



VACATION PLAN ASSOCIATION  
1311 Mandalay Beach Road, Oxnard, CA 93035

# Audited Financial Statements

Year Ended December 31, 2015

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# Independent Auditor's Report

## To the Board of Directors and Members Channel Island Shores Vacation Plan Association

We have audited the accompanying financial statements of Channel Island Shores Vacation Plan Association, which comprise the balance sheet as of December 31, 2015, 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 U.S. generally accepted accounting principles; 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. 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 from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Channel Island Shores Vacation Plan Association as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 5 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

### Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2014 financial statements, and our report dated April 30, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Disclaimer of Opinion on Required Supplementary Information

U.S. generally accepted accounting principles require that the accompanying information related to future major repairs and replacements on page 7 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

April 8, 2016

Sonnenberg & Company, CPAs



VACATION PLAN ASSOCIATION

## Balance Sheet

December 31, 2015

(With Comparative Totals for 2014)

	2015				2014
	Operating Fund	Replacement Fund	General Fund	Total Funds	Total Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 206,473	\$ 280,343	\$ 3,919	\$ 490,735	\$ 396,449
Assessments receivable	714,703	62,938	-	777,641	759,272
Non-member receivable	379	-	-	379	11,521
Prepaid expenses	25,879	-	-	25,879	25,920
Prepaid income taxes	1,017	-	-	1,017	17
Due to / from	(84,634)	24,803	59,831	-	-
<b>Total Assets</b>	<b>\$ 863,817</b>	<b>\$ 368,084</b>	<b>\$ 63,750</b>	<b>\$ 1,295,651</b>	<b>\$ 1,193,179</b>
<b>Liabilities</b>					
Accounts payable	\$ 9,992	\$ -	\$ -	\$ 9,992	\$ 2,476
Accrued payroll and expenses	271,110	-	-	271,110	272,362
Deferred assessments	737,864	98,553	-	836,417	804,989
<b>Total Liabilities</b>	<b>1,018,966</b>	<b>98,553</b>	<b>-</b>	<b>1,117,519</b>	<b>1,079,827</b>
Fund Balances	(155,149)	269,531	63,750	178,132	113,352
<b>Total Liabilities and Fund Balances</b>	<b>\$ 863,817</b>	<b>\$ 368,084</b>	<b>\$ 63,750</b>	<b>\$ 1,295,651</b>	<b>\$ 1,193,179</b>



VACATION PLAN ASSOCIATION

## Statement of Revenues and Expenses, and Changes in Fund Balances

For the Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015			2014	
	Operating Fund	Replacement Fund	General Fund	Total Funds	Total Funds
<b>Revenues</b>					
Members assessments	\$ 643,129	\$ 166,916	\$ -	\$ 810,045	\$ 784,827
Collections	17,398	888	-	18,286	11,750
Late fees and sales	41,607	-	-	41,607	35,908
Rentals	137,142	-	-	137,142	90,447
Interest	82	176	-	258	76
<b>Total Revenues</b>	<b>839,358</b>	<b>167,980</b>	<b>-</b>	<b>1,007,338</b>	<b>923,008</b>
<b>Expenses</b>					
Front Desk-					
Payroll- front desk	51,235	-	-	51,235	46,418
Telephone and other	1,770	-	-	1,770	2,502
General and admin-					
Assessment billing	7,452	-	-	7,452	7,575
Collections expense	569	-	-	569	798
Computer expense	6,317	-	-	6,317	8,141
Insurance	64,140	-	-	64,140	63,509
Legal and audit	3,903	-	-	3,903	6,000
Management and reservations	72,000	-	-	72,000	72,000
Payroll- admin	79,761	-	-	79,761	70,780
Payroll benefits	90,025	-	-	90,025	84,390
Other administrative	64,497	1,311	-	65,808	61,260
Telephone	20,804	-	-	20,804	20,262
Bad debts	25,244	6,792	-	32,036	39,775
Income tax	800	-	-	800	1,283
Housekeeping					
Payroll- housekeeping	102,232	-	-	102,232	93,714
Supplies and other	36,113	-	-	36,113	38,789
Guest activities	1,849	-	-	1,849	1,097
Maintenance					
Payroll- maintenance	54,690	-	-	54,690	55,408
Major repairs and replacements	-	143,359	-	143,359	34,883
Landscape	9,037	-	-	9,037	5,736
Repairs and maintenance	51,862	-	-	51,862	49,891
Utilities					
Gas and electric	28,774	-	-	28,774	28,784
Water and sewer	18,022	-	-	18,022	17,814
<b>Total Expenses</b>	<b>791,096</b>	<b>151,462</b>	<b>-</b>	<b>942,558</b>	<b>810,809</b>
<b>Excess Revenue (Expense)</b>	<b>\$ 48,262</b>	<b>\$ 16,518</b>	<b>\$ -</b>	<b>\$ 64,780</b>	<b>\$ 112,199</b>
<b>Beginning Fund Balances</b>	<b>(203,411)</b>	<b>253,013</b>	<b>63,750</b>	<b>113,352</b>	<b>1,153</b>
<b>Ending Fund Balances</b>	<b><u>\$(155,149)</u></b>	<b><u>\$ 269,531</u></b>	<b><u>\$ 63,750</u></b>	<b><u>\$ 178,132</u></b>	<b><u>\$ 113,352</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements



