

MARINERS POINTE INTERVAL

OWNERS ASSOCIATION, INC

FINANCIAL STATEMENTS

December 31, 2015

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FRED C. HOUSTON
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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 assets, liabilities and fund balance – [modified] cash basis as of December 31, 2015, and the related statements of revenues, expenses, and changes in fund balance – [modified] cash basis and cash flows – [modified] cash basis 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 opinion.

These financial statements were prepared on the [modified] cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of Mariners Pointe Interval Owners Association, Inc. as of December 31, 2015, and its revenues, expenses, and changes in fund balance, and its cash flows for the year then ended, on the basis of accounting described in the preceding paragraph.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Mariners Pointe Interval Owners Association, Inc. has not presented this supplementary information.

Crossville, Tennessee
February 19, 2016

MARINERS POINTE INTERVAL OWNERS ASSOCIATION,
 INC STATEMENT OF ASSETS, LIABILITIES AND FUND
 BALANCE -

[MODIFIED] CASH BASIS

December 31, 2015

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash	\$ 317,870	\$ 34,638	\$ 352,508
Accounts receivable - maintenance fees (net)	391,233	-	391,233
Inventory - weeks	505,305	-	505,305
Equipment - net of accumulated depreciation	297,375	100,008	397,383
Prepaid projects	-	-	-
TOTAL ASSETS	\$ 1,511,783	\$ 134,646	\$ 1,646,429
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 52,279	\$ -	\$ 52,279
Assessments received in advance	566,220	-	566,220
Deferred revenues	896,538	-	896,538
Notes payable	26,697	-	26,697
TOTAL LIABILITIES	1,541,734	-	1,541,734
Fund balances (deficit)	(29,951)	134,646	104,695
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,511,783	\$ 134,646	\$ 1,646,429

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 -
[MODIFIED] CASH BASIS
Year Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
REVENUES			
Maintenance fees	\$ 710,260	\$ 154,000	\$ 864,260
Interest	257	-	257
Other	42,356	-	42,356
	<u>752,873</u>	<u>154,000</u>	<u>906,873</u>
EXPENSES			
Operating expenses	403,201	271,310	674,511
Occupancy expenses	166,148	2,758	168,906
Administrative expense	152,904	-	152,904
	<u>722,253</u>	<u>274,068</u>	<u>996,321</u>
	EXCESS OF REVENUES OVER EXPENSES		
	30,620	(120,068)	(89,448)
OTHER INCOME			
Sale of Memberships (IMPA)	<u>76,729</u>	<u>-</u>	<u>76,729</u>
	EXCESS OF REVENUES OVER EXPENSES		
	107,349	(120,068)	(12,719)
BEGINNING FUND BALANCES (DEFICIT)	(137,300)	254,714	117,414
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCES (DEFICIT)	<u>\$ (29,951)</u>	<u>\$ 134,646</u>	<u>104,695</u>

See Independent Auditor's Report and Notes to Financial Statements

MARINERS POINTE INTERVAL OWNERS ASSOCIATION, INC STATEMENT
OF CASH FLOWS - [MODIFIED] CASH BASIS
Year Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 107,349	\$ (120,068)	\$ (12,719)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Depreciation	18,392	2,758	21,150
(Increase) decrease in:			
Accounts receivable	(102,603)	-	(102,603)
Inventory	(60,127)	-	(60,127)
Increase (decrease) in:			
Accounts payable and accrued expenses	1,851	-	1,851
Assessments received in advance	121,193	-	121,193
Deferred revenues	161,409	-	161,409
Notes payable	(49,527)	-	(49,527)
Transfers	-	-	-
	<u>197,937</u>	<u>(117,310)</u>	<u>80,627</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in equipment and improvements	<u>(38,994)</u>	<u>8,434</u>	<u>(30,560)</u>
NET INCREASE (DECREASE) IN CASH	158,943	(108,876)	50,067
CASH AT BEGINNING OF YEAR	<u>158,927</u>	<u>143,514</u>	<u>302,441</u>
CASH AT END OF YEAR	<u>\$ 317,870</u>	<u>\$ 34,638</u>	<u>\$ 352,508</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ 4,565	\$ -	\$ 4,565

See Independent Auditor's Report and Notes to Financial Statements

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A – NATURE OF ORGANIZATION

Mariners Pointe Interval Owners Association, Inc. (Association) is incorporated 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 Interval Membership Privilege Agreement (IMPA) members who are temporary and restricted members. IMPA members do not have any deeded rights or voting privileges.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the modified cash basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Fund Accounting – [Modified] Cash 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 [modified] cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The financial statement is presenting deferred revenues as a payable. Under generally accepted accounting principles, these payables would be an increase in revenues and fund balances.

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Property and Equipment

Ownership of the commonly owned assets is vested directly or indirectly in the unit-week owners, and those assets are not titled in the Association's name. As a result, 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. Each Association member is a unit-week owner and an equal portion of the maintenance fees is assessed for each unit-week.

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. Management should review the accounts periodically to insure that balances do not exceed the \$250,000 that FDIC insurance covers.

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE C – ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of 2016 maintenance fees received by the Association prior to January 1, 2016.

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.

NOTE E – INVENTORY – WEEKS

The inventory is made up of weeks that have been returned to the I.O.A. The value placed on the weeks was the sales price of that week.

MARINERS POINTE INTERVAL
 OWNERS ASSOCIATION, INC
 NOTES TO FINANCIAL STATEMENTS

NOTE F – EQUIPMENT

The equipment is made up of the following:

	Cost	Depreciation	Value
Pool	\$ 87,795	\$ 53,378	\$ 34,417
Vehicle	10,399	10,399	-
Building	179,348	60,814	118,534
TV's and Furniture	302,615	294,720	7,895
Marina - Furniture and Fixtures	45,470	45,470	-
Grounds - Machinery and Equipment	89,730	79,758	9,972
Office - Furniture and Equipment	30,425	30,425	-
Snack Bar Equipment	28,778	28,778	-
Property	226,566	-	226,566
Totals	<u>\$1,001,126</u>	<u>\$603,742</u>	<u>\$397,384</u>

Depreciation taken this year was \$21,150.

NOTE G – DEFERRED REVENUES

The deferred revenues amount to \$896,538. If the accrual basis of accounting were used, the fund balance and gross income would be affected.

NOTE H – 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 were none at year-end.

NOTE J – RELATED PARTIES

Universal Services Corporation provides loans, management services, maintenance, and administrative and accounting services for the I.O.A.

MARINERS POINTE INTERVAL
OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS

NOTE K – NOTES PAYABLE

The Association owes \$26,697 on their note to The First National Bank of Tennessee as of December 31, 2015. The interest rate is 6.75%. The payment amount is \$1,306.80 each month.

Year 1	\$ 9,500
Year 2	9,500
Year 3	7,697
Year 4	
Year 5	<u> </u>
	<u>\$ 26,697</u>

NOTE L –SUBSEQUENT EVENTS

The Association has evaluated its subsequent events through the date that the accompanying financial statements were issued. It appears, without replacement sources of revenue, the Association's trend regarding an annual decrease in the number of accounts responding to the financial needs of the Association is a threat to Association's sustainability.