

Note: For the best PDF viewing experience, disable “Enhance thin lines” in Adobe Acrobat. Click on Edit >> Preferences >> Page Display, and uncheck “Enhance thin lines.”



TANNER

BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE

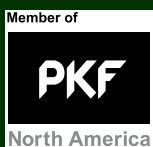


PROACTIVE INSIGHT

EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.

**Financial Statements and Supplementary Information
As of December 31, 2014 and for the Year Then Ended
(and summarized financial information for 2013)**

Together with Independent Auditors' Report





Tanner LLC
Key Bank Tower at City Creek
36 South State Street, Suite 600
Salt Lake City, Utah 84111-1400
Telephone 801.532.7444
www.tannerco.com

TANNER
BUSINESS ADVISORS AND
CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Empire Pass Master Owners Association, Inc.

We have audited the accompanying financial statements of Empire Pass Master Owners Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2014, the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to 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 error or fraud.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider 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.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Empire Pass Master Owners Association, Inc. as of December 31, 2014, 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.

Summarized Comparative Information

We have previously audited the Association's 2013 financial statements, and we expressed an unmodified audit opinion on the 2013 financial statements in our report dated September 29, 2014. The summarized financial information for 2013 does not include all information required by accounting principles generally accepted in the United States of America for a complete set of financial statements and related notes. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Unaudited Supplementary Information

Accounting principles generally accepted in the United States of America require that the unaudited supplementary information on future major repairs and replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required unaudited 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Tanner LLC

August 24, 2015



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Balance Sheets

As of December 31,

	2014			2013
	Operating Fund	Major Repairs and Replacements Fund	Total	Total (For Comparative Purposes Only)
<u>Assets</u>				
Cash and cash equivalents	\$ 1,886,189	\$ 660,960	\$ 2,547,149	\$ 1,893,898
Restricted cash	291,500	-	291,500	373,700
Receivables from members	3,023	-	3,023	42,338
Receivables from related parties	39,156	-	39,156	39,073
Interfund receivable (payable)	(62,757)	62,757	-	-
Prepays and other	83,484	-	83,484	66,177
Buildings and equipment, net	485,032	-	485,032	340,567
Total assets	<u>\$ 2,725,627</u>	<u>\$ 723,717</u>	<u>\$ 3,449,344</u>	<u>\$ 2,755,753</u>
<u>Liabilities and Fund Balances</u>				
Accounts payable	\$ 96,311	\$ -	\$ 96,311	\$ 36,983
Accrued expenses	20,385	-	20,385	6,947
Payable to related party, net	64,262	-	64,262	187,288
Deposits payable	291,500	-	291,500	373,700
Deferred revenue - unearned assessments	1,022,784	81,734	1,104,518	883,905
Notes payable	24,501	-	24,501	48,476
Total liabilities	1,519,743	81,734	1,601,477	1,537,299
Commitments and contingencies				
Fund balances	<u>1,205,884</u>	<u>641,983</u>	<u>1,847,867</u>	<u>1,218,454</u>
Total liabilities and fund balances	<u>\$ 2,725,627</u>	<u>\$ 723,717</u>	<u>\$ 3,449,344</u>	<u>\$ 2,755,753</u>



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Statements of Revenues, Expenses, and Changes in Fund Balances

For the Years Ended December 31,

	2014			2013
	Operating Fund	Major Repairs and Replacements Fund	Total	Total (For Comparative Purposes Only)
Revenues:				
Reinvestment fees	\$ 641,112	\$ -	\$ 641,112	\$ 557,975
Member assessments	1,445,596	115,406	1,561,002	1,508,077
Design review board fees	44,000	-	44,000	17,250
Interest income	57	207	264	251
Miscellaneous income	63,276	-	63,276	69,147
Total revenues	<u>2,194,041</u>	<u>115,613</u>	<u>2,309,654</u>	<u>2,152,700</u>
Expenses:				
Administrative	57,999	-	57,999	60,832
Depreciation	60,983	-	60,983	58,914
Design review board	7,208	-	7,208	6,125
Income taxes	7,978	-	7,978	663
Insurance, property tax, and other	21,676	-	21,676	7,982
Interest expense	-	-	-	474
Miscellaneous	554	-	554	508
Outside transportation	701,059	-	701,059	701,480
Payroll	320,675	-	320,675	302,538
Professional fees	38,548	-	38,548	48,657
Maintenance and repairs	123,911	-	123,911	131,923
Road	82,492	-	82,492	67,991
Security	87,550	-	87,550	87,575
Utilities	18,388	-	18,388	20,157
Vehicle	132,942	-	132,942	155,663
Reserve expenses	-	18,278	18,278	98,657
Total expenses	<u>1,661,963</u>	<u>18,278</u>	<u>1,680,241</u>	<u>1,750,139</u>
Excess of revenues over expenses	532,078	97,335	629,413	402,561
Fund balances, beginning of year	<u>673,806</u>	<u>544,648</u>	<u>1,218,454</u>	<u>815,893</u>
Fund balances, end of year	<u>\$ 1,205,884</u>	<u>\$ 641,983</u>	<u>\$ 1,847,867</u>	<u>\$ 1,218,454</u>



