# EAGLE TREE CONDOMINIUM ASSOCIATION, INC.
## REPORT ON AUDIT OF FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

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templeton
& COMPANY
Certified Public Accountants and Consultants

# Report of Independent Auditors

To the Board of Directors
Eagle Tree Condominium Owners' Association, Inc.

We have audited the accompanying balance sheet of the Eagle Tree Condominium Owners' Association, Inc. as of December 31, 2014 and the related statements of revenue and expenses and changes in fund balances and cash flows for the fiscal year January 4, 2014 through December 31, 2014, and the related notes to those 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Eagle Tree Condominium Owners' Association, Inc. as of December 31, 2014 and the results of its operations and its cash flows for the period January 4, 2014 through December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

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## Other Matters

### Report on Summarized Comparative Information

Eagle Tree Condominium Association, Inc.'s financial statements as of January 3, 2014 and for the fiscal year then ended (the 2013 financial statements) were audited by other auditors whose report dated February 24, 2014, expresses an unqualified opinion on those financial statements. In our opinion, the summarized comparative information for 2013 presented herein is consistent, in all material respects, with the financial statements from which it has been derived.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 14 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 (FASB), which considers it to be an essential part of the 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.

Templeton & Company, LLP

West Palm Beach, Florida
May 15, 2015

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**
**December 31, 2014**
**(with comparative totals for 2013)**

| | Operating Fund | Replacement Fund | Property Tax Fund | Totals 2014 | Totals 2013 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 6,917,523 | $ 4,598,309 | $ 660,270 | $ 12,176,102 | $ 9,424,354 |
| Investments | - | 4,165,191 | - | 4,165,191 | 5,642,225 |
| Club dues receivable | 732,711 | 90,740 | 38,380 | 861,831 | 815,316 |
| Allowance for doubtful accounts | (732,711) | - | - | (732,711) | (553,089) |
| Accrued interest receivable | - | - | - | - | 10,356 |
| Income tax receivable | - | - | - | - | 8,338 |
| Other receivables | 27,199 | 264 | - | 27,463 | 249,369 |
| Prepaid expenses | 177,660 | - | - | 177,660 | 67,548 |
| Foreclosed inventory | 235,089 | - | - | 235,089 | 203,334 |
| Deposits | 102,250 | - | - | 102,250 | 48,154 |
| Due from Eagle Tree Property Owner's Association, Inc. | - | - | - | - | 9,287 |
| Due from Ritz-Carlton Management Company, LLC | - | - | - | - | 51,235 |
| Due from (to) funds | (1,019,934) | 296,335 | 723,599 | - | - |
| Total assets | $ 6,439,787 | $ 9,150,839 | $ 1,422,249 | $ 17,012,875 | $ 15,976,427 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued expenses | $ 499,470 | $ - | $ - | $ 499,470 | $ 313,852 |
| Income taxes payable | - | - | - | - | 1,960 |
| Unearned maintenance fees | 6,827,206 | 460,126 | 383,439 | 7,670,771 | 6,820,733 |
| Due to Marriott Vacations Worldwide Corporation | - | - | - | - | 513,354 |
| Due to RBF, LLC | - | - | - | - | 149,774 |
| Total liabilities | 7,326,676 | 460,126 | 383,439 | 8,170,241 | 7,799,673 |
| Fund balances | (886,889) | 8,690,713 | 1,038,810 | 8,842,634 | 8,176,754 |
| Total liabilities and fund balances | $ 6,439,787 | $ 9,150,839 | $ 1,422,249 | $ 17,012,875 | $ 15,976,427 |

