

**MCCALL AREA TIMESHARE  
ASSOCIATION**

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Report on Audited  
Financial Statements

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For the Year Ended December 31, 2012

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## Independent Auditor's Report

Board of Directors  
McCall Area Timeshare Association  
McCall, Idaho

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of **McCall Area Timeshare Association**, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund balance 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 fairly presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to error or fraud.

### ***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 required 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 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **McCall Area Timeshare Association** as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

Management has omitted the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

***Bailey & Co.***

Nampa, Idaho  
April 10, 2013

**McCall Area Timeshare Association**  
 Balance Sheet  
 December 31, 2012

|  | <u>Owners'<br/>Association</u> |
|--|--------------------------------|
| <b>Assets</b>                          |                                |
| <b>Current Assets</b>                  |                                |
| Cash and Cash Equivalents              | \$ 18,336                      |
| Assessments Receivable (Net)           | 29,558                         |
| Related Party Receivable               | 38,157                         |
| Unit Inventory                         | 1,980                          |
| Prepaid Items                          | 13,671                         |
| Total Current Assets                   | <u>101,702</u>                 |
| <b>Fixed Assets</b>                    |                                |
| Manager's Residence                    | 56,786                         |
| Office Unit                            | 82,483                         |
| Jacuzzi and Spas                       | 175,092                        |
| Office Equipment                       | 10,147                         |
| Vehicle                                | 10,116                         |
| Total Fixed Assets                     | <u>334,624</u>                 |
| Accumulated Depreciation               | <u>(96,092)</u>                |
| Net Fixed Assets                       | <u>238,532</u>                 |
| <br>Total Assets                       | <br><u><u>\$ 340,234</u></u>   |
| <b>Liabilities and Fund Balance</b>    |                                |
| <b>Liabilities</b>                     |                                |
| Accounts Payable                       | \$ 47,663                      |
| Unearned Homeowners' Fees              | 183,206                        |
| Accrued Payroll and Taxes Payable      | 1,780                          |
| Total Current Liabilities              | <u>232,649</u>                 |
| <b>Fund Balance</b>                    |                                |
| Unrestricted (Deficit)                 | <u>107,585</u>                 |
| Total Fund Balance                     | <u>107,585</u>                 |
| <br>Total Liabilities and Fund Balance | <br><u><u>\$ 340,234</u></u>   |

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

**McCall Area Timeshare Association**  
Statement of Revenues, Expenses, and Changes in Fund Balance  
For the Year Ended December 31, 2012

|  | Owners'<br>Association |
|--|------------------------|
| <b>Revenues</b>                            |                        |
| Maintenance Assessments                    | \$ 719,839             |
| Bonus Week Assessments                     | 6,978                  |
| Late Charges                               | 7,870                  |
| Timeshare Sales                            | 2,100                  |
| Other Income                               | 5,025                  |
| Interest                                   | 134                    |
| Total Revenues                             | 741,946                |
| <b>Expenses</b>                            |                        |
| Utilities                                  | 85,306                 |
| Payroll and Payroll Costs                  | 165,861                |
| Insurance                                  | 20,189                 |
| Legal and Professional Fees                | 30,437                 |
| Depreciation and Amortization              | 23,872                 |
| Homeowners and Sports Center Assessment    | 142,122                |
| Cleaning                                   | 42,777                 |
| Property Management                        | 83,583                 |
| Repairs and Maintenance                    | 33,065                 |
| Supplies                                   | 7,750                  |
| Property Taxes                             | 50,982                 |
| Administrative                             | 35,775                 |
| Income Tax                                 | 30                     |
| Total Expenses                             | 721,749                |
| <b>Excess of Revenues Over Expenses</b>    | 20,197                 |
| <b>Fund Balance, Beginning of the Year</b> | 87,388                 |
| <b>Fund Balance, End of the Year</b>       | \$ 107,585             |

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

**McCall Area Timeshare Association**  
Statement of Cash Flows  
For the Year Ended December 31, 2012

|  | <u>Owners'<br/>Association</u> |
|--|--------------------------------|
| <b>Cash Flows From Operating Activities</b>  |                                |
| Excess (Deficit) of Revenues Over Expenses   | \$ 20,197                      |
| Adjustments to Reconcile Excess of Revenues<br>Over Expenses to Cash Provided by Operating Activities: |                                |
| Depreciation   | 23,872                         |
| (Increase) Decrease in Assessments Receivable  | (20,737)                       |
| (Increase) Decrease in Prepaid Expenses  | (12,976)                       |
| Increase (Decrease) in Accounts Payable  | 13,713                         |
| Increase (Decrease) in Unearned Homeowner's Fees   | 4,893                          |
| Increase (Decrease) in Payroll Payable   | <u>(112)</u>                   |
| Net Cash Provided (Used) by Operating Activities   | <u>28,850</u>                  |
| <b>Cash Flows From Investing Activities</b>  |                                |
| Purchase of Fixed Assets   | <u>(16,288)</u>                |
| Net Cash Provided (Used) by Investing Activities   | <u>(16,288)</u>                |
| <b>Cash Flows From Financing Activities</b>  | <u>0</u>                       |
| <b>Net Increase (Decrease) in Cash and<br/>Cash Equivalents</b>  | 12,562                         |
| <b>Cash and Cash Equivalents, Beginning</b>  | <u>5,774</u>                   |
| <b>Cash and Cash Equivalents, Ending</b>   | <u>\$ 18,336</u>               |
| Supplemental Information:  |                                |
| Income Taxes Paid  | \$ 30                          |

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

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Association was incorporated in 1983 to provide common services including general maintenance, management, and other operating functions for the benefit of the timeshare owners in the Aspens and Aspen Village Condominium Developments in McCall, Idaho. Each timeshare owner is assessed an annual maintenance fee, based on the size of the unit, to cover the cost of the common services provided. The Association consists of 1,900 timeshare weeks (units), of which 362 were unsold as of December 31, 2012.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting, wherein revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities. Financial resources are classified for accounting and reporting purposes in the following fund established according to its nature and purpose:

Owners' Association – This fund is used to account for financial resources available for the general operations of the Association.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Cash Equivalents

For purposes of the statement of cash flows, the Association has designated cash in checking and certificates of deposit with maturities of ninety days or less as cash equivalents.

