



General Manager's Message

With the guidance and leadership from your Board of Directors, Grand Pacific Resorts has implemented many wonderful upgrades and additions to the property over the past year. Listed below are just some of the exciting new additions:

- **So many golfing options!** At one time Owners at Mountain Retreat were afforded the opportunity to play golf at the beautiful Sequoia Woods Country Club located directly across the street from the resort. In recent history, this wonderful amenity was not available. However, we are excited to announce the relationship has been reborn and Owners at Mountain Retreat now have the opportunity to golf at Sequoia Woods. In addition, agreements with Meadowmont Golf Facility and Forest Meadows have been established as well. So now we have some great golfing options for all skill levels. For more information and to book a tee time, please come down to the front desk during your next visit to inquire about this great benefit!

- **Combine business and play!** The Clubhouse 3rd floor has been upgraded with the introduction of a **brand new business center.**

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President's Message

Dear Mountain Retreat Owners:

I am confident you will find our first newsletter informative and full of good news! I encourage you to read ALL the articles, as you may be surprised to learn about the many new developments at Mountain Retreat. Over the past months, your Board of Directors and the Grand Pacific Resort Management staff have worked as a team to enhance the vacation experience for all Owners and Guests. We have listened to your comments and suggestions, and are endeavoring to implement many of your ideas. We have also evaluated contracts the resort has maintained over a long period, and in some cases found more efficient or cost-effective ways to provide services to owners. Most notably, our new golf package and fitness center have enhanced recreational activities, while staying within budget guidelines. We have made financial responsibility and accountability the basis for all of our decisions.

As the board and management staff continue to work together, it is our goal to assist Owners and their families in having enjoyable vacations that will generate good memories in the coming years. If you have used your Mountain Retreat ownership primarily as an exchange, and have not been to the resort in awhile, I encourage you to come back to your resort. You will find new amenities for every member of the family. Recently, an Owner told me "Mountain Retreat has a great, new vibe." I can feel and see this as I walk the grounds and visit with Owners and Guests. Come see what has been done. I know you will be pleased.

Ellen Case, President



Grand Pacific Resorts is Proud to Welcome Mountain Retreat to its Family of Resorts

Grand Pacific Resorts is one of the largest and oldest vacation Ownership companies based in Southern California. Grand Pacific and its affiliates have developed and managed fifteen (15) vacation Ownership resorts and hotels comprising over 1,000 total condo units and hotel rooms, and have earned a reputation as a stable, successful and innovative organization with a strong commitment to excellence in

(Continued on page 3)



General Manager's Message (Continued from page 1)

When it's time to take care of business, Owners now have access to computers with Internet, fax machines, scanners and a copier.

- One of the more peaceful activities here in the mountains is cozying up to a nice fire with a cup of hot chocolate and a good book. **The 3rd floor also has a great library** so you can borrow a book during your visit. In fact, you can help add to the collection by donating any unwanted books, magazines or DVDs.
- Join the Fitness Revolution! You no longer have to feel guilty for attending our very popular Tuesday night ice cream socials. Mountain Retreat has **a brand new fitness facility** up and running! The spacious gym, located in the Clubhouse has been fitted with cardio equipment such as treadmills and exercise bikes, free weights as well as weight machines for any skill level. We also installed a flat screen TV above the cardio equipment to help get you through your workouts and a brand new rubber floor made of recycled tires to help protect the wooden flooring. There is something for everyone and we invite you to try out the new fitness facility during your next visit.
- Activate the fun! The **2nd floor of the Clubhouse is now an area for the entire family** to come and enjoy some great new activities. Challenge the grandchildren to a game of ping pong, show your mental strength in a round of scrabble or enjoy a match of world-cup foosball, all in the comfort of the clubhouse. These, and many other great games and activities, are now available to help bring the family together for game night and build some great memories.
- Surfing in the mountains? Grand Pacific Resorts is headquartered in sunny Southern California along a coastline littered with beautiful sandy beaches. Surfing is a tradition down south and something we wanted to bring to the mountains. Management is thrilled to announce you can now **enjoy wireless Internet** surfing from the comfort of your cabin!
- **Television with style!** Relax and truly enjoy a great viewing

experience now at Mountain Retreat. Management has just finished installing new 42' flat screen televisions in all of the family rooms. The news gets even better; we now have **high-quality satellite coverage with over 100 channels** to choose from for your viewing pleasure. So sit back, relax and enjoy a great show on a brand new flat screen TV!