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Statements of Cash Flows

For the Years Ended December 31,

	2014		2013	
	Operating Fund	Major Repairs and Replacements Fund	Total	Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Excess of revenues over expenses	\$ 532,078	\$ 97,335	\$ 629,413	\$ 402,561
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	60,983	-	60,983	58,914
Decrease (increase) in:				
Receivables from members	39,315	-	39,315	23,564
Prepays and other	(17,307)	-	(17,307)	10,596
Receivables from related parties	(83)	-	(83)	(39)
Increase (decrease) in:				
Accounts payable	59,328	-	59,328	8,364
Accrued expenses	13,438	-	13,438	(2,227)
Payable to related party	(123,026)	-	(123,026)	(40,790)
Deposits payable	(82,200)	-	(82,200)	38,680
Deferred revenue - unearned assessments	209,591	11,022	220,613	(101,575)
Net cash provided by operating activities	692,117	108,357	800,474	398,048
Cash flows from investing activities:				
Purchases of equipment	(205,448)	-	(205,448)	-
Cash flows from financing activities:				
Principal payments of notes payable	(23,975)	-	(23,975)	(38,894)
Change in interfund receivable (payable)	(28,791)	28,791	-	-
Net cash provided by (used in) financing activities	(52,766)	28,791	(23,975)	(38,894)
Net increase in cash and cash equivalents	433,903	137,148	571,051	359,154
Cash and cash equivalents at beginning of year	1,743,786	523,812	2,267,598	1,908,444
Cash and cash equivalents at end of year	\$ 2,177,689	\$ 660,960	\$ 2,838,649	\$ 2,267,598



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Statements of Cash Flows
Continued
For the Years Ended December 31,

	<u>2014</u>		<u>2013</u>
	<u>Operating Fund</u>	<u>Major Repairs and Replacements Fund</u>	<u>Total (For Comparative Purposes Only)</u>
Summary of cash accounts:			
Cash and cash equivalents	\$ 1,886,189	\$ 660,960	\$ 2,547,149
Restricted cash	291,500	-	373,700
	<u>\$ 2,177,689</u>	<u>\$ 660,960</u>	<u>\$ 2,838,649</u>

	<u>2014</u>	<u>2013</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ 7,978	\$ 663
Cash paid for interest	\$ -	\$ 474



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Notes to Financial Statements

December 31, 2014 and 2013

1. Organization and Summary of Significant Accounting Policies

Organization and Activities

Empire Pass Master Owners Association, Inc. (the Association) was organized in 2002 as a not-for-profit corporation to function as the master property owners association for a 1,500 acre planned community located in Park City, Utah. The Association provides defined services to and maintains portions of the common property of several neighborhoods and subdivisions, condominium developments, townhouse developments, overnight lodgings, planned unit developments, and certain recreational areas. As of December 31, 2014, the Association consisted of Northside Village Subdivision (10 single family units), Red Cloud Subdivision (30 single family units), Bannerwood Subdivision (6 single family units), Shooting Star Subdivision (30 condominium units), Paintbrush Subdivision (12 clusterhomes), Larkspur Subdivision (27 townhomes), Ironwood Subdivision (23 townhomes), Nakoma Subdivision (18 clusterhomes), Grand Lodge Subdivision (30 condominium units), Arrow Leaf Subdivision (56 condominium units), Belles at Bannerwood (17 clusterhomes), Flagstaff Subdivision (37 condominium units), Silver Strike Subdivision (34 condominium units), and Montage Residences (81 residences). Each of the subdivisions is governed by a separate homeowners association whose governing documents are subordinate to the governing documents of the Association.

Fund Accounting

The Association's governing documents provide certain guidelines for conducting its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund	Used to account for financial resources available for the general operations of the Association.
Major Repairs and Replacements Fund	Used to accumulate financial resources designated for future major repairs and replacements of common property.