See notes to financial statements.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES**
**For the Fiscal Year Ended December 31, 2014**
**(with comparative totals for 2013)**

| | Operating Fund | Replacement Fund | Property Tax Fund | Totals 2014 | Totals 2013 |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Operating club dues income | $ 6,104,905 | $ - | $ - | $ 6,104,905 | $ 6,074,511 |
| Operating bank income | (984) | - | 33 | (951) | 3,447 |
| Operating interest and late fee income | 85,647 | - | - | 85,647 | 125,356 |
| Reserve for replacement | - | 1,670,035 | - | 1,670,035 | 1,670,031 |
| Reserve interest income | - | 28,927 | - | 28,927 | 38,704 |
| Property tax assessment | - | - | 500,034 | 500,034 | 700,000 |
| Member per diem | 275,504 | - | - | 275,504 | - |
| Other income | 497,845 | (8,578) | - | 489,267 | 10,993 |
| Total revenue | 6,962,917 | 1,690,384 | 500,067 | 9,153,368 | 8,623,042 |
| Expenses: | | | | | |
| Common expenses: | | | | | |
| Accounting | 246,601 | - | - | 246,601 | - |
| Administration | 688,150 | - | - | 688,150 | 1,058,353 |
| Audit fees | 12,490 | - | - | 12,490 | 12,160 |
| Bad debt expenses | 468,013 | - | - | 468,013 | 211,626 |
| Board of directors expenses | 5,748 | - | - | 5,748 | 5,832 |
| Owner services | 699,708 | - | - | 699,708 | 751,544 |
| Master association assessment | 332,164 | - | - | 332,164 | 345,993 |
| Valuation adjustment for foreclosed inventory | 183,163 | - | - | 183,163 | - |
| Florida Division of Land Sales fee | 5,200 | - | - | 5,200 | 5,200 |
| Human resources | 120,447 | - | - | 120,447 | 140,714 |
| Insurance | 233,869 | - | - | 233,869 | 246,761 |
| Income tax expense | 9,073 | - | - | 9,073 | 12,441 |
| Landscaping | 256,833 | - | - | 256,833 | 242,132 |
| Loss prevention | 258,145 | - | - | 258,145 | 261,546 |
| Maintenance and engineering | 196,391 | - | - | 196,391 | 154,996 |
| Management fees | 249,966 | - | - | 249,966 | 396,178 |
| Legal fees | 108,964 | - | - | 108,964 | 53,898 |
| Spa expense and recreation | 202,860 | - | - | 202,860 | 194,715 |
| Trash | 19,533 | - | - | 19,533 | - |
| Total general expenses | 4,297,318 | - | - | 4,297,318 | 4,094,089 |
| Vacation plan expenses: | | | | | |
| Club services and reservations | 184,905 | - | - | 184,905 | 122,567 |
| Electricity | 271,811 | - | - | 271,811 | 174,614 |
| Maintenance and engineering | 589,174 | - | - | 589,174 | 464,987 |
| Gas | 149,906 | - | - | 149,906 | 121,644 |
| Housekeeping | 1,352,931 | - | - | 1,352,931 | 1,083,500 |
| Insurance | 25,928 | - | - | 25,928 | - |
| Management fees | 162,481 | - | - | 162,481 | - |
| Water / sewer | 35,179 | - | - | 35,179 | 91,526 |
| Total vacation expenses | 2,772,315 | - | - | 2,772,315 | 2,058,838 |
| Transition expenses: | | | | | |
| Transition - Timbers traditional expenses | 637,905 | - | - | 637,905 | - |
| Transition - Ritz traditional expenses | 101,800 | - | - | 101,800 | - |
| Total transition expenses | 739,705 | - | - | 739,705 | - |
| Replacement expenses: | | | | | |
| Roof | - | 127,434 | - | 127,434 | 3,894 |
| Cabling system | - | 12,720 | - | 12,720 | - |
| Fixtures | - | 72,858 | - | 72,858 | 201,672 |
| Consulting | - | 65,873 | - | 65,873 | - |
| Exterior building maintenance | - | - | - | - | 9,324 |
| Total replacement expenses | - | 278,885 | - | 278,885 | 214,890 |
| Property tax fund expenses: | | | | | |
| Property taxes | - | - | 396,765 | 396,765 | 507,059 |
| Bank fees | - | - | 2,500 | 2,500 | - |
| Total tax fund expenses | - | - | 399,265 | 399,265 | 507,059 |
| Total expenses | 7,809,338 | 278,885 | 399,265 | 8,487,488 | 6,874,876 |
| Excess (deficiency) of revenue over expenses | (846,421) | 1,411,499 | 100,802 | 665,880 | 1,748,166 |
| Fund balances, beginning of year | (40,468) | 7,279,214 | 938,008 | 8,176,754 | 6,428,588 |
| Fund balances, end of year | $ (886,889) | $ 8,690,713 | $ 1,038,810 | $ 8,842,634 | $ 8,176,754 |

