

**MCCALL AREA TIMESHARE  
ASSOCIATION**

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Report on Audited  
Financial Statements

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For the Year Ended December 31, 2015

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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, 2015, 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 misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, 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.

### ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 13 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 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.

***Bailey & Co.***

Nampa, Idaho  
May 10, 2016

**McCall Area Timeshare Association**  
 Balance Sheet  
 December 31, 2015

	<u>Owners' Association</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 30,078
Assessments Receivable (Net)	118,423
Related Party Receivable	8,924
Unit Inventory	648
Employee Advances	50
Prepaid Items	3,507
Total Current Assets	<u>161,630</u>
<b>Fixed Assets</b>	
Manager's Residence	56,261
Office Unit	82,483
Jacuzzi and Spas	175,092
Office Equipment	12,344
Vehicle	10,116
Total Fixed Assets	<u>336,296</u>
Accumulated Depreciation	<u>(175,289)</u>
Net Fixed Assets	<u>161,007</u>
Total Assets	<u><u>\$ 322,637</u></u>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 96,264
Unearned Homeowners' Fees	245,736
Unearned Homeowners' Fees - Related Party	1,816
Accrued Payroll and Taxes Payable	2,312
Total Current Liabilities	<u>346,128</u>
<b>Fund Balance</b>	
Unrestricted (Deficit)	<u>(23,491)</u>
Total Fund Balance	<u>(23,491)</u>
Total Liabilities and Fund Balance	<u><u>\$ 322,637</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, 2015

		Owners' Association
<b>Revenues</b>		
Maintenance Assessments		\$ 690,084
Supplemental Assessments		74,362
Late Charges		3,345
Rental Income		11,486
Other Income		7,362
Interest		52
Total Revenues		786,691
 <b>Expenses</b>		
Resort Fixed Costs		
Homeowner Fees	142,817	
Property Taxes	66,492	
Insurance	13,821	
Recreation Fees	10,062	
Total Resort Fixed Costs		233,192
Resort Operating Costs		
Salaries and Wages	136,053	
Payroll Taxes/Employee Benefits	10,680	
Worker's Compensation	4,973	
Maid and Unit Supplies	21,139	
Repairs and Maintenance	19,055	
Contract Cleaning	20,474	
Vehicle	6,476	
Electricity	56,601	
Telephone	11,871	
Firewood	8,410	
Depreciation	26,673	
Renovation	2,530	
Replacements	56,691	
Total Resort Operating Costs		381,626

(continued on next page)

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, 2015  
(continued)

		<u>Owners' Association</u>
Administrative Costs		
Management Salaries	24,000	
Payroll Taxes	1,987	
Property Management Fees	63,946	
Accounting and Legal	23,483	
Office Expense	16,302	
Office Phone	5,486	
Printing	935	
Postage and Freight	2,128	
Annual Meeting Expense	843	
Trustee Expense	2,549	
Bad Debts	14,106	
Miscellaneous	1,388	
Total Administrative Costs	157,153	157,153
Total Expenses	771,971	771,971
<b>Excess of Revenues Over Expenses</b>		14,720
<b>Fund Balance, Beginning</b>		(38,211)
<b>Fund Balance, Ending</b>		\$ (23,491)

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, 2015

	<u>Owners' Association</u>
<b>Cash Flows From Operating Activities</b>	
Excess (Deficit) of Revenues Over Expenses	\$ 14,720
Adjustments to Reconcile Excess of Revenues Over Expenses to Cash Provided by Operating Activities:	
Depreciation	26,673
(Increase) Decrease in Assessments Receivable	(97,952)
(Increase) Decrease in Unit Inventory	0
(Increase) Decrease in Employee Advances	(50)
(Increase) Decrease in Prepaid Expenses	(130)
Increase (Decrease) in Accounts Payable	58,174
Increase (Decrease) in Unearned Homeowner's Fees	27,466
Increase (Decrease) in Payroll Payable	690
Net Cash Provided (Used) by Operating Activities	<u>29,591</u>
<b>Cash Flows From Investing Activities</b>	
Purchase of Fixed Assets	<u>0</u>
Net Cash Provided (Used) by Investing Activities	<u>0</u>
<b>Cash Flows From Financing Activities</b>	<u>0</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	29,591
<b>Cash and Cash Equivalents, Beginning</b>	<u>487</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 30,078</u></u>
Supplemental Information:	
Income Taxes Paid	\$ 0
Interest 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, 2015

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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 20 were unsold as of December 31, 2015.

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. Special assessments charged during the year totaling \$74,362 are to be used for roof replacements by Aspen Village.

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, 2015

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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 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 external common property used by the Association members is the responsibility of another association that **McCall Area Timeshare Association** operates in conjunction with and that association handles the preservation and maintenance of the external common property. The internal common property is the responsibility of the timeshare association.