- **Make it a Silver Summer!** In the past, those who own a Silver week were unable to stay at Mountain Retreat in the summer. Now, depending upon availability, and for a \$150 upgrade fee, Silver Owners can reserve during summer time. Nothing changes for Gold Season Owners as they still have a priority booking window to confirm their summer reservations. During this priority window, Silver Owners are NOT allowed to make Gold Season reservations. Once the Gold Season Owners have finished booking and the priority window closes, any unbooked space will be made available to Silver Owners. Reservations are dependent upon availability and summer booking for Silver Season Owners starts in the current use year. Please call the resort for more information and to make a summer reservation.
- **Join the Owner Network!** The Homeowners Association now has inventory available for Owners to purchase at discount pricing. Owner Network pricing is extremely affordable and a vacation week makes a great gift for a friend or family member. Please call Michael Schneider at 209-795-4447 for more information and to get in line for this great opportunity!
- Generate some security! As you all know, the winters in Mountain Retreat can bring many surprises, including heavy snowfall, winds and stormy conditions. Occasionally, due to uncontrollable circumstances, the resort and surrounding areas experience power failures. Now, when Mother Nature calls and the lights go out, come to the Clubhouse to find comfort. **Management has equipped the Clubhouse with two generators** to power limited lighting, office equipment and, of course, the hot chocolate and coffee makers. You can also pick up some firewood offered complimentary during power outages.



Grand Pacific Resorts is Proud to Welcome Mountain Retreat to its Family of Resorts

(Continued from page 1)

the hospitality industry, particularly in the California marketplace. Headquartered in Carlsbad, California, Grand Pacific Resorts is owned by Timothy J. Stripe and David S. Brown, who have each been in the vacation Ownership industry for more than twenty years. Grand Pacific Resorts has a team of professionals dedicated to the success of Mountain Retreat.

Nigel Lobo, Vice President, has the overall leadership of Resort Operations at Grand Pacific Resorts, including Inventory Management, Owner Services and HOA Support, as well as Resort Maintenance, Design and Purchasing and New Business Development. Mr. Lobo is responsible for building and retaining a strong management team to maintain Grand Pacific Standards of Excellence across all resorts.

Jay Anderson, Regional Director, joined Grand Pacific Resort Management in March of 1999. He has Operations Oversight for

Mountain Retreat and other resorts within the portfolio. Jay has almost 20 years of experience in the hospitality sector.

Michael Schneider, General Manager, has been with Grand Pacific Resorts for four years and is thrilled to be your General Manager. He began his career with Grand Pacific Resorts as the Front Office Manager of Carlsbad Seapointe Resort before moving on to manage the lovely Coronado Beach Resort in Coronado, California where he remained until moving up to Mountain Retreat. Michael was born and raised in New York City and moved out to Southern California in 2006. Michael is no stranger to living in the mountains as he lived two years in the Colorado Rockies after college. He received a Bachelor of Arts Degree in Hospitality Management from Providence College and has over 10 years experience in the hospitality industry. He enjoys skiing, mountain biking, fishing, hiking and rooting for his New York sports teams!

Mountain Retreat Board Meeting Highlights

February 9th 2011

President Ellen Case called the meeting to order at 3:35pm. All Board members and Resort Management were in attendance. Lois Sklar took the minutes.

Matthew Swain, with Association Reserves and CPA Gary Porter, with Porter and Associates, were in attendance for brief periods to present on their companies.

The following actions took place:

- The Board approved the minutes of the October 14, 2010 Board of Directors' Meeting.
- An overview of front desk operations, housekeeping, maintenance, administration and fiscal performance was presented.
- The Board directed Management to increase the Fidelity Bond to \$505,000.
- The Board approved Porter and Associates to conduct the 2010 audit for \$5,250
- The Board authorized up to \$2,500 to gather further information from the prior three years based on a determination by the auditor.

(Continued on page 6)



Do We Have Your Current Email Address?

What is the fastest way of communicating with each other in this day and age? Email. Grand Pacific Resorts Management needs your email address; in fact you may have already received a call from resort staff asking for yours. We'd love to be able to contact you instantly with exciting news about your resort, our yearly Owner Survey, special offers and newsletters. Not only is email an excellent way for you to stay in touch with the resort staff regarding your reservations and with questions about availability, it also saves you and the association money in telephone and postage expenses.

