# McCall Area Timeshare Association

(A Non-Profit Homeowner's Association)

McCall, Idaho

## Audited Financial Statements and Other Financial Information

Year Ended
December 31, 1993

**McCALL AREA TIMESHARE ASSOCIATION**
**(A NON-PROFIT HOMEOWNERS' ASSOCIATION)**

**DETAILS OF EXPENSES**
**YEAR ENDED DECEMBER 31, 1993**

| | |
|---|---|
| **Resort Fixed Costs:** | |
| Aspen/Aspen Village Homeowners' fees | $ 62,916 |
| Property taxes | 36,029 |
| Insurance | 11,621 |
| Sports Club fees | 4,509 |
| | $ 115,075 |
| **Resort Operating Costs:** | |
| Salaries and wages | $ 60,046 |
| Payroll taxes | 4,718 |
| Maintenance and unit supplies | 14,053 |
| Maintenance and repairs | 12,742 |
| Contract cleaning | 13,629 |
| Vehicle expense | 3,180 |
| Electricity | 38,229 |
| Telephone | 10,270 |
| Firewood | 3,035 |
| Replacement | 4,147 |
| | $164,049 |
| **Administrative costs:** | |
| Management salaries | $ 21,796 |
| Payroll taxes | 1,713 |
| Property management fees | 38,850 |
| Office rent | 1,476 |
| Accounting and legal fees | 7,209 |
| Office supplies | 1,816 |
| Telephone | 1,030 |
| Printing | 1,034 |
| Postage and freight | 3,393 |
| Annual meeting expense | 1,795 |
| Trustee expenses | 1,879 |
| Repairs and maintenance | 1,004 |
| Interest | 3,712 |
| Taxes | 30 |
| Miscellaneous expense | 679 |
| Depreciation | 1,908 |
| Resident managers unit | 1,018 |
| | $ 90,342 |

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**Leavitt, Christensen & Co.**
*Certified Public Accountants*

June 9, 1994

Board of Directors
McCall Area Timeshare Association
(a non-profit Homeowner's Association)
McCall, Idaho

We have audited the accompanying balance sheet of McCall Area Timeshare Association (a non-profit homeowner's association) as of December 31, 1993, and the related statements of operations, revenues, expenses and changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McCall Area Timeshare Association (a non-profit homeowner's association) as of December 31, 1993, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Leavitt, Christensen & Co

**(208)-336-8666 960 Broadway, Suite 505, Boise, Idaho 83706**

## McCALL AREA TIMESHARE ASSOCIATION
(A NON-PROFIT HOMEOWNERS' ASSOCIATION)

### BALANCE SHEET

### ASSETS

| | December 31, 1993 |
|---|---|
| CURRENT ASSETS: | |
| Cash (Note B) | $ 86,434 |
| Cash, restricted for replacement of fixed assets (Note B) | 7,444 |
| Receivables- | |
| Homeowners' fees and late charges, net of allowance for uncollectible accounts of $20,000 | 37,604 |
| DH and Associates, Inc. (Note C and G) | 22,613 |
| Other | 1,021 |
| | 61,238 |
| Unit inventory (Note C) | 9,343 |
| Prepaid expenses | -0- |
| TOTAL CURRENT ASSETS | 164,459 |
| FIXED ASSETS: (Note A) | |
| Manager's residence | 56,786 |
| Office equipment | 1,029 |
| Vehicle | 1,714 |
| Office Building | 4,693 |
| | 64,222 |
| Accumulated depreciation | (10,978) |
| | 53,244 |
| | $ 217,703 |

### LIABILITIES AND FUND BALANCE

| | |
|---|---|
| CURRENT LIABILITIES: | |
| Accounts payable | $ 28,018 |
| Accrued salaries and other expenses | 653 |
| Advance homeowners' fees (Note E) | 150,531 |
| Payable to DH and Associates (Note G) | 14,254 |
| Mortgage note payable, amount due within one year (Note F) | 2,342 |
| TOTAL CURRENT LIABILITIES | 195,798 |
| LONG TERM DEBT: | |
| Mortgage payable, less current portion of $2,342 (Note F) | 33,640 |
| | 229,438 |
| FUND BALANCE (DEFICIT) | (11,735) |
| | $ 217,703 |

See notes to financial statements.

**McCALL AREA TIMESHARE ASSOCIATION**
**(A NON-PROFIT HOMEOWNERS' ASSOCIATION)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**

| | Year Ended December 31, 1993 |
|---|---|
| **REVENUES:** | |
| Homeowners' fees | $ 350,653 |
| Late charges | 13,820 |
| Gain on units sold | 320 |
| Interest income | 1,501 |
| Interest income special assessment | 207 |
| | 366,501 |
| **EXPENSES:** | |
| Resort fixed costs | 115,075 |
| Resort operating costs | 164,049 |
| Administrative costs | 90,342 |
| Special assessment - renovation (Note H) | 14,573 |
| | 384,039 |
| Excess Revenues over expenses from operations | (17,538) |
| Fund balance (Deficit) at beginning of year | 5,803 |
| Fund balance (Deficit) at end of year | $ (11,735) |

See notes to financial statements.

