and BCMD executed a Restated and Amended Transportation Agreement, which amends and restates the original agreement from 1999 in its entirety. This restated agreement requires BCMD funding for 2013 at \$2,850,000, which is annually adjusted by the lower of 3% and the percentage increase, if any, in the Denver-Boulder-Greeley, Colorado Consumer Price Index. Based on the agreement BCRC will fund all costs incurred by the District to operate and maintain the transportation system in excess of BCMD's required annual funding.

For the fiscal year ended September 30, 2016 and 2015, BCRC paid \$1,536,179 and \$1,307,546, respectively, to BCMD for transportation costs.

**B. Town of Avon Shuttle Bus Funding Agreement**

BCRC entered into an agreement with the Town of Avon ("Avon") to provide shuttle bus services between the Town of Avon and Beaver Creek resort area. Pursuant to the agreement, Avon will provide shuttle services from November 1, 2015 through October 31, 2016. BCRC has agreed to make payment to Avon of \$105,640 in four equal installments, which are due on the 1<sup>st</sup> day of December, January, February and March.

**C. Vail Valley Foundation Sponsorship Agreements**

BCRC entered into an agreement with the Vail Valley Foundation ("VVF") on April 15, 2014, to sponsor the 2014 Birds of Prey World Cup event, taking place December 5 through December 7, 2014. Under the terms of the agreement, BCRC is to pay VVF \$118,000 on or before October 15, 2014 in exchange for rights granted under the sponsorship agreement.

BCRC entered into an agreement with the Vail Valley Foundation ("VVF") on November 6, 2015, to sponsor the 2015 Birds of Prey World Cup event, taking place December 4 through December 6, 2015. Under the terms of the agreement, BCRC is to pay VVF \$150,000 on or before November 25, 2015 in exchange for rights granted under the sponsorship agreement.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**8. Related-Party Transactions**

**A. Vail Resorts**

Effective November 1, 1981, BCRC entered into a management agreement with Vail Resorts, whereby Vail Resorts agreed to manage the business and operations of BCRC. The agreement provides for automatic one-year renewals, unless terminated under the terms of the agreement. As compensation for the services performed by Vail Resorts, a fixed management fee, approved in the annual budget of BCRC, is paid. The amount of the management fee can be amended by the board of directors of BCRC based upon changes in the services to be performed by Vail Resorts.

The management fee includes costs for payroll and general administrative expenses allocated to the BCRC. These allocations are based on Vail Resorts' best estimate of the costs of providing the service levels established by the BCRC. During fiscal year 2016 and 2015, BCRC received from and paid (to) Vail Resorts the following amounts:

	Net Received (Paid)	
	<u>2016</u>	<u>2015</u>
Civic assessments	\$ 1,606,374	\$ 1,480,127
Lodging civic assessments	120,778	107,257
Recreation and mountain assessments	5,560,938	5,055,640
Capital contribution (purchase)	-	1,497
Licences and fees	29,454	10,600
Marketing	(2,788,217)	(2,790,984)
Public safety	(2,391,668)	(2,273,422)
Administration	(1,166,625)	(1,084,910)
Transportation	-	(200,000)
Property maintenance	(1,209,887)	(1,181,725)
Design review board	(131,625)	(128,523)
Activities and events	(412,613)	(271,350)
<b>Total</b>	<u>\$ (783,091)</u>	<u>\$ (1,275,793)</u>

At September 30, 2016 and 2015 the Organization had a net payable to Vail Resorts of \$26,989 and \$427,182, respectively. The Organization was also holding \$41,089 and \$38,741 in design review deposits from Vail Resorts at September 30, 2016 and 2015, respectively. For fiscal year 2016 and 2015, three board members were also employees of Vail Resorts.

On July 7, 2016, BCRC entered into a revenue sharing and capital project agreement with Vail Resorts. Under the terms of this agreement, BCRC is responsible for the costs of certain capital improvements to parking lots and parking garages. Beginning on August 31, 2017, Vail Resorts will begin to reimburse BCRC for the costs associated with the capital improvements from the revenue generated from the parking lots for the previous twelve months, net of related parking lot operating expenses. Once BCRC has been repaid in full for the capital improvements, BCRC will receive 40% of the revenue going forward, with Vail Resorts retaining the other 60%. As of September 30, 2016, BCRC had incurred capital expenses of \$419,925. No revenues were associated with this agreement in 2016.

**Beaver Creek Resort Company of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**September 30, 2016 and 2015**  
**(continued)**

**8. Related-Party Transactions (continued)**

**B. Vilar Center for the Arts Foundation**

In fiscal 1996, BCRC became the sole member of the Vilar Center for the Arts Foundation (the "Arts Foundation"), and was given the power to appoint the Arts Foundation's directors. The Arts Foundation is authorized to operate exclusively for charitable and educational purposes.