1. Organization and Summary of Significant Accounting Policies
Continued

Reinvestment Fees

The Association assesses its members a one-time open space/transit management fee (referred to as a “Reinvestment Fee”) equal to one percent of the gross sales price of a property. Upon approval by the board of directors, this reinvestment fee may be increased to a maximum of two percent. The Association is obligated to remit 50% of this fee to Park City Municipal Corporation (PCMC) to help fund the costs and expenses for enhanced transportation, recreation improvements and other maintenance and preservation costs. The remainder is retained by the Association to enhance its services to members and is recorded as revenue as properties are sold.

Basic Member Assessments

Each year a basic member assessment is determined based on advance estimates of the Association’s expenses for maintenance and operation of common areas. Such estimated expenses may include expenses of management, property taxes, insurance premiums, maintenance and repairs, wages, utilities, legal and accounting fees, deficits remaining from previous periods (if any), creation of an adequate contingency reserve, creation of an adequate reserve for major repairs and replacements, and any other expenses and liabilities allowed by the governing documents.

Special Member Assessments

In addition to the basic member assessment, the Association may levy special assessments at any time upon the affirmative vote of at least 67% of total votes of Association members. These assessments may be used for construction, reconstruction, repair or replacement of capital improvements, or other extraordinary expenses incurred by the Association. For the years ended December 31, 2014 and 2013, there were no special assessments.

Design Review Board Fees

Since all of the expenses of the Design Review Board (DRB) are covered by the Association, the Association collects a fee from the specific owners as they go through this design process to help defray the associated costs. The amount of these fees is determined by the DRB, and is recorded as revenue when collected.



1. Organization and Summary of Significant Accounting Policies
Continued

Receivables from Members

The Association recorded \$3,023 and \$42,338 in assessments and transfer fees receivable from members for which no allowance for uncollectible accounts was established as of December 31, 2014 and 2013, respectively. Assessments receivable from members represent delinquent assessments from homeowners. The Association's policy is to retain counsel and place liens on properties, when necessary, to collect delinquent accounts. Assessments are considered delinquent when payment has not been received within 30 days of the invoice date. The amounts of the specific reserves are estimated by management based on various assumptions including the member's financial position, age of the member's receivables, and changes in payment schedules and histories. Account balances are charged off against the allowance for uncollectible accounts from members when the potential for recovery is remote. Recoveries of receivables previously charged off are recorded when payment is received.

Common Area Assets

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements; those properties are owned by the individual members in common and not by the Association. The Association's policy for recognizing common property as assets on its balance sheet is to recognize the cost of common personal property, which it owns, and common real property when the Association has title or other evidence of ownership and the board of directors has the right to dispose of the property at its discretion. Maintenance, repairs, and renewals, which neither materially add to the value of the capitalized assets nor appreciably prolong their lives, are charged to expense as incurred. Gains or losses from the sale or retirement of common assets are included in the statement of revenues, expenses, and changes in fund balances. Buildings and equipment are depreciated over their estimated useful lives on a straight-line basis. Useful lives of capitalized common property (buildings and equipment) range from 3 to 30 years.

Cash Equivalents

The Association considers all short-term instruments with an original maturity of three months or less when purchased to be cash equivalents.

Income Taxes

The Association has the option annually to choose whether to file its income tax returns as a regular corporation or as a homeowners' association subject to qualifications. When filing as a homeowners' association, certain revenue, such as revenue derived from uniform assessments to owners, is treated as exempt. Only investment income and other nonexempt income are subject to tax.



1. **Organization and Summary of Significant Accounting Policies**
Continued

Income Taxes – Continued

When the Association files as a regular corporation, amounts funded as special or capital assessments for future improvements generally are not subject to income taxes. Under this method, non-member income is subject to tax.

Accounting principles generally accepted in the United States of America (US GAAP) requires management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2014, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions for tax years for which the applicable statutes of limitations have not expired; however, there are currently no audits for any tax periods in progress. Management believes the Association is no longer subject to income tax examinations for years prior to 2011.

Deferred Revenue – Unearned Assessments

Assessments are billed to the members in advance of the period in which the budgeted expenses are to be incurred. Those assessments received in advance of the period for which they were assessed are shown in the accompanying financial statements as deferred revenue. Assessments are recognized as revenue as they are earned throughout the year.