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of timeshares that were deeded back to the Association and are to be sold again in the future. Inventory is stated at the lower of cost or market and is accounted for by specific identification.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment is recorded at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 20 years.

Common Property

The Association has very little common property; as a result, no policy has been established for recognition and measurement of common property.

Income Taxes

The Association qualifies under the provisions of the Internal Revenue Code Section 528 to exclude exempt function income (assessment income in excess of the cost of providing services to members) from taxation. As of December 31, 2012, the Association owed no income taxes. However, the association remains open to examination by major taxing jurisdictions for the years ended December 31, 2012, 2011, and 2010.

Concentration of Credit Risk

The Association maintains its cash balances in local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. At December 31, 2012, all of the Association's cash balance was insured.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2012

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

affect the reported amounts of 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.

2. CASH AND INVESTMENTS

As of December 31, 2012, the carrying amount of the Association's deposits was \$18,178 and the respective bank balances totaled \$61,264. The total bank balances were FDIC insured.

3. PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment:

|                                      | <u>Balance</u><br><u>12/31/2011</u> | <u>Additions</u>  | <u>Disposals</u> | <u>Balance</u><br><u>12/31/2012</u> |
|--------------------------------------|-------------------------------------|-------------------|------------------|-------------------------------------|
| Fixed assets being depreciated:      |                                     |                   |                  |                                     |
| Manager's Residence                  | 56,786                              | 0                 | 0                | 56,786                              |
| Office Building                      | 73,443                              | 9,040             | 0                | 82,483                              |
| Jacuzzi and Spas                     | 175,092                             | 0                 | 0                | 175,092                             |
| Office Equipment                     | 2,899                               | 7,248             | 0                | 10,147                              |
| Vehicles                             | <u>20,818</u>                       | <u>0</u>          | <u>(10,702)</u>  | <u>10,116</u>                       |
| Total fixed assets being depreciated | <u>329,038</u>                      | <u>16,288</u>     | <u>(10,702)</u>  | <u>334,624</u>                      |
| Accumulated depreciation for:        |                                     |                   |                  |                                     |
| Manager's Residence                  | 33,559                              | 1,410             | 0                | 34,969                              |
| Office Building                      | 25,950                              | 4,361             | 0                | 30,311                              |
| Jacuzzi and Spas                     | 0                                   | 17,509            | 0                | 17,509                              |
| Office Equipment                     | 2,595                               | 592               | 0                | 3,187                               |
| Vehicles                             | <u>20,818</u>                       | <u>0</u>          | <u>(10,702)</u>  | <u>10,116</u>                       |
| Total accumulated depreciation       | <u>82,922</u>                       | <u>23,872</u>     | <u>(10,702)</u>  | <u>96,092</u>                       |
| Net Fixed Assets                     | <u>\$ 246,116</u>                   | <u>\$ (7,584)</u> | <u>\$ 0</u>      | <u>\$ 238,532</u>                   |

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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4. ALLOWANCE

The Owners' Association Fund has currently booked \$35,000 as an allowance for doubtful accounts against the assessments receivable. This balance represents management's estimate of Owners' Assessments deemed uncollectible. No policy has been established for charging off uncollectible receivables.

5. LEASE COMMITMENT

The Association leases a copier. Future minimum lease payments are as follows:

| <u>Year Ending</u><br><u>December 31,</u> | <u>Amount</u>   |
|---|-----------------|
| 2013                                      | \$ 2,117        |
| 2014                                      | 1,235           |
|   | <u>\$ 3,352</u> |

Lease expense for the year was \$2,117.

6. RELATED PARTY TRANSACTIONS

Mr. Travis Leonard, President of **McCall Area Timeshare Association**, is the owner of Brampton Holdings, Inc. (formerly DH and Associates, Inc.), which is the timeshare developer. Brampton Holdings, Inc. is charged for the portion of resort fixed costs related to the unsold timeshare weeks. At December 31, 2012, Brampton Holdings, Inc. was current on their obligation to **McCall Area Timeshare Association** in the amount of \$32,357 and there were outstanding fees in the amount of \$5,800 related to unsold timeshare weeks. The Association also contracts with Brampton Holdings, Inc. to manage the timeshare units. Management and administrative fees totaled \$69,041 for 2012. \$30,161 of wages were paid to Travis Leonard to serve as the resident manager and for other services rendered outside the scope of the management contract.

Of the 1,900 units included in the Association, 304 are owned by Brampton Holdings, Inc.

Mr. Dave Holland, Vice President of McCall Area Timeshare Association, was paid for trustee fees and accounting and legal fees in the amount of \$5,674 for 2012.

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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7. **UNEARNED HOMEOWNERS' FEES**

Annual homeowners' fees for the 2013 annual maintenance fees in the amount of \$183,206 were paid prior to the end of 2012. These fees are recorded as unearned homeowners' fees and revenue is deferred until 2013.

8. **STUDY OF COMMON PROPERTY FUTURE COSTS**

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of cost of major repairs and replacements that may be required in the future. The board has developed a plan to partially fund those needs. These funds are being deposited in the board designated accounts. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

9. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 10, 2013, the date on which the financial statements were available to be issued.