

MARINERS POINTE INTERVAL

OWNERS ASSOCIATION, INC

FINANCIAL STATEMENTS

December 31, 2016

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FRED C. HOUSTON
CERTIFIED PUBLIC ACCOUNTANT
P O Box 116 * Phone: 931-250-3025
Crossville, Tennessee 38557

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Mariners Pointe Interval
Owners Association, Inc.
P O Box 2869
Crossville, Tennessee 38557

I have audited the accompanying financial statements of Mariners Pointe Interval Owners Association, Inc. (a Tennessee corporation) which comprises 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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mariners Pointe Interval Owners Association, Inc. 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.

Future Major Repairs and Replacements

Management has omitted the schedule of future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by the missing information.

Going Concern

The Association had a Referendum in March 2016 with a total response greater than 67% majority of the membership entitled to vote.. With a 94% affirmative vote, the Association is now going through the Termination, Dissolution, and Liquidation of the Association entity.

Fred C Houston, CPA

Crossville, Tennessee
February 19, 2017

MARINERS POINTE INTERVAL OWNERS ASSOCIATION, INC
 BALANCE SHEET
 December 31, 2016

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 52,244	\$ -	\$ 52,244
Accounts receivable - maintenance fees (net)	-	-	-
Inventory - weeks	-	-	-
Equipment - net of accumulated depreciation	-	-	-
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TOTAL ASSETS	\$ 52,244	\$ -	\$ 52,244
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 33,271	\$ -	\$ 33,271
Assessments received in advance	-	-	-
Deferred revenues	-	-	-
Notes payable	28,636	-	28,636
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TOTAL LIABILITIES	61,907	-	61,907
Fund balances (deficit)	(9,663)	-	(9,663)
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TOTAL LIABILITIES AND FUND BALANCES	\$ 52,244	\$ -	\$ 52,244

See Independent Auditor's Report and Notes to Financial Statements

MARINERS POINTE INTERVAL OWNERS ASSOCIATION, INC
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE -
 Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Total
REVENUES			
Maintenance fees	\$ 824,309	\$ 100,000	\$ 924,309
Interest	74	-	74
Other	24,881	-	24,881
	849,264	100,000	949,264
EXPENSES			
Operating expenses	286,079	100,000	386,079
Occupancy expenses	118,802	-	118,802
Administrative expenses	181,967	-	181,967
	586,848	100,000	686,848
EXCESS OF REVENUES OVER EXPENSES	262,416	-	262,416
OTHER INCOME (EXPENSE)			
Write dooown of fixed assets	(376,774)	-	(376,774)
EXCESS OF REVENUES OVER EXPENSES	(114,358)	-	(114,358)
BEGINNING FUND BALANCES (DEFICIT)	317,870	34,638	352,508
Transfers	(213,175)	(34,638)	(247,813)
ENDING FUND BALANCES (DEFICIT)	\$ (9,663)	\$ -	\$ (9,663)

See Independent Auditor's Report and Notes to Financial Statements

MARINERS POINTE INTERVAL OWNERS ASSOCIATION, INC
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (114,358)	\$ -	\$ (114,358)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Depreciation	20,609		20,609
(Increase) decrease in:			
Accounts receivable	39,123	-	39,123
Inventory	155,642	-	155,642
Increase (decrease) in:			
Accounts payable and accrued expenses	(19,008)	-	(19,008)
Assessments received in advance	(566,220)	-	(566,220)
Deferred revenues	(194,765)	-	(194,765)
Transfers	34,638	(34,638)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(644,339)	(34,638)	(678,977)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in equipment and improvements	376,774	-	376,774
CASH FLOWS FROM FINANCING ACTIVITIES			
Notes payable (Increase)	1,939	-	1,939
NET INCREASE (DECREASE) IN CASH	(265,626)	(34,638)	(300,264)
CASH AT BEGINNING OF YEAR	317,870	34,638	352,508
CASH AT END OF YEAR	\$ 52,244	\$ -	\$ 52,244
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ 825	\$ -	\$ 825

See Independent Auditor's Report and Notes to Financial Statements

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE A – NATURE OF ORGANIZATION

