Financial Statements

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION AND SUBSIDIARY

FOR THE YEAR ENDED DECEMBER 31, 2021
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, 2021

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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, 2021, 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, 2021, 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 Auditor's 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 auditor's 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, McDonnell & Roberts
Professional Association

Wolfeboro, New Hampshire
July 22, 2022

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2021

	Operating Fund	Room Furnishing Replacement Reserve Fund	Major Common Area Reserve Fund	Spa Reserve Fund	Land, Building and Equipment Fund	Total All Funds
ASSETS						
Cash and cash equivalents	$ 1,425,156	$ -	$ 2,061,359	$ 53,207	$ -	$ 3,539,722
Accounts receivable, net of allowance for doubtful accounts of $15,269	169,792	-	-	-	-	169,792
Owner assessments receivable, net of allowance for doubtful accounts of $85,483	66,450	17,024	29,538	3,506	-	116,518
Inventory	70,797	-	-	-	-	70,797
Prepaid expenses	52,473	-	-	-	-	52,473
Property and equipment	221,320	8,859,151	6,029,367	1,051,291	3,983,052	20,144,181
Less: accumulated depreciation	(203,373)	(5,142,181)	(2,793,861)	(537,374)	(2,604,517)	(11,281,306)
Total	$ 1,802,615	$ 3,733,994	$ 5,326,403	$ 570,630	$ 1,378,535	$ 12,812,177
LIABILITIES AND FUND BALANCES						
Accounts payable	$ 219,600	$ -	$ -	$ -	$ -	$ 219,600
Accrued expenses	261,609	-	-	-	-	261,609
Advance deposits	492,599	-	-	-	-	492,599
Deferred revenue	148,808	-	-	-	-	148,808
Gift certificates	155,488	-	-	-	-	155,488
Advances from unit owners	422,758	108,303	187,917	22,313	-	741,291
Note payable, net of deferred financing costs	-	-	3,416,374	-	-	3,416,374
Deferred tax liabilities	-	14,211	7,729	1,485	7,198	30,623
Total liabilities	1,700,862	122,514	3,612,020	23,798	7,198	5,466,392
Fund balance	101,753	3,611,480	1,714,383	546,832	1,371,337	7,345,785
Total	$ 1,802,615	$ 3,733,994	$ 5,326,403	$ 570,630	$ 1,378,535	$ 12,812,177

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, 2021

	Operating Fund	Room Furnishing Replacement Reserve Fund	Major Common Area Reserve Fund	Spa Reserve Fund	Land, Building and Equipment Fund	Total All Funds
REVENUE						
Owner assessments	$ 1,331,440	$ 341,114	$ 591,932	$ 70,229	$ -	$ 2,334,715
Spa operations	86,293	-	-	-	-	86,293
Hotel operations	1,203,549	-	-	-	-	1,203,549
Restaurant operations	350,190	-	-	-	-	350,190
Core area lease to Hotel	206,000	-	-	-	-	206,000
Interest	992	-	3,536	-	-	4,528
Bad debt recovery	77,000	-	-	-	-	77,000
Other	93,377	-	-	-	-	93,377
Total revenue	3,348,841	341,114	595,468	70,229	-	4,355,652
EXPENSES						
Payroll and related expenses	1,127,774	-	-	-	-	1,127,774
Utilities	373,069	-	-	-	-	373,069
Repairs and maintenance	232,623	-	-	-	-	232,623
Interest	239	-	131,154	-	-	131,393
Insurance	116,566	-	-	-	-	116,566
Federal and state income taxes (credit)	-	23,586	128,074	(27,102)	(34,288)	90,270
Legal and accounting	47,546	-	-	-	-	47,546
Cable television and radio	45,939	-	-	-	-	45,939
Housekeeping fees	45,000	-	-	-	-	45,000
Property taxes	28,167	-	-	-	-	28,167
Telephone & postage	25,776	-	-	-	-	25,776
Employee recruitment and relations	22,288	-	-	-	-	22,288
Bad debts	12,030	-	-	-	-	12,030
Travel and entertainment	12,004	-	-	-	-	12,004
Meetings	6,621	-	-	-	-	6,621
Printing and stationary	143	-	-	-	-	143
Other	43,716	-	-	-	-	43,716
Total expenses	2,139,501	23,586	259,228	(27,102)	(34,288)	2,360,925
EXCESS OF REVENUE OVER EXPENSES BEFORE DEPRECIATION EXPENSE	1,209,340	317,528	336,240	97,331	34,288	1,994,727
LESS DEPRECIATION	4,029	301,523	269,329	33,753	99,100	707,734
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 1,205,311	$ 16,005	$ 66,911	$ 63,578	$ (64,812)	$ 1,286,993