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, 2015, the Association owed no income taxes. However, the association remains open to examination by major taxing jurisdictions for the years ended December 31, 2015, 2014, and 2013.

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, 2015, all of the Association's cash balance was insured.

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2015

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through May 10, 2016, the date on which the financial statements were available to be issued.

3. CASH AND INVESTMENTS

As of December 31, 2015, the carrying amount of the Association's deposits was \$29,928 and the respective bank balances totaled \$109,928. The total bank balances were FDIC insured. The Association also keeps \$150 of petty cash on hand.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association has currently booked \$10,835 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 uncollectible are included in the allowance for doubtful accounts and are completely written off when all legal remedies are exhausted.

5. UNEARNED HOMEOWNERS' FEES

Annual homeowners' fees for the 2016 annual maintenance fees in the amount of \$247,552 were paid prior to the end of 2015. These fees are recorded as unearned homeowners' fees and revenue is deferred until 2016.

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2015

6. PROPERTY AND EQUIPMENT

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

	Balance <u>12/31/2014</u>	Additions	Disposals	Balance <u>12/31/2015</u>
Fixed assets being depreciated:				
Manager's Residence	\$ 56,261	\$ 0	\$ 0	\$ 56,261
Office Unit	82,483	0	0	82,483
Jacuzzi and Spas	175,092	0	0	175,092
Office Equipment	12,344	0	0	12,344
Vehicle	<u>10,116</u>	<u>0</u>	<u>0</u>	<u>10,116</u>
Total fixed assets being depreciated	<u>336,296</u>	<u>0</u>	<u>0</u>	<u>336,296</u>
Accumulated depreciation for:				
Manager's Residence	37,264	1,409	0	38,673
Office Unit	42,043	5,866	0	47,909
Jacuzzi and Spas	52,528	17,509	0	70,037
Office Equipment	6,665	1,889	0	8,554
Vehicle	<u>10,116</u>	<u>0</u>	<u>0</u>	<u>10,116</u>
Total accumulated depreciation	<u>148,616</u>	<u>26,673</u>	<u>0</u>	<u>175,289</u>
Net Fixed Assets	<u>\$ 187,680</u>	<u>\$ (26,673)</u>	<u>\$ 0</u>	<u>\$ 161,007</u>

7. 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 <u>December 31,</u>	<u>Amount</u>
2016	\$ 1,228
2017	1,228
2018	1,228
2019	<u>584</u>
Total	<u>\$ 4,268</u>

Lease expense for the year was \$2,868.

**McCall Area Timeshare Association**  
Notes to Financial Statements  
For the Year Ended December 31, 2015

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8. 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 \$34,289 for 2015. As of December 31, 2015, Brampton Holdings, Inc. owed the Association \$8,924 for dues and at the same time had prepaid dues of \$1,816. The Association also contracts with Brampton Holdings, Inc. to manage the timeshare units. Management and administrative fees totaled \$63,946 and repair and maintenance charges totaled \$10,658 for 2015. \$25,993 of wages (includes employer's share of payroll taxes) were paid to Mr. Holland to serve as the Association Manager.

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 \$158,608 for the year.

Mr. Travis Leonard, Treasurer of the Association through December 2015, was paid wages of \$5,219 (includes employer's share of payroll taxes) for managing and maintaining the operation of the Jacuzzis. Mr. Leonard is also Mr. Holland's son-in-law.

9. STUDY OF COMMON PROPERTY FUTURE COSTS

In prior years, the Association had funded actual major repair and replacement expenditures from excess operating fund assessments as expenditures were incurred. The Association has developed a program to begin accumulating funds for estimated future major repairs and replacements.

The funding program is based on a study performed by the Aspen Village Condominium Owners Association's Board of Directors in September 2015 to estimate the remaining useful lives and the current replacement costs of the common property components.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**REQUIRED SUPPLEMENTARY INFORMATION**

**McCall Area Timeshare Association**  
 Supplementary Information on Future  
 Major Repairs and Replacements (Unaudited)  
 December 31, 2015

The Aspen Village Condominium Association's Board of Directors conducted a study in September 2015 to estimate the remaining useful lives and the current replacement costs of their common property and of McCall Area Timeshare Associations' common property. Replacement costs were based on the estimated costs to repair or replace common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property. (Amounts are rounded to the nearest thousand dollars.)

<b>Components</b>	<b>Estimated Remaining Useful Life (Years)</b>	<b>Estimated Current Replacement Cost</b>
Refrigerators	1 to 10	\$ 18,000
Oven/Range	1 to 13	19,500
Washer/Dryers	1 to 10	12,000
Televisions and Entertainment	1 to 10	24,000
Flooring/Carpeting	1 to 10	50,000
Wood Stoves	1 to 40	98,600
Total		<u>\$ 222,100</u>