Please take the time to call **760-342-1485** or simply email **MSchneider@gpresorts.com** to let us know your email address.

Exchange Tips From Owner Services



As an Owner at Mountain Retreat, one of your use options is to exchange your week with the exchange company of your choice. This allows you to access a wide variety of exciting vacation destinations!

If exchanging your week at Mountain Retreat is part of your vacation plans, here are some quick, easy steps to get you started:

- Secure your week at your Home Resort.



- Each exchange company has different rules outlining the timeline in which you can deposit your week and the cutoff date that they will accept deposits. If you are unsure of your ownership type and the timeline for exchange, we will be happy to guide you through that process. You can contact Owner Services for more information.

- You can contact the exchange company of your choice to deposit your week either by phone or on line.

Don't forget that planning your vacation can be as much fun as getting there! Here are some general tips to think about:



- Focus on the vacation experience as well as the destination when exchanging. Think "what" before "where." With so many resorts in so many places and units and destinations not always available at all times, think about activities and experiences you would enjoy during your vacation.
- Take advantage of your vacation exchange representatives to assist you in finding the perfect destination.
- Advance planning pays off. Place your request as far as possible in advance of the dates you want to travel to maximize your chances of securing the vacation of your dreams.
- Be as flexible as possible when requesting travel dates and resort locations. Listing several options enhances your chance for a quick confirmation.
- Consider a trip in the off-season or visit a lesser known destination that offers a similar vacation experience.



- Remember that resorts may have more small units than large ones. If you are willing to accept a unit that accommodates the number of people traveling, regardless of the size of the unit you are relinquishing, you enhance your exchange opportunities.

For questions or help with your exchange, here is the contact information for our most popular exchange companies:

RCI: 800-743-3305 / www.rci.com

GPX (Grand Pacific Exchange): 866-325-6295 / www.gpxvacations.com

And don't forget, if you have any questions regarding your ownership or the exchange process, your Grand Pacific Resorts Owner Services staff is always here to help at 888-477-6967.



Have You Moved Recently?

Don't forget to notify us with your new address and contact information! Call Owner Services at 888-477-6967 or log on to www.grandpacificresorts.com/owners/address.aspx

Mountain Retreat Adopts Convenient Annual Payment Policy

Many Owners have expressed a desire to pay their annual assessment in one convenient payment instead of in installments. We listened, and instituted an annual billing program to better address this need.

Effective in the next annual billing, scheduled to mail in the fall, you can now conveniently pay your annual fees in one payment due January 1. Keep in mind; you still have the option of an installment plan for an additional small fee.

Now you have the convenience of one payment or the option of an installment plan... the decision is up to you!



Vacation Ownership RCI Weeks 101 Class

Brought to you by Owner Services and RCI

Come and learn how to make the most of your ownership at your home resort. These complimentary classes fill up quickly and reservations are required. Please call Owner Services at 888-477-6967 to reserve your attendance and verify date, place and times.

RCI Weeks 101 Class Schedule

No Classes in July, August 13th
September 17th, October 8th

*All classes are on a Saturday
and start at 10am.*



Banking Too Many Weeks? Try Renting!

Use your existing banked weeks to find your dream vacation and consider renting your future weeks through the GPR Owner Rental Department.

Rental Program Benefits:

- No upfront fees.
- Receive payment two weeks after your checkout date.
- Set it and forget it! Opt-in to have your week banked with GPX if it doesn't rent. Exchange your week later for only \$99!

Listing your week for rent is easy! Simply confirm your reservation dates and submit a rental agreement online. We'll do the rest.

Visit www.gpresorts.com/rentmyweek for details or call **800-831-3027** to speak to an agent today.

Try Bonus Time... For Business Travel

Congratulations Ashley Yoder, Our Business Travel Ambassador and recipient of a Free 7 Night Vacation!

For Ashley Yoder, ResorTime.com's **Bonus Time Network**® Reservation Center has expanded her benefits of timeshare ownership well beyond luxury vacations.

Using the **Bonus Time Network** Reservation Center for all her business travel, Ashley has saved thousands of dollars staying in centrally located, amenity-rich timeshare properties. Who knew that timeshare rentals would be such an ideal and convenient way to eat in, sprawl out and unwind at the end of a long business day?