VACATION PLAN ASSOCIATION

## Statement of Cash Flows

For the Year Ended December 31, 2015

(With Comparative Totals for 2014)

	2015				2014
	Operating Fund	Replacement Fund	General Fund	Total Funds	Total Funds
<b>Cash Flows From -</b>					
Operating Activities:					
Excess Revenue / (Expense)	\$ 48,262	\$ 16,518	\$ -	\$ 64,780	\$ 112,199
(Increase) / Decrease in:					
Assessments receivable	(58,680)	40,311	-	(18,369)	(21,651)
Non-member receivable	11,142	-	-	11,142	(6,473)
Prepaid expenses	41	-	-	41	(6,024)
Prepaid income taxes	(1,000)	-	-	(1,000)	483
Increase / (Decrease) in:					
Accounts payable	7,516	-	-	7,516	(13,578)
Accrued payroll and expenses	(1,252)	-	-	(1,252)	(25,990)
Deferred assessments	<u>98,474</u>	<u>(67,046)</u>	<u>-</u>	<u>31,428</u>	<u>30,536</u>
Net Operating Activities	<u>104,503</u>	<u>(10,217)</u>	<u>-</u>	<u>94,286</u>	<u>69,502</u>
Financing Activities:					
Inter-fund adjustments	<u>(31,516)</u>	<u>37,504</u>	<u>(5,988)</u>	<u>-</u>	<u>-</u>
Net Financing Activities	<u>(31,516)</u>	<u>37,504</u>	<u>(5,988)</u>	<u>-</u>	<u>-</u>
<b>Net Increase / (Decrease) in</b>					
Cash and Cash Equivalents	<b>72,987</b>	<b>27,287</b>	<b>(5,988)</b>	<b>94,286</b>	<b>69,502</b>
Cash and Cash Equivalents at:					
Beginning of Year	<u>133,486</u>	<u>253,056</u>	<u>9,907</u>	<u>396,449</u>	<u>326,947</u>
End of Year	<u>\$ 206,473</u>	<u>\$ 280,343</u>	<u>\$ 3,919</u>	<u>\$ 490,735</u>	<u>\$ 396,449</u>
Supplemental Disclosure:					
Income taxes paid	<u>\$ 1,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 800</u>

# Notes to the Financial Statements

## Year Ended December 31, 2015

### **Note 1 - Organization**

Channel Island Shores Vacation Plan Association was incorporated on March 3, 1982 as a California mutual benefit corporation. The Association is a timeshare vacation plan development whose primary purpose is to act as a "management body" for the preservation, maintenance and architectural control of the common area within the project located in Oxnard, California, which includes 1,275 Class A memberships, each of which is entitled to vote.

### **Note 2 - Accounting Policies**

The accompanying financial statements are presented on the accrual basis in accordance with U.S. generally accepted accounting principles, whereby all revenues are recognized when earned and expenses are recognized when incurred.