On June 1, 2001, BCRC entered into a management agreement with the Arts Foundation and the Vail Valley Foundation ("VVF"). The agreement transferred BCRC's responsibilities of managing the Arts Foundation to VVF. The agreement entered requires an annual contribution of at least \$1,000,000 to the Arts Foundation, subject to annual appropriation. The management agreement was subsequently amended May 31, 2004 and August 4, 2007.

On September 5, 2002, BCRC entered into a contribution agreement with Arts Foundation that amended terms for the annual contribution described in the management agreement dated June 1, 2001. Pursuant to this contribution agreement, BCRC will contribute \$1,000,000, subject to annual appropriation, towards general operations annually.

The Facility Lease and Operation Agreement ("Operation Agreement"), executed August 9, 2011, between VVF, the Arts Foundation and BCRC, described in Note 2(a), terminated the contribution agreement described above. Pursuant to the Operation Agreement, BCRC shall donate \$1,000,000 (as adjusted by CPI increase) to VVF for use in general operations of the Vilar Center. VVF will provide BCRC with a \$15,000 credit to be used for purchase of tickets at available performances, as defined in the Operation Agreement. The Operation Agreement stipulates that the Arts Foundation will cease its activities with respect to the Vilar Center (except for ownership of the Vilar Center) and lease the Vilar Center to VVF for operation. The Operation Agreement also transferred the power to appoint a majority of board members from BCRC to VVF. VVF shall appoint the remaining members of the Board of Directors. The Operation Agreement term is for an initial period of 9 years (ending September 30, 2020), and shall automatically renew for renewal periods of 10 years each unless terminated by either party.

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**8. Related-Party Transactions (continued)**

**B. Vilar Center for the Arts Foundation (continued)**

As detailed in the Operation Agreement, BCRC shall make all annual donations under the BCRC RETA Revenue Agreement ("RETA Agreement"), dated October 1, 2007, to VVF to be used on the Super Programming Series (as defined in the RETA Agreement). In fiscal 2016 and 2015, BCRC paid VVF 5% of RETA revenues, in addition to the required contribution of \$1,000,000, as adjusted annually by CPI increase.

During fiscal year 2016 and 2015, BCRC received from and paid (to) the Arts Foundation the following amounts:

<u>Net Revenue (Expense)</u>	<u>Net Received (Paid)</u>	
	<u>2016</u>	<u>2015</u>
Civic assessments and other	\$ 8,950	\$ 5,545
Recreation and mountain assessments	75,581	60,485
Administration		
Activities and events	(8,447)	(19,203)
Property maintenance	(19,210)	(18,768)
Contributions	(1,245,736)	(1,263,491)
	<u>\$ (1,188,862)</u>	<u>\$ (1,235,432)</u>

At September 30, 2016, the Organization had a net payable to the Arts Foundation of \$80,941. At September 30, 2015, the Organization had a net payable to the Arts Foundation of \$69,873.

**9. Performance Based Incentive Plan**

The Organization offers a Performance Based Incentive Plan (the "Plan") which offers performance rewards of up to 30% of employees' base salaries. The performance rewards are based on the achievement of goals and objectives as defined in the Plan. During fiscal years 2016 and 2015 the Organization had \$68,976 and \$57,443, respectively, of expense related to the plan.

**10. Defined Contribution Plan**

The Organization has established a defined contribution plan for its executive director pursuant to Section 457 of the Internal Revenue Code. The executive director is fully vested in employer contributions. During fiscal year 2016 and 2015, BCRC made annual employer contributions of \$10,000 and \$10,000, respectively, to the plan.

**11. Concentrations of Credit Risk**

During the fiscal year ended 2015, BCRC entered into a Deposit Placement Agreement with Alpine Bank. Under the agreement, Alpine Bank will transfer funds into other depository institutions so all deposits are fully insured by the FDIC.

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**12. Nonmonetary Transactions**

The Organization participates in nonmonetary transactions in which the Organization will receive certain goods or services in exchange for event sponsorships. The value of goods or services received by the Organization is equal to the value of the sponsorships and these transactions are recorded at the fair value of the sponsorships and goods or services involved. For fiscal years 2016 and 2015, the Organization recognized revenues and expenses of approximately \$114,939 and \$566,996, respectively, for nonmonetary transactions.

**13. DestiMetrics Agreement**

On November 1, 2015, BCRC entered into a three-year agreement with DestiMetrics for various reservation services and trend analysis. The fees associated with this agreement are paid in equal semi-annual payments on April 30 and October 31 through April 30, 2018. The first payment of \$20,250 was paid upon execution of the agreement. Payments on this agreement during 2016 totaled \$40,500 plus a one-time \$1,000 setup fee. Future payments under this agreement total \$81,000 as of September 30, 2016.