**MCCALL AREA TIMESHARE ASSOCIATION**
**(A NON-PROFIT HOMEOWNERS' ASSOCIATION)**

**STATEMENT OF CASH FLOWS**

| | Year Ended December 31, 1993 |
|---|---|
| CASH FLOWS FROM OPERATION ACTIVITIES: | |
| Excess expenditures from operations | $ (17,538) |
| Adjustments to reconcile excess expenditures: | |
| Depreciation | 1,908 |
| Decrease in receivables from homeowner assessments and other receivables | 1,488 |
| Increase) in receivable DH and Associates, Inc. | (1,147) |
| Decrease in prepaid expenses | 8,034 |
| (Increase) in unit inventory | (947) |
| (Decrease) in accounts payable | (5,690) |
| (Decrease) in accrued salaries and expenses | (51) |
| Increase in advance homeowners' fees | 21,842 |
| Increase in payable to DH and Associates, Inc. | 1,811 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 9,710 |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES: | |
| Fixed asset purchases | -0- |
| Net withdrawals from restricted funds | 13,653 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 13,653 |
| CASH FLOWS (USED) BY FINANCING ACTIVITIES: | |
| Principal payments of mortgage payable | (2,121) |
| NET CASH (USED) BY FINANCING ACTIVITIES | (2,121) |
| NET INCREASE IN CASH | 21,242 |
| CASH - BEGINNING OF YEAR | 65,192 |
| CASH - END OF YEAR | $ 86,434 |

See notes to financial statements.

**McCALL AREA TIMESHARE ASSOCIATION**
**(A NON-PROFIT HOMEOWNERS' ASSOCIATION)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 1993**

A. Organization and Significant Accounting Policies:

Organization

The McCall Area Timeshare Association (the association) was organized in 1983 to provide common services 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 his unit to cover the cost of the common services provided.

Basis of Accounting

The Association follows the accrual basis of accounting which is in accordance with generally accepted accounting principles.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over five years for vehicles and office equipment. The manager's residence and the office are being depreciated over 40 years.

Income Taxes

The Association has elected to be treated as a homeowners' association by the Internal Revenue Service under code section 528. Under this election, exempt function income (assessments from owners) is not considered to be taxable income. Non-exempt function income is taxable.

B. Cash Balances, Restricted and Unrestricted:

The Association keeps cash in excess of current operating needs deposited in a money market savings accounts at a local bank. Money market balance at December 31, 1993 including both the operating accounts and the special assessment accounts was $7,561.

The association made special assessments for 1992 to the owners for replacement of furniture and fixtures of the condo units. Unused cash held in the special assessment cash funds are $7,444 at December 31, 1993.

Cash and cash equivalents are considered to be cash on hand, cash in checking accounts and cash included in money market accounts.

C. Unit Inventory:

The Association has repossessed weekly units for failure of the owners to pay their annual maintenance fees and other charges. The costs of these units as recorded in the accounts, are the amount of outstanding fees and charges at the time of repossession. These units are subsequently offered for sale to other owners as these same costs. If the units are not purchased by other owners, the late charges are written off as uncollectible by the Association; DH and Associates then purchases any remaining units for the amount of outstanding annual maintenance fees only. At December 31, 1993, there were eight units which have been repossessed by the association at costs ranging from $578 to $1,733. Management believes the units are marketable at these costs.

D. Managers Office Unit:

The Board of Directors authorized the purchase of 10% of its office unit through David Holland, President of the Association, at a cost of $4,693. The Association has the right to purchase the remaining 90% of the building for the balance of the existing mortgage at the time of sale. Terms of the mortgage include an annual interest rate of 10% payable monthly, amortizing on a 25 year life with a balloon payment due in 2015. The Association purchased the entire office unit during 1994, in the amount of outstanding mortgage balance.

E. Advance Homeowners Fees:

Annual homeowners fees for the 1994 annual maintenance fees in the amount of $150,531 were paid prior to the end of the 1993 year. These fees are recorded as advance fees and this revenue is deferred until 1994.

F. Long-term Debt:

The Association has entered into a long-term lease for the use of a residence for the on-site manager of the units. The terms of the lease are that all payments of principal, interest and other expenses are made by the association and the association has the right to acquire the property at any time for the balance of the existing mortgage at the time of sale. The transaction qualifies as a capital lease, however, the association has elected to treat the transaction as a purchase, since the difference in reporting of the transaction between a capital lease and an acquisition is not material. The Association makes payments on the mortgage held by a savings and loan association, the mortgage balance at December 31, 1993 was $35,982. Terms of the mortgage require monthly payments of $582, of which $96 currently applies to an insurance and property tax reserve and $486 applies to principal and interest at 10%. The loan is due in 11 years. The association acquired the residence during 1994, in the amount of the outstanding mortgage.

Future maturities of long-term debt are as follows:

| | |
|---|---|
| Year ended December 31, 1994 | $ 2,342 |
| 1995 | 2,588 |
| 1996 | 2,858 |
| 1997 | 3,158 |
| 1998 | 3,491 |
| | 14,437 |
| After December 31, 1997 | 21,545 |
| Total | $ 35,982 |

G. Related Party Transactions:

Mr. David K. Holland, President of McCall Area Timeshare Association, is the owner of DH and Associates, Inc., which is the timeshare developer. DH and Associates, Inc. assumes the portion of resort fixed costs related to the unsold timeshare weeks. Fixed costs relating to unsold timeshare weeks totaled $3,917 for 1993.

The Association also contracts with DH and Associates, Inc. to manage the timeshare units. Management fees under the contract are equal to 10% of homeowner assessments collected each month. Management fees totaled approximately $38,850 for 1993. Unpaid management fees at December 31, 1993 were approximately $14,254. David Holland is paid $20,400 annually for resident manager functions.

H. <u>Special Assessments:</u>

The association made special assessments for 1992 to the owners for replacement of furniture and fixtures as well as renovation of the condo units. The revenue from the assessments was reported as a separate revenue item in 1992. The expenses associated with the special assessment are expensed in the year that the cost is incurred since any expenditures that would be of a capital nature became part of the individual owners individual interest in the real estate and are not the property of the association.

## OTHER FINANCIAL INFORMATION

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Page 9, Details of Expenses, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Leavitt, Christensen & Co