

**MCCALL AREA TIMESHARE
ASSOCIATION**

Report on Audited
Financial Statements

For the Year Ended December 31, 2016

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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, 2016, 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, 2016, 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
April 26, 2017

McCall Area Timeshare Association
Balance Sheet
December 31, 2016

	Owners' Association
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 170,298
Assessments Receivable (Net)	42,744
Related Party Receivable	395
Unit Inventory	30,800
Prepaid Items	2,776
Total Current Assets	247,013
Fixed Assets	
Manager's Residence	56,261
Common Property	21,189
Office Unit	82,483
Jacuzzi and Spas	175,092
Office Equipment	12,879
Vehicle	10,116
Total Fixed Assets	358,020
Accumulated Depreciation	(202,092)
Net Fixed Assets	155,928
Total Assets	\$ 402,941
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$ 63,413
Unearned Homeowners' Fees	206,421
Unearned Homeowners' Fees - Related Party	1,865
Accrued Payroll and Taxes Payable	3,254
Total Current Liabilities	274,953
Fund Balance	
Unrestricted (Deficit)	127,988
Total Fund Balance	127,988
Total Liabilities and Fund Balance	\$ 402,941

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, 2016

		Owners' Association
Revenues		
Maintenance Assessments	\$	642,127
Supplemental Assessments		466,789
Loss on Reclaimed Units		(64,001)
Late Charges		5,015
Rental Income		28,462
Split Week Income		5,389
Fireplace Sales		1,085
Other Income		2,465
Interest		67
Total Revenues		1,087,398
Expenses		
Resort Fixed Costs		
Homeowner Fees	\$	133,777
Property Taxes		64,390
Insurance		14,294
Recreation Fees		9,288
Total Resort Fixed Costs		221,749
Resort Operating Costs		
Salaries and Wages		166,719
Payroll Taxes/Employee Benefits		21,734
Worker's Compensation		12,037
Maid and Unit Supplies		23,745
Repairs and Maintenance		19,888
Contract Cleaning		19,086
Vehicle		4,145
Electricity		55,945
Telephone		9,543
Firewood		1,800
Depreciation		26,803
Renovation		29,870
Replacements		133,071
Total Resort Operating Costs		524,386

(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, 2016
(continued)

		Owners' Association
Administrative Costs		
Management Salaries	24,000	
Payroll Taxes	1,980	
Property Management Fees	103,119	
Accounting and Legal	25,578	
Office Expense	17,924	
Office Phone	5,006	
Printing	2,139	
Postage and Freight	4,244	
Annual Meeting Expense	127	
Trustee Expense	2,778	2,465
Miscellaneous	2,889	
Total Administrative Costs	189,784	189,784
Total Expenses	935,919	935,919
Excess of Revenues Over Expenses		151,479
Fund Balance, Beginning		(23,491)
Fund Balance, Ending		\$ 127,988

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, 2016

	Owners' Association
Cash Flows From Operating Activities	
Excess (Deficit) of Revenues Over Expenses	\$ 151,479
Adjustments to Reconcile Excess of Revenues Over Expenses to Cash Provided by Operating Activities:	
Depreciation	26,803
(Increase) Decrease in Assessments Receivable	84,208
(Increase) Decrease in Unit Inventory	(30,152)
(Increase) Decrease in Employee Advances	50
(Increase) Decrease in Prepaid Expenses	731
Increase (Decrease) in Accounts Payable	(32,852)
Increase (Decrease) in Unearned Homeowner's Fees	(39,266)
Increase (Decrease) in Payroll Payable	942
Net Cash Provided (Used) by Operating Activities	161,943
Cash Flows From Investing Activities	
Purchase of Fixed Assets	(21,724)
Net Cash Provided (Used) by Investing Activities	(21,724)
Cash Flows From Financing Activities	0
Net Increase (Decrease) in Cash and Cash Equivalents	140,219
Cash and Cash Equivalents, Beginning	30,079
Cash and Cash Equivalents, Ending	\$ 170,298
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, 2016

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 77 were unsold and owned by the Association as of December 31, 2016.

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 annual 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 \$467,154 are to be used for renovations.

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.

Inventory

The Association may periodically acquire and sell timeshare unit weeks which have been deeded back to the Association either as a result of foreclosure due to the unit owners' failure to pay past due maintenance fees or in lieu of foreclosure. Inventory of timeshare unit weeks is carried at fair value less estimated costs to sell.