Ashley has been traveling on business so much she hasn't taken a real vacation in 10 years! Find us at [facebook.com/ResorTime](https://www.facebook.com/ResorTime) to share your favorite vacation idea for Ashley. If Ashley selects your vacation idea, you too will **WIN A FREE 7 NIGHT VACATION!**

32 Business Trips in 2010 Alone!

MEMBER: Ms. Ashley Yoder
 LOCATED IN: Burbank, CA
 OWNS AT: Grand Pacific Palisades
 LOYAL MEMBER SINCE: 2009
 USES THE BONUS TIME NETWORK RESERVATION CENTER FOR: Business Travel

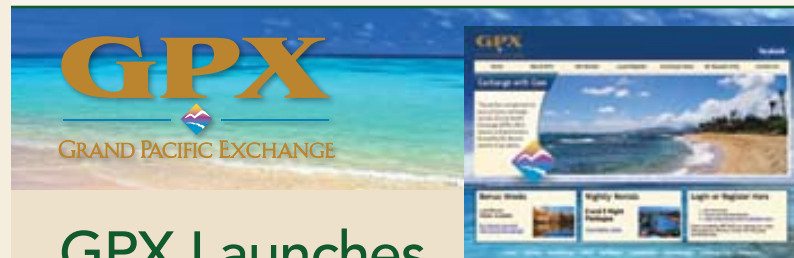
"I always deal directly with Ruth in the GPR Bonus Time Network Reservation Center...Whether I'm going to Vegas or Chicago, ResorTime.com is always there to book the best in business travel!"

Friend us on Facebook, and be first in line for our latest contests, promotions and giveaways. Or become one of our Bonus Time Ambassadors by sharing your travel advice and experience with others!

2 WAYS TO BOOK Nightly Bonus Time Rentals

1. Online: www.ResorTime.com/GPR
2. Call: **877-879-6805**

Bonus Time Network is a registered service mark of ResorTime.com L.P., a California limited liability partnership.



GPX Launches New Interactive Website

On March 2, 2011 GPX launched a brand new interactive website! EXCLUSIVE to GPR Owners, this site allows them to deposit, search and exchange 24/7, all online.

Meet Our First Owner to Exchange Using GPX's New Interactive Website!

OWNER: Gary Copeland
 LOCATED IN: Tucson, AZ
 OWNS AT: Mountain Retreat (2 weeks)
 GPX MEMBER SINCE: March 2011
 USES GPX FOR: Timeshare Exchanges

"I found the GPX website easy and painless, user friendly and very straightforward. The menu-driven search feature allowed me to narrow down my destination and travel dates. I appreciate the fact that GPX does not charge membership fees."

3 EASY STEPS

To Register Your Ownership TODAY!

1. Visit www.gpxvacations.com/login.html
2. Complete your Free Registration
3. Receive your user name and password and start searching!

For Assistance call 866-325-6295

Hours: Mon-Fri: 8am-6pm/Sat: 8am-4pm

Board Meeting Highlights

May 27th 2011

President Ellen Case called the meeting to order at 1:20pm. All Board members and Resort Management were in attendance. Hayley Hughes took the minutes.

The following actions took place:

- The Board approved the minutes of the February 9, 2011 Board of Directors' Meeting.
- An overview of front desk operations, housekeeping, maintenance, administration and fiscal performance was presented.
- The Board received an overview of the general liability (property/casualty), Umbrella (excess liability), Directors and Officers, Fidelity, Employment Practices Liability and Workers' Compensation policy renewals.
- The Board approved a structural engineer to evaluate two buildings.
- The Board approved moving ahead with

the foreclosure of the recommended 28 delinquent weeks.

- The Board approved a Broker Agreement to resell HOA inventory.
- The Board approved implementing the Golf Standard Operating Procedures.
- The Board approved renewing the Management Contract with Grand Pacific Resort Services for a three-year term.
- The meeting adjourned at 4pm.

Confirmation of Meeting Dates

September 24, 2011

9am, Regular Meeting, Sequoia Woods

September 24, 2011

1pm Annual Meeting, Sequoia Woods

Wednesday, December 14, 2011

3:30pm (teleconference)

Wednesday, February 8, 2012

3:30pm (teleconference)

Note: Owners are welcome to attend any regular Board meeting. Board meeting agendas are posted at the resort four days prior to the meeting. If you would like a copy of the final agenda for any Board meeting mailed to you, please contact your Resort Manager prior to the meeting. Since meeting times and location are subject to change, please contact your Resort Manager in advance to reconfirm the exact time and location. If you wish to have a copy of the Minutes for your records, please send your request along with a (\$.63) stamped self-addressed envelope to Grand Pacific Resort Services, L.P., 5900 Pasteur Court, Suite 200, Carlsbad, CA 92008, Attn: Lois Sklar.