See Notes to Consolidated Financial Statements

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Room Furnishing Replacement Reserve Fund	Major Common Area Reserve Fund	Spa Reserve Fund	Land, Building and Equipment Fund	Total All Funds
FUND BALANCES (DEFICIENCY) - BEGINNING OF YEAR	$ (986,031)	$ 3,415,827	$ 1,710,254	$ 556,320	$ 1,362,422	$ 6,058,792
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,205,311	16,005	66,911	63,578	(64,812)	1,286,993
TRANSFERS BETWEEN FUNDS	(117,527)	179,648	(62,782)	(73,066)	73,727	-
FUND BALANCES - END OF YEAR	$ 101,753	$ 3,611,480	$ 1,714,383	$ 546,832	$ 1,371,337	$ 7,345,785

See Notes to Consolidated Financial Statements

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Room Furnishing Replacement Reserve Fund	Major Common Area Reserve Fund	Spa Reserve Fund	Land, Building and Equipment Fund	Total All Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess (deficiency) of revenue over expenses	$ 1,205,311	$ 16,005	$ 66,911	$ 63,578	$ (64,812)	$ 1,286,993
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash from operating activities:						
Deferred taxes	-	23,586	128,074	(27,102)	(34,288)	90,270
Depreciation and amortization	4,029	301,523	269,329	33,753	99,100	707,734
Allowance for bad debts	(33,430)	(9,235)	(16,024)	(1,903)	-	(60,592)
(Increase) decrease in assets:						
Accounts receivable	(86,500)	-	-	-	-	(86,500)
Owner assessments receivable	130,165	33,345	57,858	6,871	-	228,239
Inventory	(10,855)	-	-	-	-	(10,855)
Prepaid expenses	61,347	-	-	-	-	61,347
Increase (decrease) in liabilities:						
Accounts payable	159,715	-	-	-	-	159,715
Accrued expenses	(95,545)	-	-	-	-	(95,545)
Advance deposits	190,558	-	-	-	-	190,558
Deferred revenue	45,622	-	-	-	-	45,622
Due to participating unit owners	(56,798)	-	-	-	-	(56,798)
Gift certificates	61,739	-	-	-	-	61,739
Advances from unit owners	45,828	11,741	20,370	2,419	-	80,358
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,621,186	376,965	526,518	77,616	-	2,602,285
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of equipment and real property	(21,976)	(556,613)	(309,443)	(4,550)	(73,727)	(966,309)
NET CASH USED IN INVESTING ACTIVITIES	(21,976)	(556,613)	(309,443)	(4,550)	(73,727)	(966,309)
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of long term debt	-	-	(3,863,449)	-	-	(3,863,449)
Additional borrowings on long term debt	-	-	3,625,783	-	-	3,625,783
Net repayments on demand note payable	(88,054)	-	-	-	-	(88,054)
Interfund transfers	(117,527)	179,648	(62,782)	(73,066)	73,727	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(205,581)	179,648	(300,448)	(73,066)	73,727	(325,720)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,393,629	-	(83,373)	-	-	1,310,256
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,527	-	2,144,732	53,207	-	2,229,466
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,425,156	$ -	$ 2,061,359	$ 53,207	$ -	$ 3,539,722
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Cash paid during the year for interest	$ 1,341	$ -	$ 178,941	$ -	$ -	$ 180,282

See Notes to Consolidated Financial Statements

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, 2021, 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.

Other Events

The Association’s business could be impacted should the disruptions from the novel coronavirus (COVID-19) lead to changes in consumer behavior. The COVID-19 impact on the capital markets could also impact the Association’s cost of borrowing. There are certain limitations on the Association’s ability to mitigate the adverse financial impact of these items. COVID-19 also makes it more challenging for management to estimate future performance of the businesses, particularly over the near to medium term.

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 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.

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

The Association has adopted Accounting Standards Codification Topic 740 as it relates to *"Accounting for Income Taxes."* The topic 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.

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, 2021 was $116,518.

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 $85,483 at December 31, 2021.

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 $741,291.

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.

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 $707,734 for the year ended December 31, 2021.