Gains or losses upon acquisition of timeshare unit weeks are recognized on the difference between the total of delinquent assessments receivable at the acquisition date and other costs of acquisition compared to the value of the inventory acquired.

The Association evaluates the recoverability of the carrying amount of its inventory of timeshare unit weeks in accordance with generally accepted accounting principles.

McCall Area Timeshare Association
Notes to Financial Statements
For the Year Ended December 31, 2016

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

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, 2016, the Association owed no income taxes.

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, 2016, 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 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 April 26, 2017, the date on which the financial statements were available to be issued.

3. CASH AND INVESTMENTS

As of December 31, 2016, the carrying amount of the Association's deposits was \$170,724 and the respective bank balances totaled \$222,804. The total bank balances were FDIC insured. The Association also keeps \$150 of petty cash on hand.

McCall Area Timeshare Association
Notes to Financial Statements
For the Year Ended December 31, 2016

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association has currently booked \$30,000 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 doubtful accounts and are completely written off when all legal remedies are exhausted.

5. UNEARNED HOMEOWNERS' FEES

Annual homeowners' fees for the 2017 annual maintenance fees in the amount of \$209,229 were paid prior to the end of 2016. These fees are recorded as unearned homeowners' fees and revenue is deferred until 2017.

6. PROPERTY AND EQUIPMENT

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

	Balance 1/1/2016	Additions	Disposals	Balance 12/31/2016
Fixed assets being depreciated:				
Manager's Residence	\$ 56,261	\$ 0	\$ 0	\$ 56,261
Other Common Property	0	21,189	0	21,189
Office Unit	82,483	0	0	82,483
Jacuzzi and Spas	175,092	0	0	175,092
Office Equipment	12,344	535	0	12,879
Vehicle	10,116	0	0	10,116
Total fixed assets being depreciated	<u>336,296</u>	<u>21,724</u>	<u>0</u>	<u>358,020</u>
Accumulated depreciation for:				
Manager's Residence	38,673	1,409	0	40,082
Other Common Property	0	94	0	94
Office Unit	47,909	5,866	0	53,775
Jacuzzi and Spas	70,037	17,509	0	87,546
Office Equipment	8,554	1,925	0	10,479
Vehicle	10,116	0	0	10,116
Total accumulated depreciation	<u>175,289</u>	<u>26,803</u>	<u>0</u>	<u>202,092</u>
Net Fixed Assets	<u>\$ 161,007</u>	<u>\$ (5,079)</u>	<u>\$ 0</u>	<u>\$ 155,928</u>

During the 2016 fiscal year, the Association made several capital additions. The \$21,189 under other common property additions consists of propane tank installation and burial, and garage renovation. There was also a new printer which was purchased during the year; this accounts for the \$535 addition in office equipment.

McCall Area Timeshare Association
Notes to Financial Statements
For the Year Ended December 31, 2016

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 December 31,	Amount
2017	\$ 1,228
2018	1,228
2019	<u>584</u>
Total	<u>\$ 3,040</u>

Lease expense for the year was \$3,233.

8. RELATED PARTY TRANSACTIONS

Mr. David Holland, President of the Association, is the owner of Brampton Holdings, Inc., which is the timeshare developer. Brampton Holdings, Inc. paid a usage fee as a contribution for the welfare of the Association. Those fees totaled \$7,379 for 2016. The Association also contracts with Brampton Holdings, Inc. to manage the timeshare units. Management and administrative fees totaled \$103,119 for 2016. \$25,980 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, 530 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 \$114,169 for the year.

Mr. Travis Leonard, Treasurer of the Association through December 2016, was paid wages of \$5,216 (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 Association in May 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.

McCall Area Timeshare Association
Notes to Financial Statements
For the Year Ended December 31, 2016

9. STUDY OF COMMON PROPERTY FUTURE COSTS (continued)

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 board 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, 2016

The Association conducted a study in May 2015 to estimate the remaining useful lives, and the current replacement costs of their common property and of McCall Area Timeshare Association's 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.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Refrigerators	1 to 10	\$ 18,000
Oven/Range	1 to 13	19,500
Washer/Dryers	1 to 10	12,000
Televisions and Entertainment	2465	24,000
Flooring/Carpeting	1 to 10	50,000
Wood Stoves	1 to 40	98,600
Total		<u>\$ 222,100</u>