Mountain Retreat Timeshare Estates

936 Cypress Point Dr.
P.O. Box F, Arnold, CA 95223
209-795-4447
www.mtretreat.com

Owner Services

5900 Pasteur Ct., Ste. 200
Carlsbad, CA 92008
888-477-6967

**International Owners 760-827-4100*

Grand Pacific Resort Management

5900 Pasteur Ct., Ste. 200
Carlsbad, CA 92008
760-431-8500

Assessment, Billing & Collection

800-234-6222

ResorTime.com

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Network Reservation Center
877-879-6805
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MOUNTAIN RETREAT
HOME OWNERS ASSOCIATION





MOUNTAIN RETREAT
· HOME OWNERS ASSOCIATION ·

Board of Directors NOMINATION

Below is the information your Board of Directors needs to place your name in nomination for the Board Member Election. Please include your background information and the reason you wish to serve on the Board of Directors. The space available on the meeting notice is limited, so **DO NOT SEND A RESUME**. Please try to limit your input to the space provided on this form. If you need more space, you may attach an additional page to this form.

*In order to ensure your name is placed in nomination and appears on the proxy for consideration by your fellow members, this nomination form must be postmarked **NO LATER THAN July 27th, 2011** (Certified, return receipt requested)*

Name: _____ Home Phone: () _____

Address: _____ City: _____ State: _____ Zip: _____

Education: _____

Qualifying Experience: _____

Objectives: _____

Please fill out and fold this form as indicated, affix postage and postmarked by July 27th, 2011.

FOLD HERE

FOLD HERE

PLACE
POSTAGE
HERE

Vice President of Resort Operations
PO Box 4403
Carlsbad, California 92018-9986



MOUNTAIN RETREAT

· HOME OWNERS ASSOCIATION ·

936 Cypress Point Dr., Arnold, CA 95223

Audit Report Financial Statements and Supplemental Information

December 31, 2010

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PORTER & COMPANY

Certified Public Accountant

Independent Auditor's Report

**Board of Directors and Members
Mountain Retreat Homeowners Association
Carlsbad, CA**

I have audited the accompanying balance sheet of Mountain Retreat Homeowners Association as of December 31, 2010 and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Mountain Retreat Homeowners Association as of December 31, 2010 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.

Accounting principles generally accepted in the United States of America require that the supplementary information regarding replacement fund balances 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 American Institute of Certified Public Accountants who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I 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.

The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Operating Expenses on page 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Porter & Company

June 14, 2011



MOUNTAIN RETREAT
• HOME OWNERS ASSOCIATION •

Balance Sheet

As of December 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
ASSETS			
Cash	\$ 74,535	\$ 264,630	\$ 339,165
Assessments Receivable	824,801	111,922	936,723
Prepaid Insurance	24,154	-	24,154
Prepaid Income Taxes	3,954	-	3,954
Property and Equipment, Net of Accumulated Depreciation of \$139,631	44,260	-	44,260
Other Assets	4,069	-	4,069
Due To / From Other Fund	(13,293)	13,293	-
Total Assets	<u>\$ 962,480</u>	<u>\$ 389,845</u>	<u>\$ 1,352,325</u>
LIABILITIES and FUND BALANCES			
Accounts Payable	\$ 64,535	\$ -	\$ 64,535
Deferred Assessments	918,245	125,215	1,043,460
Accrued Payroll and Related Items	7,460	-	7,460
Intercompany Payables	44,655	-	44,655
Lease Payable	34,145	-	34,145
Other Liabilities	6,247	-	6,247
Total Liabilities	1,075,287	125,215	1,200,502
Fund Balances	(112,807)	264,630	151,823
Total Liabilities and Fund Balances	<u>\$ 962,480</u>	<u>\$ 389,845</u>	<u>\$ 1,352,325</u>



