

**MCCALL AREA TIMESHARE
ASSOCIATION**

Report on Audited
Financial Statements

For the Year Ended December 31, 2014

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Independent Auditor's Report

To the Board of Directors of
McCall Area Timeshare Association

We have audited the accompanying financial statements of **McCall Area Timeshare Association**, which comprise the balance sheet as of December 31, 2014, 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 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 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, 2014, 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the information about the estimates of current or 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 14, 2015

McCall Area Timeshare Association
 Balance Sheet
 December 31, 2014

	<u>Owners' Association</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 487
Assessments Receivable (Net)	29,395
Unit Inventory	648
Prepaid Items	3,377
Total Current Assets	<u>33,907</u>
Fixed Assets	
Manager's Residence	56,261
Office Unit	82,483
Jacuzzi and Spas	175,092
Office Equipment	12,343
Vehicle	10,116
Total Fixed Assets	<u>336,295</u>
Accumulated Depreciation	<u>(148,616)</u>
Net Fixed Assets	<u>187,679</u>
 Total Assets	 <u><u>\$ 221,586</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$ 38,090
Unearned Homeowners' Fees	220,086
Accrued Payroll and Taxes Payable	1,622
Total Current Liabilities	<u>259,798</u>
Fund Balance	
Unrestricted (Deficit)	<u>(38,212)</u>
Total Fund Balance	<u>(38,212)</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 221,586</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, 2014

		Owners' Association
Revenues		
Maintenance Assessments		\$ 682,168
Late Charges		2,690
Timeshare Sales		16,000
Rental Income		7,135
Other Income		5,960
Interest		70
Total Revenues		714,023
 Expenses		
Resort Fixed Costs		
Homeowner Fees	137,711	
Property Taxes	58,082	
Insurance	14,944	
Recreation Fees	7,740	
Total Resort Fixed Costs		218,477
Resort Operating Costs		
Salaries and Wages	135,035	
Payroll Taxes/Employee Benefits	12,845	
Worker's Compensation	2,675	
Maid and Unit Supplies	24,469	
Repairs and Maintenance	28,537	
Contract Cleaning	19,127	
Vehicle	6,008	
Electricity	60,520	
Telephone	22,825	
Firewood	2,300	
Depreciation	26,675	
Renovation	43,655	
Replacements	12,072	
Total Resort Operating Costs		396,743

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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, 2014
(continued)

		<u>Owners'</u> <u>Association</u>
Administrative Costs		
Management Salaries	24,000	
Payroll Taxes	1,836	
Property Management Fees	65,984	
Accounting and Legal	10,195	
Office Expense	20,106	
Office Phone	4,589	
Printing	637	
Postage and Freight	2,162	
Annual Meeting Expense	571	
Trustee Expense	2,834	
Repairs and Maintenance	161	
Bad Debts	41,502	
Taxes	4,255	
Miscellaneous	1,843	
Total Administrative Costs	<u>180,675</u>	
Total Expenses		<u>795,895</u>
Excess of Revenues Over Expenses		(81,872)
Fund Balance, Beginning		<u>43,660</u>
Fund Balance, Ending		<u><u>\$ (38,212)</u></u>

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, 2014

	<u>Owners' Association</u>
Cash Flows From Operating Activities	
Excess (Deficit) of Revenues Over Expenses	\$ (81,872)
Adjustments to Reconcile Excess of Revenues Over Expenses to Cash Provided by Operating Activities:	
Depreciation	26,675
(Increase) Decrease in Assessments Receivable	5,735
(Increase) Decrease in Unit Inventory	594
(Increase) Decrease in Employee Advances	300
(Increase) Decrease in Prepaid Expenses	7,870
Increase (Decrease) in Accounts Payable	1,062
Increase (Decrease) in Unearned Homeowner's Fees	14,540
Increase (Decrease) in Payroll Payable	<u>(402)</u>
Net Cash Provided (Used) by Operating Activities	<u>(25,498)</u>
Cash Flows From Investing Activities	
Purchase of Fixed Assets	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>
Cash Flows From Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(25,498)
Cash and Cash Equivalents, Beginning	<u>25,985</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 487</u></u>
Supplemental Information:	
Income Taxes Paid	\$ 0

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, 2014

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 5 were unsold as of December 31, 2014.

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. Assessments receivable are presented at net realizable value, receivables less an allowance for doubtful accounts.

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, 2014

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 40 years.