Timeshare associations operate on a fund accounting basis, whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Real property acquired from the developer and replacements and improvements to common property are not capitalized or depreciated because the common areas are owned, in effect, by the individual unit owners as tenants in common and generally cannot be disposed of by the Association.

Per the provisions of U.S. generally accepted accounting principles in regard to the "Statement of Cash Flows," cash equivalents consist primarily of certificates of deposits and other securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments. The Association considers all its CD/investment accounts to be short-term investments.

The Association's investments are classified as "held-to-maturity," therefore the investments are carried on the financial statements at amortized cost, and any gain or loss will be recorded at time of sale.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The Association has evaluated subsequent events through April 8, 2016, the date the financial statements were available to be issued. The Board and management are not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

The comparative information shown for the previous year is included to provide a basis for comparison and presents summarized totals only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

### **Note 3 - Interval Units Held by the Association**

The Association held 143 interval units at December 31, 2015, which consists of foreclosures and deedbacks. These units are held for sale.

### **Note 4 - Income Tax Status and Policies**

The Association files its tax returns as an exempt homeowners association under IRC Sec. 528, and State Rev. & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest.

Generally, the Association treats income tax expenses as an operating expense, regardless of the fund through which the related taxable income was recognized.

The Association's income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the California Franchise Tax Board, generally for four years after they are filed.

### **Note 5 - Members Assessments and Receivables**

The annual budget and members' assessments are determined by the Board of Directors or may be approved by the members. The Association retains excess funds for expenses in future years. Regular assessments to members, which varied by unit, were \$715.75 for the Anacapa, \$799.56 for the Santa Rosa, and \$832.05 for the Santa Cruz interval units for the year ended December 31, 2015. The assessments are billed annually for the year. All delinquent accounts are written off as bad debt expense at calendar year end. As a result, no allowance for uncollectible accounts has been recorded.

Amounts billed for the following year's assessments are recorded as accounts receivable and the liability as corresponding deferred assessments on the financial statements. Amounts paid for the following year's assessments are recorded as a reduction in accounts receivable. The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and pursue other legal remedies if necessary to collect delinquent assessments.

### **Note 6 - Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$280,343 at December 31, 2015, are held in separate

interest bearing accounts and are generally not available for operating purposes.

The Association's policy is to fund major repairs and replacements from replacement funds if available. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacement of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If funds are not adequate, the Association has the right to increase regular assessments, pass special assessments, or delay replacement until funds are available. The Association's budgeted replacement funding for the year ended December 31, 2015 was \$151,462. Replacement fund disbursements during the year were as follows:

	<u>Amount</u>
Bad Debts	\$ 6,792
Bank Fees	1,311
BBQ Grills and Gauges	1,737
Carpeting	54,024
Chairs and Sofas	43,954
Door Locks	3,164
Fire Extinguishers	2,592
Furnace Replacements	784
Jacuzzi	6,689
Loft Conversions	2,200
Management Fees on Reserves	12,632
Office Computer	1,241
PD&A Contract	4,396
Reserve Study	1,760
Spa Components	1,432
Vacuums	3,598
Water Heaters	3,156
<b>Total</b>	<b><u>\$ 151,462</u></b>

A replacement funding program is required by California law to be prepared and distributed to the members annually as part of the annual budget. As shown in the Required Supplementary Information, a study to determine the adequacy of the current funding program for repair and replacement of Association common areas has been conducted. Included in the study are major repair and replacement components that the Association is obligated to maintain, which have useful lives of more than one year and remaining useful lives of less than thirty years. Excluded from the study are certain major structural components, such as buildings, concrete, and underground utility systems. It is assumed that the excluded major structural items have indefinite lives and the appropriate funding method for their replacement will be decided if and when those items need to be replaced.

#### **Note 7 - General Fund**

Each vacation plan owners is subject to an initial \$50 contribution to the Association's general fund. Therefore, the general fund balance is normally \$63,750, computed at \$50 for each of the 1,275 interval units.