MOUNTAIN RETREAT
• HOME OWNERS ASSOCIATION •

**Statement of Revenues and Expenses
and Changes in Fund Balances**
For the Year Ended December 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
REVENUES			
Assessments	\$ 968,460	\$ 74,800	\$1,043,260
Interest Income	-	3,134	3,134
Other Income	46,836	-	46,836
Total Revenues	<u>1,015,296</u>	<u>77,934</u>	<u>1,093,230</u>
EXPENSES			
Front Office	168,030	-	168,030
Housekeeping	209,342	-	209,342
Owner Relations and Guest Activities	17,538	-	17,538
Administrative Services	328,500	-	328,500
Repairs and Maintenance	190,912	-	190,912
Telephone and Utilities	187,272	-	187,272
Fixed Expenses	127,166	-	127,166
Landscaping	2,478	-	2,478
Sales & Advertising	1,381	-	1,381
Major Repairs and Replacements	-	53,896	53,896
Total Expenses	<u>1,232,619</u>	<u>53,896</u>	<u>1,286,515</u>
Excess (Deficiency) of Revenues Over Expenses	<u>(217,323)</u>	<u>24,038</u>	<u>(193,285)</u>
Fund Balance (Deficit), Beginning of Year	(141,210)	632,622	491,412
Prior Period Adjustment	(146,304)	-	(146,304)
Fund Balance (Deficit), Beginning of Year Restated	(287,514)	632,622	345,108
Interfund Transfers	392,030	(392,030)	-
Fund Balance (Deficit), End of Year	<u>\$ (112,807)</u>	<u>\$ 264,630</u>	<u>\$ 151,823</u>



MOUNTAIN RETREAT
 • HOME OWNERS ASSOCIATION •

Statement of Cash Flows
 For the Year Ended December 31, 2010

	Operating Fund	Replacement Fund	Total Funds
<u>Cash Flows From Operating Activities:</u>			
Excess (Deficiency) of Revenues			
Over Expenses	\$ (217,323)	\$ 24,038	\$ (193,285)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Bad Debts	186,968	-	186,968
Depreciation	15,913	-	15,913
<u>Change in Assets and Liabilities:</u>			
<i>Change in Assessments Receivable</i>	(959,071)	(111,922)	(1,070,993)
<i>Change in Prepaid Insurance</i>	(183)	-	(183)
<i>Change in Prepaid Income Taxes</i>	(3,954)	-	(3,954)
<i>Change in Other Assets</i>	(4,069)	-	(4,069)
<i>Change in Accounts Payable</i>	45,357	-	45,357
<i>Change in Deferred Assessments</i>	918,245	125,215	1,043,460
<i>Change in Accrued Payroll and Related Items</i>	(1,156)	-	(1,156)
<i>Change in Interfund Payables</i>	(52,077)	-	(52,077)
<i>Change in Other Liabilities</i>	6,247	-	6,247
Total Adjustments	145,973	13,293	159,266
Cash Provided (Used) By Operations	(71,350)	37,331	(34,019)
<u>Cash Flows from Investing Activities:</u>			
<i>Change in Investments</i>	-	300,000	300,000
<i>(Purchase)/Disposal of Fixed Assets</i>	152,479	-	152,479
<i>Net Borrowing Between Funds</i>	(256,046)	256,046	-
<i>Prior Period Adjustment</i>	(146,304)	-	(146,304)
Cash Provided (Used) By Investing Activities	(249,871)	556,046	306,175
Cash Flows from Financing Activities:			
<i>Payments on Lease Payable</i>	(9,528)	-	(9,528)
<i>Net Transfers Between Funds</i>	392,030	(392,030)	-
Cash Provided (Used) By Financing Activities	382,502	(392,030)	(9,528)
Net Increase In Cash	61,281	201,347	262,628
Cash, Beginning of Year	13,254	63,283	76,537
Cash, End of Year	\$ 74,535	\$ 264,630	\$ 339,165
<u>Supplemental Information:</u>			
Cash Paid for Income Taxes	\$ 3,295	-	\$ 3,295
Cash Paid for Interest	\$ 1,259	-	\$ 1,259

Notes to the Financial Statements

For the Year Ended December 31, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Organizational Data

Mountain Retreat Homeowners Association, Inc. (the Association) was incorporated on April 22, 1982 as a California mutual benefit corporation with the specific and primary purpose of promoting the interests and welfare of the owners of vacation intervals situated in the project known as Mountain Retreat Homeowners Association in Arnold, California. The Association is comprised of 31 condominium units, or 1,581 timeshare intervals.

The Association's by-laws state that each vacation interval owner is subject to basic, special and personal charge assessments by the Association.

Accounting Method

The Association maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned and expenses are recognized when incurred, whether paid or not.

