

Treehouse Village Resort Association, Inc.

Financial Statements

Year Ended December 31, 2016



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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, 2016, and the related statements of revenues, expenses, and changes in fund balances 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'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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* issued by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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.

Known Departure From 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 financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. The results of our review of the financial statements are not affected by that missing information.

Wipfli LLP

May 24, 2017
Rhineland, Wisconsin

Treehouse Village Resort Association, Inc.

Balance Sheet

December 31, 2016

<i>Assets</i>	Operating Fund	Replacement Fund	Eliminations	Total
Current assets:				
Cash and cash equivalents	\$34,213	\$13,604	\$0	\$47,817
Accounts receivable - Net of an allowance for doubtful accounts of \$84,250	39,126	8,755		47,881
Prepaid expense	10,719			10,719
Unit inventory	13,500			13,500
Other	100			100
Fixed assets - Net	1,234			1,234
TOTAL ASSETS	\$98,892	\$22,359	\$0	\$121,251
<i>Liabilities and Fund Balances</i>				
Current liabilities:				
Accounts payable	\$5,008	\$0	\$0	\$5,008
Prepaid assessments and deposits	29,118	2,035		31,153
Accrued expenses	4,082			4,082
Income taxes payable	447			447
Total current liabilities	38,655	2,035		40,690
Fund balances	60,237	20,324		80,561
TOTAL LIABILITIES AND FUND BALANCES	\$98,892	\$22,359	\$0	\$121,251

Treehouse Village Resort Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances

Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$226,176	\$22,320	\$248,496
Member assessments - Real estate taxes		10,044	10,044
Interest	210		210
Rental of unit weeks	19,788		19,788
Gain on transfer of units	2,955		2,955
Other	7,135		7,135
Total revenues	256,264	32,364	288,628
Expenses:			
Rent submitted to owners	9,040		9,040
Contracted maintenance service	1,384		1,384
Contracted housekeeping services	5,418		5,418
Housekeeping payroll expense	25,796		25,796
Administrative payroll expense	40,685		40,685
Maintenance payroll expense	28,459		28,459
Social membership	24,691		24,691
Advertising and promotion	675		675
Office rent	10,294		10,294
Utilities	18,541		18,541
Board expenses	5,751		5,751
Travel	1,175		1,175
Insurance	8,216		8,216
Housekeeping supplies	5,749		5,749
Property taxes		9,953	9,953
Repairs and maintenance	7,706		7,706
Bad debt expense	15,159		15,159
Telephone	1,096		1,096
Television	3,097		3,097
Legal and accounting	10,812		10,812
Waste removal	1,754		1,754
Office and supplies	3,340		3,340
Bank and credit card charges	1,858		1,858
Miscellaneous	2,760		2,760
Asset replacement and maintenance		14,100	14,100
Total expenses	233,456	24,053	257,509
Excess of revenues over expenses	22,808	8,311	31,119
Fund balances at beginning	37,429	12,013	49,442
Fund balances at end	\$60,237	\$20,324	\$80,561

Treehouse Village Resort Association, Inc.

Statement of Cash Flows

Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Total
Increase (decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Excess of revenues over expenses	\$22,808	\$8,311	\$31,119
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Provision for bad debts	15,159		15,159
Depreciation	277		277
Changes in operating assets and liabilities:			
Accounts receivable	(31,898)	(3,970)	(35,868)
Unit inventory	(1,000)		(1,000)
Prepaid expense and other assets	(994)		(994)
Accounts payable	1,323		1,323
Accrued expenses	(975)		(975)
Income taxes payable	123		123
Prepaid deposits and assessments	22,436	1,113	23,549
Total adjustments	4,451	(2,857)	1,594
Net cash provided by operating activities	27,259	5,454	32,713
Net cash used in investing activities - Capital expenditures	(739)		(739)
Net change in cash and cash equivalents	26,520	5,454	31,974
Cash and cash equivalents at beginning of year	7,693	8,150	15,843
Cash and cash equivalents at end of year	\$34,213	\$13,604	\$47,817

Treehouse Village Resort Association, Inc.

Notes to Financial Statements

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 32 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 real estate taxes, 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

For the purposes of the statement of cash flows, the Association has designated cash in checking and certificates of deposit with maturities of 90 days or less as cash equivalents.

Accounts Receivable

Accounts receivable are uncollateralized owner obligations which require payment at specified terms. Account balances with invoices past 30 days are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the owner's remittance advice. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific owner accounts and the aging of the accounts receivable. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Inventory

Inventory consists of timeshares that are 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.

Treehouse Village Resort Association, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment, and Furnishings

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.

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

Association owners are subject to annual assessments to provide funds for the Association's normal operating expenses, future capital acquisitions, real estate taxes, and major repairs and replacements. Assessment receivables at the balance sheet date represent fees due from unit owners. 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.

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 \$447 for the year ended December 31, 2016.

Subsequent Events

Subsequent events have been evaluated through May 24, 2017, which is the date the financial statements were available to be issued.