At December 31, 2021, the balance of equipment reflected in the Operating Fund consisted of the following:

Computer equipment	$ 140,949
Vehicles	80,371
	$ 221,320

At December 31, 2021, the balance of equipment reflected in the Room Furnishing Replacement Reserve Fund consisted of the following:

Rooms, furnishings and appliances	$ 8,078,616
Computer hardware and software	155,059
Doors and windows	136,072
Electronic key locks	124,096
Televisions	85,268
Model room, furnishings and appliances	78,707
Telephone system	69,869
Carpeting	36,720
Vacuums	23,915
Heaters	13,797
Blinds	7,032
Construction in progress	50,000
	$ 8,859,151

At December 31, 2021, the balance of real property reflected in the Major Common Area Reserve Fund consisted of the following:

Buildings and improvements	$ 2,996,320
Garage and improvements	2,350,277
Furniture, fixtures and equipment	414,584
Construction in progress	268,186
	$ 6,029,367

At December 31, 2021, the balance of equipment reflected in the Spa Reserve Fund consisted of the following:

Spa remodel and improvements	$ 858,691
Spa and fitness equipment	192,600
	$ 1,051,291

At December 31, 2021, the balance of real property and equipment reflected in the Land, Building and Equipment Fund consisted of the following:

Land	$ 85,032
Buildings	1,214,455
Building improvements	1,221,013
Furniture, fixtures and equipment	1,147,946
Spa equipment	139,193
Greenhouse	90,413
Kinsman Meeting Room	85,000
	$ 3,982,052

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, 2021 aggregated $166,728.

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, 2021, management has estimated that $100,752 of accounts receivable and owner assessments could potentially be uncollectible.

During the year ended December 31, 2021, the Association wrote off $13,560 of accounts receivable.

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

Sales Tax

The Association is required to collect, on behalf of the State of New Hampshire, sales tax based on 9% of most gross sales that occurred before October 1, 2021, and 8.5% of most gross sales that occurred on and subsequent to October 1, 2021. 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, 2021 consisted of the following:

Food and beverage	$ 64,467
Spa-related goods	6,330
Total inventory	$ 70,797

3. PROPERTY TAXES

For the year ended December 31, 2021, 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	$ 15,287
Spa	7,535
Parking garage	5,260
Other	4,732
Total	$ 32,814

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, 2021, cash balances exceeded the FDIC limits by approximately $3,391,410.

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.

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 $341,114, $591,932 and $70,229, respectively, has been included in the 2021 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 October of 2022. 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 were no balances outstanding on the demand note payable at December 31, 2021.

8. NOTE PAYABLE

The note payable at December 31, 2021 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.	$ 3,456,597
Unamortized deferred financing costs	(40,223)
Total	$ 3,416,374

The scheduled maturities of long term debt at December 31, 2021 were as follows:

Year Ending December 31	Amount Due
2022	$ 247,733
2023	257,826
2024	268,330
2025	279,262
2026	290,761
Thereafter	2,112,685
Total	$ 3,456,597

9. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2021, the Association applied for and was awarded a second draw Paycheck Protection Program loan administered by the Small Business Administration (SBA) in the amount of $891,663. Under the terms of the loan agreement, provided the funds are used to cover certain eligible costs over the loan period, all or some of the loan may be forgiven. The loan was fully forgiven during the year ended December 31, 2021. The amount is reported as PPP loan forgiveness income on the accompanying Schedule of Hotel Revenue and Expenses.

10. NEW HAMPSHIRE HOTELS AND LODGING RELIEF PROGRAM

During the year ended December 31, 2021, the Association applied for and was awarded a New Hampshire Hotels and Lodging Relief Program grant administered by the State of New Hampshire in the amount of $48,044. The grant is designed to provide relief to qualifying New Hampshire hotels and lodging establishments for revenue loss due to the effects of COVID-19. The amount is reported as NH Hospitality Grant on the accompanying Schedule of Hotel Revenue and Expenses.

11. CASH RESERVE FUNDS

At December 31, 2021 total year-end cash reserves were $2,114,566 in the Room Furnishing Replacement, Major Common Area, and Spa Reserve Fund.

12. 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, 2021, 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 $206,000.

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.

For the year ended December 31, 2021, the Hotel reported a profit of $1,203,549. Accordingly, this amount has been recorded as an increase in revenue in the accompanying consolidated statement of revenue and expenses.

13. INCOME TAXES

For the year ended December 31, 2021, 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, 2021 were as follows:

Current Tax	
Federal	$ -
State	-
Total current tax	-
Deferred Tax	
Federal	87,688
State	2,582
Total deferred tax	90,270
Total income tax provision	$ 90,270

The components of the deferred tax liability as of December 31, 2021 consisted of the following:

Temporary Differences	**State**	**Federal**	**Total**
Book to tax depreciation	$ (45,366)	$ 162,457	
Tax rate	7.70%	21%	
Deferred tax liability (asset)	$ (3,493)	$ 34,116	$ 30,623

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.