Fund Accounting

The Association has segregated its activities into two funds; the operating fund, and the replacement fund. The operating fund accounts for all current operating transactions of the Association. The replacement fund accounts for member capital contributions, which are accumulated in separate bank accounts to provide for the future repair and replacement of the Association's common areas.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with financial institutions, and investments with original maturities of three months or less.

Assessments Receivable

Assessments receivable at December 31, 2010 consist principally of advance assessment billings for the year ending December 31, 2011. Accordingly, an allowance for doubtful accounts has not been established as of December 31, 2010.

For the year ended December 31, 2010, each vacation membership owner was assessed \$660, inclusive of the replacement fund assessment.

Property, Equipment and Depreciation

Real property common areas acquired by the original vacation interval owners from the developer, and replacements and improvements thereto, are not capitalized on the Association financial statements as they are owned by the individual owners and not the Association.

It is the Association's policy that personal property, exclusive of unit furniture, is capitalized at cost and depreciated over the estimated useful lives of the items purchased, using the straight line method of depreciation. Property & Equipment capitalized on the Association financial statements at December 31, 2010 consists of vehicles and equipment as shown to the right.

Common areas are restricted to use by Association members, their tenants, and guests. The Association is responsible for the preservation and maintenance of the common areas.

Common area property not capitalized on the financial statements consists of buildings, interior furnishings and decorations, and exterior stairway, boiler, gates, and roof replacements.

Allowance for Doubtful Accounts and Bad Debt Expense - Net

All assessments are due and payable within ten days after the interval owner is billed. Interest, at rates determined by the Board, is charged on delinquent assessments. The Association may suspend rights and privileges of interval owners with delinquent assessments as defined in the by-laws. The Association's policy is to write-off all unpaid assessment receivables not collected by December 31st of the year in which the assessment pertains. Subsequent collection is recognized as a bad debt recovery in the year received, which is netted with bad debt expense on the statement of revenue, expenses and changes in fund balance (deficit).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates included in the preparation of these financial statements include estimated bad debts, and estimates of replacement fund components relating to useful life, replacement cost, inflation rates, and tax rates. Actual results could differ from those estimates.

	<u>Amount</u>
Vehicles	\$ 56,285
Equipment	127,606
Total Fixed Assets	183,891
Accum. Depreciation	(139,631)
Net Fixed Assets	<u>\$ 44,260</u>

Lines of Business

The Association conducts only one line of business, which is providing management services to its members. This consists primarily of maintenance of the common areas, preservation and architectural control of the Time Share Units, and related administrative functions.

NOTE 2 – MANAGEMENT COMPANY

The Association is operated under a management agreement with a professional property management company, Grand Pacific Resort Services, LP, (GPRS) a California Limited Partnership. The agreement became effective August 1, 2010. The Association's management fee budget is within guidelines established by the California Department of Real Estate. Management fees under this agreement were \$35,095 for the year ended December 31, 2010 and are included in fixed expenses. Prior to August 1st the Association was managed by the Deerwood Corporation.

In addition, the Association compensates GPRS and other affiliated companies for other services provided, including but not limited to assessment billing and collections, computer services, and coordination of Board of Directors and member meetings. The Association also reimburses GPRS for any out of pocket expenses paid. As of December 31, 2010, the Association owed GPRS and other affiliated companies of \$44,655.

Unpurchased Vacation Intervals

At December 31, 2010 there were 12 Association-owned intervals.

NOTE 3 - REPLACEMENT FUND AND RESTRICTED CASH:

The Association's governing documents require funds to be accumulated for the replacement of its common areas and for general operations. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed.

It is the Association's policy to fund its reserves on a monthly basis. The Association annually reviews its reserve funding program. The last review was performed as part of the budget process for the current year.

Actual expenditures may vary from estimated amounts and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. The Association updates cost data annually. Cash balances in amounts equal to the designated capital reserves represent cash restricted for this purpose only.

NOTE 4 - INCOME TAXES:

The Association qualifies as a tax exempt Homeowners Association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance and care of Association property. The net nonexempt income from earned interest is taxed at 32% by the Federal Government, if the Association elects to file Form 1120-H, which it has done for the current year.

For California State income tax purposes, the Association is taxed on all net income from non member activities reduced only by losses from non member activities for which a profit motive exists. Non member income may not be offset by member losses. Any net member income is not subject to taxation. The tax rate for Association net taxable income is 8.84%. Federal and state income taxes for 2010 were \$228.