Common Property

The common property used by the Association members is owned by another association that **McCall Area Timeshare Association** operates in conjunction with and that association is responsible for the recognition and measurement of the 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, 2014, the Association owed no income taxes. However, the association remains open to examination by major taxing jurisdictions for the years ended December 31, 2014, 2013, and 2012.

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, 2014, 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, 2014

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, 2014, the carrying amount of the Association's deposits was \$337 and the respective bank balances totaled \$52,081. The total bank balances were FDIC insured. The Association also keeps \$150 of petty cash on hand.

3. PROPERTY AND EQUIPMENT

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

	Balance <u>12/31/2013</u>	Additions	Disposals	Balance <u>12/31/2014</u>
Fixed assets being depreciated:				
Manager's Residence	\$ 56,786	\$ 0	\$ (525)	\$ 56,261
Office Unit	82,483	0	0	82,483
Jacuzzi and Spas	175,092	0	0	175,092
Office Equipment	12,343	0	0	12,343
Vehicle	<u>10,116</u>	<u>0</u>	<u>0</u>	<u>10,116</u>
Total fixed assets being depreciated	<u>336,820</u>	<u>0</u>	<u>(525)</u>	<u>336,295</u>
Accumulated depreciation for:				
Manager's Residence	36,378	1,411	(525)	37,264
Office Unit	36,177	5,866	0	42,043
Jacuzzi and Spas	35,018	17,510	0	52,528
Office Equipment	4,777	1,888	0	6,665
Vehicle	<u>10,116</u>	<u>0</u>	<u>0</u>	<u>10,116</u>
Total accumulated depreciation	<u>122,466</u>	<u>26,675</u>	<u>(525)</u>	<u>148,616</u>
Net Fixed Assets	<u>\$ 214,354</u>	<u>\$ (26,675)</u>	<u>\$ 0</u>	<u>\$ 187,679</u>

McCall Area Timeshare Association
Notes to Financial Statements
For the Year Ended December 31, 2014

4. ALLOWANCE

The Owners' Association Fund has currently booked \$60,000 as an allowance for doubtful accounts against the assessments receivable. This balance represents management's estimate of Owners' Assessments deemed uncollectible. It is the Association's policy to review each account each year to assess collectability. Those that are determined to be uncollectable are included in the allowance for bad debts and are completely written off when all legal remedies are exhausted.

5. LEASE COMMITMENT

The Association leases a copier. Payments are due monthly and it is anticipated the copier will be returned at the end of the lease. Future minimum lease payments are as follows:

Year Ending December 31,	Amount
2015	\$ 1,228
2016	1,228
2017	1,228
2018	1,228
2019	584
Total	<u>\$ 5,496</u>

Lease expense for the year was \$1,763.

6. RELATED PARTY TRANSACTIONS

Mr. David Holland, President of the Association, is the owner of Brampton Holdings, Inc., which is the timeshare developer. The Association charged Brampton Holdings, Inc. for the portion of resort fixed costs related to unsold timeshare weeks used, for split weeks, maintenance dues, and various other charges. Those charges totaled \$42,916 for 2014. As of December 31, 2014, Brampton Holdings, Inc. owed the Association \$314 for dues and at the same time had prepaid dues of \$291. The Association also contracts with Brampton Holdings, Inc. to manage the timeshare units. Management and administrative fees totaled \$65,984 and repair and maintenance charges totaled \$25,174 for 2014. \$26,009 of wages (includes employer's share of payroll taxes) were paid to Mr. Holland to serve as the Association Manager.

McCall Area Timeshare Association
Notes to Financial Statements
For the Year Ended December 31, 2014

6. RELATED PARTY TRANSACTIONS (continued)

Of the 1,900 units included in the Association, 384 are owned by Brampton Holdings, Inc., and therefore, are owned by Mr. Holland. Mr. Holland is a board member of Aspen Village. The Association paid Aspen Village a total of \$134,164 for the year.

Mr. Travis Leonard, Treasurer of the Association through December 2014, was paid wages of \$5,222 (includes employer's share of payroll taxes).

7. UNEARNED HOMEOWNERS' FEES

Annual homeowners' fees for the 2015 annual maintenance fees in the amount of \$220,086 were paid prior to the end of 2014. These fees are recorded as unearned homeowners' fees and revenue is deferred until 2015.

8. STUDY OF COMMON PROPERTY FUTURE COSTS

As of December 31, 2014, the Association has conducted a study to determine the remaining useful lives of the components of common property. However, current estimates of costs of major repairs and replacements that may be required in the future has not been evaluated.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2015, the date on which the financial statements were available to be issued.