#### **Note 8 - Management Contract**

The Association has contracted with Grand Pacific Resort Services, L.P. (GPR) to manage the timeshare property. The contract provides for monthly fees based on services provided. The current monthly fee is \$5,000 for management services and \$1,000 for bookkeeping/accounting services.

Grand Pacific Resort Services, L.P. guarantees the Association \$109,000 in annual Room Rental Revenue for the year ending December 31, 2015. Any shortfall of Room Revenue will be made up by GPR. Any Rental Room Revenue that exceeds the budgeted Room Rental Revenue shall be retained by GPR. As a result, Grand Pacific Resort Services, L.P. owed the Association \$2,204 at December 31, 2015, which is netted against accounts payable in the accompanying Balance Sheet.

#### **Note 9 - Related Parties**

The Association authorizes Grand Pacific Resort Services, L.P. to contract with its other divisions, subsidiaries, and affiliated companies for various services related to the Association's activities, as follows:

#### **Advanced Financial Company**

Agency that provides Reservations and Owners Services. The Association paid Advanced Financial Company \$14,411 in 2015. The Association owed Advanced Financial Company \$423 at December 31, 2015.

#### **Note 10 - Concentration of Credit Risk**

The Association held a combined total of \$373,274 in Union Bank as of December 31, 2015. This amount is in excess of the federally insured limit. Deposits at FDIC-insured institutions are insured up to at least \$250,000 per depositor.

#### **Note 11 - Section 401(k) Retirement Account**

The Association has a qualifying defined contribution benefit plan for full-time employees based on a defined minimum years of service and compensation. The Association is required to match contributions to the Plan equal to 100% of elective deferrals up to 3% of compensation, plus 50% for the next 2% of deferred compensation. Total pension expense charged and funded for 2015 was \$3,173.

# Required Supplementary Information

## Future Major Repairs and Replacements

December 31, 2015 (Unaudited)

Calif. CC 5550 requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. A study of the Association's replacement funding requirements, based upon a physical inspection by an independent consultant, was prepared as of December 31, 2015. The study provides estimates of remaining useful lives and current replacement costs of the components of the common property. The following table is based on the reserve study and presents the significant information about the components of the common property.

Components	Estimated Remaining Useful Life/Yrs	Estimated Current Replacement Costs	2015 Annual Funding Requirement	Component of Fund Balance 12/31/15
Decks	1 - 12	\$ 43,155	\$ -	\$ -
Stairs and Railings	2 - 10	76,500		
Asphalt	2	19,100		
Lobby Furnace	3	4,300		
Wall Lights	10	11,150		
Fences	12 - 21	46,200		
Garage Doors	1 - 30	19,280		
Lanudry Water Heater	3	2,200		
Hospitality/Office Suite	3	49,500		
Office Equipment	2	1,320		
Stucco and Wood Surfaces	2	52,850		
Wood Siding/Trim	4	23,500		
Roofing	2 - 9	104,850		
Electrical	2	11,000		
Termites	10	26,000		
Housekeeping Carts	5	1,320		
Fire Extinguishers	4	2,850		
Reserve Study	1	900		
PD&A - Design	10	7,000		
Flooring	7 - 11	366,230		
Interior Surfaces	2	68,500		
Interior Contents	0 - 11	468,442		
Windows	7	62,250		
Interior Decorations	3	30,005		
Gas Fireplaces	4	12,250		
Electronics and Vacuums	4	58,850		
Balcony/Patio Furniture	4	15,800		
Outdoor Grills	3	9,300		
Doors	1 - 25	426,750		
Furnaces	1 - 3	45,200		
Wall and Water Heaters	1 - 9	15,200		
Kitchens	1 - 13	256,500		
Washers/Dryers	3	25,000		
Bathroom Remodel	8	420,000		
Jacuzzis	3 - 6	294,305		
Loft Conversions	0	66,963		
Other Reserve Expenses	0	138,678		
Contingency				255,157
<b>Totals</b>		<b>\$ 3,283,198</b>	<b>\$ -</b>	<b>\$ 255,157</b>

As of December 31, 2015

The cash balance in replacement funds

\$ 280,343

*See independent auditor's report*