Mariners Pointe Interval Owners Association, Inc. (Association), is incorporated as a Mutual Nonprofit Corporation in the State of Tennessee. The Association operates and manages an interval ownership condominium located at Crossville, Tennessee. The interval ownership condominium consists of 2,392 interval weeks. The owners of all unit-weeks in the condominium are the only members, with the exception of the 'Interim Membership Agreement' (IMA) members who are determined as 'Special' temporary and restricted members. IMA members do not have any deeded rights, but retain voting privileges, as determined by the Board of Directors, and are subject to receive surplus funds, if any, net of all expenses upon the liquidation and/or sale of the association's assets. The creation of special memberships accommodates the needs of the Association for the Termination of the Condominium and Dissolution of the Association, for the distribution of surplus funds after the Liquidation of its assets.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its 2016 financial statements on the accrual basis of accounting during the Termination, Dissolution, and Liquidation of the Association entity, as determined by greater than 94% affirmative vote response to the March 2016 Referendum, with a total response greater than 67% majority of the membership entitled to vote.

Fund Accounting – Accrual Basis

Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – The operating fund reflects the operating portion of annual assessments paid by the unit-week owners to meet the various day-to-day expenditures incurred in the administration and operation of the condominium and recreational facilities.

Replacement Fund – The replacement fund is composed of the portion of the annual assessments designated in the budget to fund future major repairs and replacements.

The Operating Fund and the Replacement Fund were combined in 2016 after the Association received the response to the March Referendum wherein the Termination, Dissolution, and Liquidation was determined by the member vote response and the Association existed in a state of emergency.

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Property and Equipment

Commonly owned assets are not presented in the Association's financial statements.

Revenue Recognition

Maintenance fees revenue is recorded on the cash basis. The amount of the member assessment allocation specified for current period operations based on the annual budget adopted by the Board of Directors is recorded as accounts receivable and deferred revenues. Typically, each Association member is a unit-week owner and an equal portion of the maintenance fees is assessed for each unit-week in accordance with unit type (A, B, C, and D). With operations year 2016, annual maintenance fees received were insufficient to maintain operations beyond May 28, 2016.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Cash and Cash Equivalents

The Association recognizes cash and cash equivalents to include all highly liquid cash accounts with maturity of three months or less for cash flows statement purposes. All funds are deposited in federally insured banks

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE C – ASSESSMENTS RECEIVED IN ADVANCE

There were none.

NOTE D – REPLACEMENT FUND

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements by an allocation of the maintenance fees assessment charged to each unit-week owner specifically designated for the fund in the annual budget. Deductions from the fund are recorded as assets, as incurred, which are determined by the board to meet the objective for which the fund was established.

The components' actual replacement costs, useful lives, and investment income may vary from estimated amounts and the variation may be material. Therefore, the Association's replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Replacement Fund was combined with the Operations Fund after the vote response by the membership to the March 2016 Referendum, which determined Termination, Dissolution, and Liquidation would be the purpose for the Association.

NOTE E – INVENTORY – WEEKS

The inventory is made up of weeks that have been returned to the I.O.A.

Since the Termination of the Condominium as determined by the membership with the March 2016 Referendum, the value of interval weeks became insignificant as such use would no longer be a component of the interval value. The value then became as a direct result of the membership in compliance with the Association as that of a Tenant in Common for the real assets of the Association.

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE F – EQUIPMENT

The equipment was written down to 'zero' basis for 2016. This was done due to the membership of the Association having determined to Terminate the Condominium and Dissolve the Association with the March 2016 Referendum. The value derived from the furniture and fixtures is no longer significant to the Association.

NOTE G – INSURANCE

The Association is subject to the risk of loss by fire and acts of God. The common property is commercially insured.

NOTE I – CONTINGENCIES

There are contingencies related to the non-compliant members and the resulting expense for resolving the issues regarding the non-compliant accounts.

NOTE J – NOTES PAYABLE

The Association owes \$28,636 on a note to Universal Services Corporation as of December 31, 2016. Universal Services has the right, according to the contract, to charge interest. At this time, Universal Services has not charged the Association any interest.

NOTE L –SUBSEQUENT EVENTS

The Association has evaluated its subsequent events through February 19, 2017, the date that the accompanying financial statements were issued. The present expectations are for a final Foreclosure action to occur in the near future, which is expected to resolve any remaining title issues for the Association in conveyance of the real assets to a buyer.