IRS regulations provide for a three year statute of limitations after which an entity is no longer subject to examination by the Internal Revenue Service. Tax years open under the statute of limitations for Mountain Retreat Homeowners Association are 2008, 2009, and 2010.

NOTE 5 - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:

The Association maintains bank accounts at various financial institutions. Balances in these accounts may occasionally exceed the FDIC federally insured amount of \$250,000. Funds maintained in brokerage accounts are not federally insured, but are privately insured by the SIPC (Securities Investors Protection Corporation).

Management believes the Association is not exposed to any significant credit risk related to cash.

NOTE 6 – RELATED PARTIES:

The Association is managed by Grand Pacific Resort Services, LP under an agreement effective August 1, 2010. The Board of Directors maintains control of Association matters, however it has delegated responsibility for day-to-day management to the management company.

NOTE 7 – LEASES PAYABLE:

There is a financing lease payable for the acquisition of the telephone system in 2008. The lease is treated as a financing lease for financial statement purposes, and is for a six-year term with monthly payments of \$794. Future obligations under this lease are:

Year	Amount
2011	\$ 9,529
2012	9,529
2013	9,529
2014	7,147
Total	<u>\$35,734</u>

NOTE 8 – PRIOR PERIOD ADJUSTMENT:

A prior period adjustment in the amount of \$146,304 was recorded in 2010 in order to remove real property and other miscellaneous property that was mistakenly capitalized and depreciated in prior years.

NOTE 9 – SUBSEQUENT EVENTS:

The financial statements were available to be issued on and subsequent events were evaluated through April 28, 2011.

Supplemental Information on Replacement Fund Balances For the Year Ended December 31, 2010 (unaudited)

The Board of Directors commissioned a study in 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. The Association has assessed the present condition of all common area components; estimated replacement costs relying upon published data, contractor's or engineer's estimates, and previously paid amounts; and estimated remaining lives, relying upon consultants or published data. Funding has been provided using a pooled calculation with provisions for inflation of 3%, interest earnings of 1%, and no provision for taxes.

The following table is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Replacement Cost</u>	<u>12/31/10 Balance*</u>	<u>2011 Annual Funding*</u>
Wood Surfaces	0 years	\$ 167,050		
Roofing	10 years	185,950		
Building Exteriors-Other	0-10 years	93,050		
Common Interiors	3-5 years	114,950		
Grounds	0-12 years	142,300		
Pool/Spa/Sauna	3-8 years	32,350		
Mechanical-Miscellaneous	0-5 years	90,200		
Unit Interior-Flooring & Surfaces	2-7 years	298,050		
Unit Interior-Lighting	7 years	98,800		
Unit Interior-Case Goods	7 years	253,400		
Unit Interior-Doors & Windows	10 years	434,050		
Unit Interior-HVAC	1-12 years	182,600		
Unit Interior-Kitchen	1-7 years	295,850		
Unit Interior-Bathroom	7 years	250,900		
Unit Interior-Other	0-7 years	360,750		
		<u>\$ 3,000,250</u>	<u>\$ 264,630</u>	<u>\$ 125,215</u>

* Detail information is not provided in the study.

Supplementary Schedule of Operating Expenses For the Year Ended December 31, 2010

	<u>Administrative</u>	<u>Front Office</u>	<u>Housekeeping</u>	<u>R & M</u>	<u>Fixed Expenses</u>
Salaries & Wages	\$ 74,561	\$ 100,600	\$ 131,230	\$ 79,804	
Payroll Related	20,793	34,601	42,930	26,226	
Travel	7,706				
Printing/Postage	16,837				
Office Expense	5,879	12,348			
Bad Debt	186,968				
Computer		14,902			
Room/Guest Supp.			22,733		
Cleaning Supp.			8,057		
Building Repairs				22,291	
Dues/Licenses				35,512	
Management Fees					73,595
Legal Fees					7,175
Income Taxes					228
Insurance					27,716
Interest Expense					1,259
Depreciation					15,913
Other	15,756	5,579	4,392	27,079	1,280
Total	<u>\$ 328,500</u>	<u>\$ 168,030</u>	<u>\$ 209,342</u>	<u>\$ 190,912</u>	<u>\$ 127,166</u>

See Auditor's Report. The Notes to Financial Statements Are An Integral Part of This Statement.