See notes to financial statements.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**
**For the Fiscal Year Ended December 31, 2014**
**(with comparative totals for 2013)**

| | Operating Fund | Replacement Fund | Property Tax Fund | Totals 2014 | Totals 2013 |
|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | |
| Excess (deficiency) of revenues over expenses | $ (846,421) | $ 1,411,499 | $ 100,802 | $ 665,880 | $ 1,748,166 |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities: | | | | | |
| Unrealized (gain) loss on fair value of investments | - | 8,578 | - | 8,578 | (8,225) |
| Changes in operating assets and liabilities: | | | | | |
| Club dues and other receivables | 215,233 | (90,740) | 8,614 | 133,107 | (106,049) |
| Prepaid expenses and deposits | 67,661 | 8,731 | - | 76,392 | (84,255) |
| Foreclosed inventory | (31,755) | - | - | (31,755) | (29,818) |
| Accounts payable and accrued expenses | 183,658 | - | - | 183,658 | 90,576 |
| Decrease in due from Marriott Vacations Worldwide Corporation | (513,354) | - | - | (513,354) | 557,331 |
| Due from Eagle Tree Property Owners' Association, Inc. | 9,287 | - | - | 9,287 | (9,287) |
| Due from Ritz Carlton Management Company, LLC | 51,235 | - | - | 51,235 | (51,235) |
| Due to RBF, LLC | (149,774) | - | - | (149,774) | 149,774 |
| Prepaid unearned maintenance fees | 1,804,229 | (918,336) | (35,855) | 850,038 | 139,664 |
| Change in interfund balances | (776,470) | 849,962 | (73,492) | - | - |
| Net cash provided by operating activities | 13,529 | 1,269,694 | 69 | 1,283,292 | 2,396,642 |
| Cash flows from investing activities: | | | | | |
| Purchases of investments | - | - | - | - | (4,904,000) |
| Proceeds from maturities of investments | 1,225,000 | 243,456 | - | 1,468,456 | 6,872,450 |
| Net cash provided by investing activities | 1,225,000 | 243,456 | - | 1,468,456 | 1,968,450 |
| Net increase in cash and cash equivalents | 1,238,529 | 1,513,150 | 69 | 2,751,748 | 4,365,092 |
| Cash and cash equivalents, beginning of year | 5,678,994 | 3,085,159 | 660,201 | 9,424,354 | 5,059,262 |
| Cash and cash equivalents, end of year | $ 6,917,523 | $ 4,598,309 | $ 660,270 | $12,176,102 | $ 9,424,354 |

See notes to financial statements.

## Note 1 – Organization and Summary of Significant Accounting Policies

Eagle Tree Condominium Owners' Association, Inc. (the Association) was incorporated on September 24, 2001 in the State of Florida. The purpose of the Association is to operate and maintain, on behalf of the owners of Club Homes and/or Club Home Interests, the facilities known as Timbers Jupiter. As of December 31, 2014, there were 382 interests and (354 five-week interests, 28 two and three week interests) and 4 wholly-owned Club Homes. Each owner of a Club Home Interest will own 1/8$^{th}$ fraction for a five week interest, 3/40$^{th}$ for a three week interest and 1/20$^{th}$ for a two-week interest, 21 days each year for a three-week interest and 14 days each year for a two-week interest. The Association's declaration of condominium provides that each Club Home Interest owner has an undivided interest in the common elements of the Association and, accordingly, the condominium assets are not recorded in the financial records of the Association. The Association began operations on November 8, 2003 and was managed under an agreement with Ritz-Carlton Management Company, LLC (RCMC) until September 13, 2014. As of September 13, 2014, the Association is doing business as Timbers Jupiter and is managed under an agreement with Timbers Resorts Management (Timbers).

