

**Treehouse Village Resort  
Association, Inc.**

Eagle River, Wisconsin

**Financial Statements**

Year Ended December 31, 2013

# Treehouse Village Resort Association, Inc.

## Financial Statements

Year Ended December 31, 2013

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## Independent Accountant's Review Report

Board of Directors  
Treehouse Village Resort Association, Inc.  
Eagle River, Wisconsin

We have reviewed the accompanying balance sheet of Treehouse Village Resort Association, Inc. (the "Association") as of December 31, 2013, and the related statements of revenues, expenses, and changes in fund balances (deficit) and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States.

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not 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. The results of our review of the basic financial statements are not affected by that missing information.

*Wipfli LLP*

Wipfli LLP

May 6, 2014  
Rhineland, Wisconsin

# Treehouse Village Resort Association, Inc.

## Balance Sheet

December 31, 2013

<i>Assets</i>	Operating Fund	Replacement Fund	Eliminations	Total
<b>Current assets:</b>				
Cash and cash equivalents	\$17,871	\$53,110	\$0	\$70,981
Accounts receivable	7,100			7,100
Prepaid expenses	7,628			7,628
Fixed assets -Net	754			754
<b>TOTAL ASSETS</b>	<b>\$33,353</b>	<b>\$53,110</b>	<b>\$0</b>	<b>\$86,463</b>
<b><i>Liabilities and Fund Balances</i></b>				
<b>Current liabilities:</b>				
Accounts payable	\$6,729	\$0	\$0	\$6,729
Prepaid assessments and deposits	28,996			28,996
Accrued expenses	3,455			3,455
Income taxes payable	95			95
<b>Total current liabilities</b>	<b>39,275</b>			<b>39,275</b>
<b>Fund balances (deficit)</b>	<b>(5,922)</b>	<b>53,110</b>		<b>47,188</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$33,353</b>	<b>\$53,110</b>	<b>\$0</b>	<b>\$86,463</b>

# Treehouse Village Resort Association, Inc.

## Statement of Revenues, Expenses, and Changes in Fund Balances (Deficit)

Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
<b>Revenues:</b>			
Member assessments	\$202,705	\$5,437	\$208,142
Member assessments - Real estate taxes	10,383		10,383
Interest	225		225
Rental of unit weeks	12,242		12,242
Other	2,564		2,564
<b>Total revenues</b>	<b>228,119</b>	<b>5,437</b>	<b>233,556</b>
<b>Expenses:</b>			
Rent submitted to owners	6,785		6,785
Contracted maintenance service	4,349		4,349
Contracted office services	22,585		22,585
Contracted housekeeping services	7,123		7,123
Contracted management services	2,502		2,502
Housekeeping payroll expense	18,776		18,776
Administrative payroll expense	12,480		12,480
Maintenance payroll expense	17,688		17,688
Social membership	22,199		22,199
Office rent	9,600		9,600
Utilities	19,031		19,031
Board expenses	3,614		3,614
Travel	1,244		1,244
Insurance	6,197		6,197
Housekeeping supplies	4,616		4,616
Furniture and carpet cleaning	1,449		1,449
Property taxes	10,525		10,525
Repairs and maintenance	12,195		12,195
Bad debt expense	5,055		5,055
Telephone	1,477		1,477
Television	2,726		2,726
Legal and accounting	19,407		19,407
Waste removal	1,445		1,445
Office and supplies	4,550		4,550
Bank and credit card charges	1,082		1,082
Miscellaneous	1,688		1,688
Asset replacement and maintenance		6,560	6,560
<b>Total expenses</b>	<b>220,388</b>	<b>6,560</b>	<b>226,948</b>
Excess of revenues over (under) expenses before provision for income taxes	7,731	(1,123)	6,608
Provision for income taxes	95		95
Excess of revenues over (under) expenses	7,636	(1,123)	6,513
Fund balances (deficit) at beginning	(13,558)	54,233	40,675
<b>Fund balances (deficit) at end</b>	<b>(\$5,922)</b>	<b>\$53,110</b>	<b>\$47,188</b>

# Treehouse Village Resort Association, Inc.

## Statement of Cash Flows

Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
Increase (decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Excess of revenues over (under) expenses	\$7,636	(\$1,123)	\$6,513
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	(2,535)		(2,535)
Interfund balances	(2,970)	2,970	
Other assets	(1,943)		(1,943)
Accounts payable	(2,359)		(2,359)
Accrued expenses	3,455		3,455
Income taxes payable	91		91
Prepaid deposits and assessments	16,496		16,496
Total adjustments	10,235	2,970	13,205
Net cash provided by operating activities	17,871	1,847	19,718
Cash and cash equivalents at beginning of year		51,263	51,263
Cash and cash equivalents at end of year	\$17,871	\$53,110	\$70,981

# Treehouse Village Resort Association, Inc.

## Notes to Financial Statements

See Independent Accountant's Review Report

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### Note 1            Summary of Significant Accounting Policies

Treehouse Village Resort Association, Inc. (the "Association"), a Wisconsin corporation, was incorporated on January 1, 1981, to provide for the administration, management, maintenance, and preservation of the common property of the Association. The Association consists of 8 units, located in Eagle River, Wisconsin, or 416 unit weeks of which 16 weeks are for maintenance.

#### Fund Accounting

The accounts of the Association are organized on the basis of funds. Resources are allocated to and accounted for in individual funds, based upon the purposes for which they are spent. The funds used are as follows:

- Operating Fund - The Operating Fund is used to account for revenues used and expenses incurred in the daily operations of the Association.
- Replacement Fund - The Replacement Fund is used to account for the accumulation of resources and the payment of property, equipment, and furnishing additions and replacements for the benefit of assets owned by individual timeshare owners.

#### Use of Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

#### Cash Equivalents

The Association considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

# Treehouse Village Resort Association, Inc.

## Notes to Financial Statements

See Independent Accountant's Review Report

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### Note 1            Summary of Significant Accounting Policies (Continued)

#### Property, Equipment, and Furnishings

The Association does not own any property, equipment, or furnishings. These assets are owned by individuals through timeshare ownership. The Association is responsible for preserving and maintaining the common area properties.

#### Future Major Repairs and Replacements

The Board of Directors has designated funds for building, grounds and furnishing additions, improvements, and replacements. Expenditures for these designated items are recognized when expended, since the assets are not owned by the Association.

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs. 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.

#### Owner Assessments

The owners are assessed an annual fee which is collected to meet the Association's normal operating costs and to fund reserves for the repair and the replacement of the common areas. The annual budget and assessments of owners are determined by the Board of Directors and are approved by the owners. Assessments received in advance of the year for which they are budgeted are reflected in prepaid assessments.



# Treehouse Village Resort Association, Inc.

## Notes to Financial Statements

See Independent Accountant's Review Report

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### Note 1      **Summary of Significant Accounting Policies (Continued)**

#### **Income Taxes**

The Association files its income tax return as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 32% on its investment income and other non-exempt function income. The Association incurred federal income tax expense of \$95 for the year ended December 31, 2013.

The Association's federal income tax returns for years before 2010 are no longer subject to examination by the Internal Revenue Service.

#### **Subsequent Events**

Subsequent events have been evaluated through May 6, 2014, which is the date the financial statements were available to be issued.