14. SUBSEQUENT EVENTS

Events occurring after the consolidated balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements.

Subsequent to year-end, the Association claimed a refundable employee retention tax credit through the CARES Act. The credit, in the amount of $814,942, was a receivable to the Association at the date of the audit report.

Management has evaluated subsequent events through July 22, 2022 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 AND SUBSIDIARY

SCHEDULE OF SPA REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUE	
Massage	$ 324,824
Memberships	196,470
Services	125,280
Vending and retail	42,538
Total revenue	689,112
Cost of goods sold	(30,495)
Net revenue	658,617
EXPENSES	
Payroll and related expenses	401,404
Massage and spa services	61,709
Repairs and maintenance	34,603
Pool supplies	22,692
Linen and laundry	19,933
Supplies	14,967
Contract cleaning	6,609
Computer and support	4,418
Telephone and postage	1,344
Uniforms	425
Other	4,220
Total expenses	572,324
EXCESS OF EXPENSES OVER REVENUE	$ 86,293

See Independent Auditors' Report

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION AND SUBSIDIARY

SCHEDULE OF HOTEL REVENUE AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUE	
Room and condominium rentals	$ 3,395,790
PPP loan forgiveness income	891,663
Component income	453,529
Maid service	88,355
Forfeited deposits	83,456
Bear Essentials store income	73,572
NH Hospitality Grant	48,044
Arcade commissions	44,941
Ski ticket income	42,907
Other	182,746
Total revenue	5,305,003
EXPENSES	
Payroll and related expenses	1,285,747
Leases	218,000
Marketing	166,728
Guest supplies and services	160,100
Commissions	111,923
Repairs and maintenance	102,680
Linen and laundry expenses, net of recoveries	55,508
Bear Essentials store expenses	48,681
Utilities	41,452
Insurance	39,204
Dues and publications	25,616
Computer support	21,439
Radio and television	19,688
Employee recruitment and relations	17,968
Depreciation	14,488
Telephone and postage	11,554
Legal and accounting	7,386
New Hampshire Business Enterprise tax	6,520
Printing and stationary	4,876
Travel and entertainment	3,303
Bad debts	1,530
Other	40,347
Total expenses	2,404,738
EXCESS OF REVENUE OVER EXPENSES BEFORE OWNERS' DISTRIBUTION	2,900,265
OWNERS' DISTRIBUTION	(1,696,716)
EXCESS OF REVENUES OVER EXPENSES	$ 1,203,549

See Independent Auditors' Report

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION AND SUBSIDIARY

SCHEDULE OF RESTAURANT OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

SALES	$ 1,866,733
COST OF SALES	635,023
GROSS PROFIT	1,231,710
EXPENSES	
Salaries, wages and payroll taxes	693,042
Supplies	99,013
Paper, linen and cleaning supplies	39,997
Credit card commissions	20,783
Repairs and maintenance	12,835
Music and entertainment	9,021
China, glass and equipment	4,016
Computer support	2,813
Total expenses	881,520
EXCESS OF REVENUES OVER EXPENSES	$ 350,190

THE MOUNTAIN CLUB ON LOON UNIT OWNERS' ASSOCIATION AND SUBSIDIARY

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021
(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	2021 Components Funding Requirement	Fund Balance at 12/31/2021
Spa Reserves				
Drainage	1	$ 580,000	$ 56,632	$ 440,965
Decking, tiling and fencing	2 - 11	120,000	11,717	91,212
Renovations	2 - 5	19,250	1,880	14,655
		$ 719,250	$ 70,229	$ 546,832
Room Reserves:				
Unit renovations	3 - 14	$ 9,593,700	$ 303,162	$ 3,229,907
Hallways	8	910,000	28,756	306,381
Interior doors	1	291,000	9,196	98,129
		$ 10,794,700	$ 341,114	$ 3,634,418
Common Area Reserves:				
Building interior	1 - 14	$ 2,223,650	$ 198,286	$ 574,318
Mechanical systems	1 - 14	1,812,400	161,614	468,027
Other	1 - 2	1,125,000	100,318	290,588
Building exterior	1 - 19	915,695	81,654	236,413
Site	1 - 14	561,391	50,060	145,036
		$ 6,638,136	$ 591,932	$ 1,714,383