Financial Statement Presentation and Estimates

The accounting and reporting policies of the Association conform with US GAAP and general practices in the Common Interest Realty Association industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Concentration of Credit Risk

The Association maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. To date, the Association has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Association's invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Notes to Financial Statements
Continued

1. Organization and Summary of Significant Accounting Policies
Continued

Concentration of Credit Risk – Continued

As of December 31, 2014, the Association held approximately \$2,339,000 that are not covered by Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC). It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

Comparative Totals for 2013

The 2013 total columns in the financial statements are for comparison only. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP; accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Subsequent Events

The Association has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Association's board authorized Complex Solutions Ltd. to complete a reserve study for the period of January 1, 2014 through December 31, 2014, to estimate the remaining useful lives and the replacement costs of the components of common property. The study was completed and issued in June of 2014. Actual expenditures and interest income may vary from the current estimates and the variations may be material; therefore, amounts accumulated in the Major Repairs and 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, make special assessments, or delay major repairs and replacements until funds are available.

The Association has recorded a net payable of \$62,757 and \$91,548 in the operating fund representing assessments not yet transferred to the major repairs and replacements fund as of December 31, 2014 and 2013, respectively.



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Notes to Financial Statements
Continued

3. Subsidy Income During the period of developer control, the Association's governing documents require the developer to subsidize the Association's expenses in excess of revenues. As the current and prior year's revenues exceeded expenses, no subsidy income was recognized in 2014 or 2013.

4. Buildings and Equipment, net Buildings and equipment consisted of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Vehicles and machinery	\$ 824,850	\$ 619,402
Buildings	53,234	53,234
Other	<u>8,267</u>	<u>8,267</u>
	886,351	680,903
Less accumulated depreciation	<u>(401,319)</u>	<u>(340,336)</u>
	<u>\$ 485,032</u>	<u>\$ 340,567</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$60,983 and \$58,914, respectively.

5. Restricted Cash and Deposits Payable The Association requires new owners to pay a compliance deposit at the time of the pre-construction conference as a security deposit for the owner's full and faithful performance of the building project. Deposits are to be returned to the owners within 30 days of issuance of the notice of completion from the DRB. The Association held deposits in the amounts of \$210,000 and \$200,000, as of December 31, 2014 and 2013, respectively, which are recorded as both deposits payable and restricted cash on the accompanying balance sheets.

Prior to construction, the Association collects a sign deposit from construction contractors in order to ensure that construction signage is removed by the contractor upon completion of the project. The deposit is \$1,000 per lot or property. The Association will refund \$500 to the contractor upon project completion. As of December 31, 2014 and 2013, the Association held sign deposits in the amounts of \$3,000 and \$1,500, respectively, which are recorded as both deposits payable and restricted cash on the accompanying balance sheets.

The Association owes amounts to PCMC to fund certain expenditures relating to road improvements and other necessary costs relating to transportation. As of December 31, 2014 and 2013, the balance due to PCMC was \$78,500 and \$172,200, respectively, which is classified as a part of restricted cash and deposits payable in the accompanying balance sheets.



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Notes to Financial Statements
Continued

5. Restricted Cash and Deposits Payable
Continued

In summary, restricted cash and deposits payable consist of the following:

As of December 31, 2014	Restricted Cash	Deposits Payable
Compliance deposits	\$ 210,000	\$ 210,000
Sign deposits	3,000	3,000
Restricted cash payable to PCMC	78,500	78,500
	\$ 291,500	\$ 291,500
As of December 31, 2013	Restricted Cash	Deposits Payable
Compliance deposits	\$ 200,000	\$ 200,000
Sign deposits	1,500	1,500
Restricted cash payable to PCMC	172,200	172,200
	\$ 373,700	\$ 373,700

6. Notes Payable Notes payable consisted of the following as of December 31:

	2014	2013
Unsecured note payable to a bank bearing interest at a rate of 9.75%; due in monthly installments of \$1,289; matures in December 2015.	\$ 14,703	\$ 27,989
Non-interest bearing note payable to a financial institution; due in monthly installments of \$891; matures in 2015; secured by vehicle.	9,798	20,487
	\$ 24,501	\$ 48,476

Future maturities of notes payable are as follows:

Years Ending December 31,	Amount
2015	\$ 24,501



7. Commitments and Contingencies ***Legal Matters***

The Association may be involved in legal proceedings from time to time arising in the normal course of its activities. Management is not aware of any such matters which it believes will have a material adverse impact on the Association's financial position, results of operations, or liquidity.

8. Related-Party Transactions

The underlying concept of a common interest realty association is control by members with and for whom the Association conducts its operations. The Association is involved in significant related party transactions as a result of its normal activities with members.

The developer purchases supplies, allocates employee labor costs and pays other costs and expenses on behalf of the Association. All services and supplies are provided to the Association at cost. The Association reimburses the developer based on invoices for supplies and payroll allocations for office and maintenance staff. During 2014 and 2013, such expenses totaled \$415,537 and \$359,210, respectively. As of December 31, 2014 and 2013, reimbursements payable to the developer were \$64,262 and \$187,288, respectively.