On December 4, 2012, a subsidiary of Marriott Vacations Worldwide Corporation completed the sale of the golf course, clubhouse and spa formerly known as The Ritz-Carlton Golf Club and Spa, Jupiter to Jupiter Golf Club, LLC. The residential and fractional ownership components at the property, which were not included in the transaction, were known as The Ritz-Carlton Club and Residences, Jupiter until September 13, 2014. Subsequently, the wholly-owned residences in the Property Owners Association are managed by Jupiter Golf Club, LLC, and the Club Homes are managed by Timbers.

The Association's significant accounting policies used in preparing the financial statements follow:

Basis of presentation

The financial statements of the Association have been prepared using the accrual basis of accounting.

Fund accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the Replacement Fund may be made only for purchases and maintenance of common property.

Operating fund

The Association's fee and earnings from operations, which are restricted for the use and benefit of Association members, are recorded in the Operating Fund.

Property tax fund

The Association established a fund for the accumulation of funds and the payments of assessed property taxes on the facility. Accumulated funds are held in separate savings accounts and generally are not available for normal operations.

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Reserve for replacement fund

The Association accumulates funds for future major repairs and replacements which are held in separate savings accounts and generally are not available for normal operations.

The Association's Board (the Board) contracts with a third party to conduct on-going studies to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements is based on these studies.

The Board funds for major repairs and replacements based on the components' estimated remaining useful lives, estimates of current replacement costs, and considering amounts previously accumulated in the Reserve for Replacement Fund. Accordingly, the funding requirement of $1,670,031 has been included in the fiscal year 2014 budget.

Funds are being accumulated in the Reserve for Replacement Fund based on estimates of future needs for repairs and replacement of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Reserve for 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.

Real and commonly-owned assets

The Association's policy for recognizing common property as assets on its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Accordingly, real and common area property acquired from the Developer is not capitalized in the Association's financial statements as it is owned by the individual owners in common and not the Association. As a result, improvements made to the real property and common areas are not capitalized, but accounted for as expenses in the Reserve for Replacement Fund.

Cash and cash equivalents

The Association considers money in checking accounts and money market funds and short-term investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

The Association places its cash and cash equivalents and certificates of deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides for deposit at FDIC insured institutions to be insured up to $250,000. The Association has not incurred any losses on such accounts.

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Investments

Investments consist of federally-insured certificates of deposit which are carried at amortized cost, as the Association has both the intent and ability to hold them until maturity. The Association's certificates of deposit are held in FDIC insured institutions, with balances under the insured limit.

In addition, certain investments held by the Association consist of equity-linked certificates of deposit which are principal protected structured products. These investments are bank issued certificates of deposit that are insured by the FDIC up to $250,000 per certificate of deposit. At maturity, the Association will receive the principal plus a "supplemental payment" or minimum interest, if any, that is based on the performance of an underlying index or market measure.

Equity-linked certificates of deposit are accounted for under the fair value option at the end of each period with unrealized gains (losses) shown as a component of revenues. The fair value option selected by the Association is considered to provide a more transparent presentation to users of the accompanying balance sheets.

Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The authoritative guidance describes a fair value hierarchy based on three levels of input, of which the first two are considered observable and the last is considered unobservable, that may be used to measure fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Association's fair value measurement for the equity-linked certificates of deposit is considered to be level 2 input.

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Concentrations of credit risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments.

In an effort to fulfill their fiduciary responsibility to protect and maintain assets for the Association, the Board has implemented a formal investment policy statement in reference to all cash, cash equivalents and investable funds for the reserve for replacement, operating and property tax funds. The investment policy statement stipulates all funds shall be invested in federally insured or guaranteed vehicles with no risk to principal as long as these investments are held to maturity.

Since the Board has incorporated an analysis to identify the use of these funds at specific times; and the investments are structured with maturity dates to coincide with these anticipated expenditures; not withstanding emergencies not under the control of the Board, the Association is able to, and has the ability to, hold these investments to their stated maturity dates.

Club dues receivable

Club dues receivable are carried at the original charges amount less an estimate for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying trouble accounts and using historical experience applied to an aging of accounts. Club dues are written off when deemed uncollectable. Recoveries of club dues receivable previously written off are recorded when received.

A club dues receivable is considered to be past due if not paid by the statement due date. An administrative late fee and interest is charged on club dues receivable that are outstanding for more than 30 days and is recognized as it is charged.

Unearned maintenance fees

Club dues for all Club Home Interests and wholly-owned club homes are receivables as of the beginning of each fiscal year. Unearned club dues represent prepayment of the next year's club dues. The fees for the Club Home Interest and wholly-owned club homes for the current year's dues and assessments are classified as revenue.

Revenue recognition

Operating club dues, property tax and reserve for replacement assessments are recognized as revenue on a pro rata basis over the period covered by the billing. All other revenues are recognized when earned.

Foreclosed inventory

From time to time, the Association acquires inventory previously sold to an owner for unit week interests which hold no mortgage, but for which the owner is delinquent in their payment of assessments on that unit week interest. The inventory acquired is stated at the lower of cost or market.

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Income taxes

For federal income tax purposes, the Association has the option of being treated as a regular corporation or as a homeowners' association under Section 528 of the Internal Revenue Code. For regular income tax purposes, assessments for major repairs and replacements are treated as non-taxable capital contributions. Under Section 528, income from all assessments required to be paid by unit owners is exempt from taxation. Non-exempt income, such as interest earned, is taxed at a rate of 32%.

If the Association elects to be taxed under Section 528, it is subject to tax at regular corporate rates. This choice is made on an annual basis and the Association elected to file as a homeowners' association for 2014 and 2013.

The Association did not identify any tax positions for which it believes it is reasonably possible that the total amounts of any unrecognized taxes will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2014 or 2013. The Association is no longer subject to income tax examinations for years prior to 2011.

Management estimates

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

Cost allocation method

Eagle Tree Condominium Owners' Association, Inc. (the Master Condo Association) was established to maintain the common grounds of the project. Common expenses are paid by the Master Condo Association and charged to the Association each period based upon the budgeted calculation in accordance with the Master Association declaration.

In addition, the Club also pays certain common expenses associated with the entire property. These common expenses are considered shared costs between the Association, single family villas, single family estates and single family residences. The shared costs consist of costs for concierge operations, utilities, engineering and housekeeping. These costs are allocated based on one of several allocation methods such as square footage, number of units or lots, depending on the department that costs pertain to. Certain separate costs are billed directly to the Association since these expenses are tracked separately.

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Comparative summarized financial information for 2013

Comparative summarized financial information as of January 3, 2014 and the fiscal year then ended is presented, in total, as 2013 information in the accompanying financial statements.

Reclassifications

Certain amounts appearing in the 2013 financial statements have been reclassified to conform to the presentation in 2014 with no effect on the excess of revenues over expenses or fund balances.

**Note 2 – Investments**

Investments are classified as following as of December 31, 2014:

| | Amortized Cost | Fair Market Value |
|---|---|---|
| Equity-linked certificates of deposit | $ 500,000 | $ 516,838 |
| Other certificates of deposit (held to maturity) | 3,675,000 | 3,648,353 |
| | $ 4,175,000 | $ 4,165,191 |

Investments in the accompanying balance sheets are the sum of the fair market value of the equity-linked certificates of deposit and the amortized cost of other certificates of deposit.

For the fiscal year ended December 31, 2014, the equity-linked certificates of deposit had unrealized losses of $(8,578) which is included in the accompanying statement of revenues, expenses and changes in fund balance – Reserve for Replacement Fund.

**Note 3 – Line of Credit**

The Association has a working capital line of credit with a financial institution which allows for borrowings based on eligible certificates of deposit which approximated $3,120,000 at December 31, 2014. The line of credit bears interest at 3.25% based on assets under management by the financial institution. There were no borrowings outstanding as of December 31, 2014.

**Note 4 – Income Taxes**

Income tax expense for 2014 consisted of current federal income taxes. The difference between income tax expense and the provision calculated by applying the statutory federal rate to the excess of revenue over expenses, primarily relates to the exclusion of exempt function income.

Pursuant to the applicable Florida Statutes, the total income tax expense is reported in the Operating Fund, regardless of the fund in which the income was recorded.