During 2014 and 2013, the Association shared certain services and supply costs with one of its sub-associations, Red Cloud Subdivision Home Owners Association (Red Cloud). As of December 31, 2014 and 2013, amounts owed to the Association from Red Cloud totaled \$4,337 and \$1,299, respectively.

During 2014 and 2013, the Association shared certain services and supply costs with an association under common management, Tuhaye Home Owners Association (Tuhaye). As of December 31, 2014 and 2013, amounts owed to the Association from Tuhaye totaled \$20,116 and \$9,785, respectively.



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Notes to Financial Statements
Continued

8. Related-Party Transactions
Continued

During 2012, the Association made a loan to Red Cloud for the purchase of equipment by Red Cloud. The repayment terms of this loan match the Association's terms on the \$40,000 note payable to a bank (see Note 6). The balance receivable under this related party loan as of December 31, 2014 and 2013 was \$14,703 and \$27,989, respectively.

Effective January 2007, the Association entered into a management agreement with the developer wherein the developer performs the following duties:

1. Manages and operates community areas in accordance with governing documents.
2. Provides payment of the expenses and costs incurred by the Association in excess of Association's revenues.
3. Levies, collects, and enforces assessments as provided by the Association's Covenants, Conditions and Restrictions.
4. Other services described in the management agreement.

Management fees are equal to four percent of all Association expenses to the extent that management fees do not create a loss in the Operating Fund. During 2014 and 2013, management fees of \$16,111 and \$12,162 were incurred, all of which remained payable as of December 31, 2014. The management agreement expires each December 31 and is automatically extended for consecutive one year periods on the same terms, unless terminated by either party.

9. Subsequent Event

In February 2015, a financial institution took action to foreclose on various properties owned by the Empire Pass master developer and related entities, both in the Empire Pass community and elsewhere. These properties are presently under control of a court appointed receiver. The Association did not have a receivable from this entity as of December 31, 2014. Subsequent to December 31, 2014 and as of the date of the independent auditors' report, which is the date of issuance of these financial statements, the Association had receivables from the developer and related entities due to unpaid assessments. The Association is evaluating the effects the foreclosure may have on these receivables and on other aspects of the Association's operations.



EMPIRE PASS MASTER OWNERS ASSOCIATION, INC.
Supplementary Information on Future Major Repairs and Replacements (Unaudited)

For the Year Ended December 31, 2014

The Association's board authorized Complex Solutions, Ltd. to complete a reserve study for the year ended December 31, 2014, to estimate the remaining useful lives and the replacement costs of the components of common property. The study was completed after a site visit and was issued in June of 2014. The estimates were based on estimated replacement costs over the next 30 years. Funding requirements are based on an annual inflation rate of 3.00 percent and an interest rate of 0.25 percent on the amounts funded for future major repairs and replacements.

Components	Estimated Remaining Useful Lives (Years)	Average Estimated Replacement Costs
Wood Surfaces – Stain	3	\$ 19,000
Asphalt – Banner Court – Overlay	11	15,444
Asphalt – Empire Pass – Overlay	8	163,231
Asphalt – Northside Court – Overlay	13	17,588
Asphalt – Red Cloud – Overlay	9	185,019
Asphalt – Silver Strike Trail - Overlay	2	54,775
Asphalt – Twisted Branch – Overlay	10	295,050
Asphalt – Slurry Seal	2	42,360
Asphalt - Twisted Branch – Slurry Seal	1	28,662
Asphalt – Crack Seal	0	9,000
Asphalt - Repairs	0	8,000
Bridge Surfaces – Refurbish	11	125,000
Emergency Generator – Replace	22	65,000
Pump Controllers – Replace	8	10,000
Pump – (1) – Replace	8	4,000
Pump – (2) – Replace	2	4,000
Fire Pump – Replace	13	16,500
Pressure Reducing Valve - Replace	8	2,500
Monument Signs – Refurbish	6	9,750
Sign Posts – Replace	11	38,250
Camera System – Replace	5	5,500
Guard Rails – Repair	0	2,000
Bridge & Pole Lights – Replace	7	157,500
Retaining Wall – Repair	1	5,000
Water Lines – Repair	0	5,000
Metal Bridge - Maintenance	1	11,000
		<u>\$ 1,299,129</u>

As of December 31, 2014, the reserve fund was approximately 87% funded compared to the ideal reserve balance on that date.