## Note 5 – Management Agreements

Timber Resorts Management agreement

The Association has a management agreement with Timbers (Timbers Agreement) which provides management services beginning September 13, 2014 and expiring September 2017 when the Timbers Agreement automatically extends for an additional three years through 2020. The Timbers Agreement includes all management services not assumed by the Association's Board of Directors. For the fiscal year ended December 31, 2014, the cost under the Timbers Agreement totaled $131,000.The Timbers Agreement annual cost through 2017 will approximate $450,000 or 8% of all Association expenses estimated in the Budget of agreed-upon budget years. The Timbers agreement also includes an incentive fee in addition to the base management fee equal to 10% of the cost of savings in any major line-item as categorized in the 2015 budget. The incentive fee will be agreed upon by the Board of Directors after expense items for payment is requested, provided for and approved by the Board.

RCMC agreement

The Association had a management agreement with RCMC which provided management services through September 13, 2014. As compensation for its services, RCMC received a fee of $249,966 during 2014 for services provided through the termination date.

## Note 6 – Eagle Tree Property Owners' Association, Inc. Assessment

A portion of the operating fund maintenance fees received by the Association is remitted to a related master association which is responsible for maintaining all of the common property within the boundaries of the master association, except for those obligations of the Association. The Association's share of the Eagle Tree Property Owners' Association, Inc. dues was $332,164 for the fiscal year ended December 31, 2014, which is included in the accompanying statement of revenue, expenses and changes in fund balance.

## Note 7 – Other Related Party Transactions

Through September 13, 2014, certain services, including off-site accounting and administration were provided by RCMC and allocated to the Association based on the number of Club Home Interests, as a percentage of total residence interests, the respective service covers. Through September 13, 2014, Marriott Vacation Worldwide Corporation paid all invoices on behalf of the Association for which the Association reimbursed Marriott Vacations Worldwide Corporation.

**Note 8 – Reserve for Replacement Fund**

Changes in the components of the reserve for replacements fund balance for the fiscal year ended December 31, 2014 follow:

| | Components of Fund Balance as of January 4, 2014 | Revenues and Transfers | Expenses | Components of Fund Balance as of December 31, 2014 |
|---|---|---|---|---|
| Roof | $ 296,875 | $ 59,927 | $ 127,434 | $ 229,368 |
| Furniture and fixtures | 5,928,071 | 1,521,942 | 85,578 | 7,364,435 |
| Building painting | 414,918 | 12,290 | - | 427,208 |
| External building maintenance | 517,757 | 14,932 | - | 532,689 |
| Pavement resurfacing | 121,593 | 15,420 | - | 137,013 |
| Consulting | - | 65,873 | 65,873 | - |
| | $ 7,279,214 | $ 1,690,384 | $ 278,885 | $ 8,690,713 |

**Note 9 – Subsequent Events**

The Association evaluated events occurring subsequent to December 31, 2014 through May 15, 2015, the date on which the financial statements were available to be issued, for matters that should be recorded in the financial statements or disclosed in the footnotes thereto.

# SUPPLEMENTARY INFORMATION

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS December 31, 2014 (UNAUDITED)**

The Board of Directors authorized a study dated April 16, 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from a reserve specialist together with more current replacement cost information as provided by management. The following table summarizes the estimated remaining useful lives and estimated current replacement costs of common property together with the 2015 budgeted funding requirement.

| Components | Estimated Remaining Useful Lives (Years) | Estimated Current Replacement Costs | 2015 Budgeted Funding | Replacement Fund Balance at December 31, 2014 |
|---|---|---|---|---|
| Roof | 17 | $ 2,114,080 | | |
| Furniture and fixtures | 10 - 20 | 16,300,795 | | |
| Painting and restoration | 1 | 463,690 | | |
| Building maintenance | 8 | 869,710 | | |
| Pavement resurfacing | 11 | 469,600 | | |
| Commonarea maintenance | 4 | 15,792 | | |
| Pooled reserve | n/a | | $ 482,971 | $ 8,690,713 |
| | | $ 20,233,667 | $ 482,971 | $ 8,690,713 |