GLOBAL EXCHANGE VACATION CLUB

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

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Purvis Gray & Company

INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Exchange Vacation Club

We have audited the accompanying financial statements of Global Exchange Vacation Club, which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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.

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors
Global Exchange Vacation Club

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Exchange Vacation Club as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Purvis, Gray and Company, LLP

June 5, 2019
Winter Park, Florida

GLOBAL EXCHANGE VACATION CLUB
BALANCE SHEET
DECEMBER 31, 2018

		Total
Assets		
Cash and Cash Equivalents	$	1,969,342
Assessments Receivable, Net		1,988,560
Due from Fantasy World Club Villas Timeshare Plan Owners Association, Inc.		14,698
Prepaid Expenses and Other Assets		534,272
Total Assets		4,506,872
Liabilities and Fund Balance		
Liabilities		
Accounts Payable		18,533
Assessments Billed in Advance		4,479,412
Total Liabilities		4,497,945
Fund Balance		8,927
Total Liabilities and Fund Balance	$	4,506,872

See accompanying notes.

GLOBAL EXCHANGE VACATION CLUB
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

		Total
Revenues		
Member Assessments	$	4,901,640
Late Fees		68,323
Rental Income		133,735
Total Revenues		5,103,698
Expenses		
Maintenance Fees		3,546,460
Management Fees		711,986
Provision for Doubtful Accounts		381,779
Service Fees		150,045
Postage		16,146
Professional Fees		6,440
Insurance Expense		2,895
Licenses and Fees		368
Bank Fees		111
Other		575
Total Expenses		4,816,805
Excess of Revenues Over Expenses		286,893
Fund Balance, Beginning of Year		(277,966)
Fund Balance, End of Year	$	8,927

See accompanying notes.

GLOBAL EXCHANGE VACATION CLUB
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Total
Cash Flows from Operating Activities	
Excess of Revenues Over Expenses	$ 286,893
Adjustments to Reconcile Excess of Revenues Over	
Expenses to Net Cash Used for Operating Activities:	
Provision for Doubtful Accounts	(361,811)
Cash Provided by (Used for):	
Assessment Receivable	(178,057)
Prepaid Expenses and Other Assets	(386,773)
Accounts Payable	(71,828)
Assessments Billed in Advance	349,168
Net Cash Used for Operating Activities	(362,408)
Net Decrease in Cash and Cash Equivalents	(362,408)
Cash and Cash Equivalents, Beginning of Year	2,331,750
Cash and Cash Equivalents, End of Year	$ 1,969,342

See accompanying notes.

GLOBAL EXCHANGE VACATION CLUB
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Global Exchange Vacation Club (the Association), was organized as a nonprofit, mutual benefit corporation in the State of California on January 7, 2003. The Association's principal business purpose is to serve as the owners' association for a multi-location timeshare program known as Global Exchange Vacation Club (the Club). The Association was organized to act as the governing association and management entity for the Club. The Association currently owns resort accommodations at various locations in Florida, Minnesota, Wisconsin, Nevada, Tennessee, and California, collectively the Resorts. Each of the Resorts are operated by an underlying timeshare owners' association. The Club entered into a Development Agreement with Global Exchange Development Corp., (the Developer), as the exclusive developer and sales agent for the Club. The agreement automatically renews annually unless terminated by either party as defined. Additional Resort accommodations can be added to the Club at any time by the Developer. The Club allows the members of the Association to share the use of the various Resort accommodations. The Association annually collects assessments from members and pays maintenance fee assessments to the underlying timeshare owners' associations as directed by its governing documents and a trust agreement. The Association shall make no distributions of income to its owners, directors, or officers.

The purchasers of timeshare interests in the Club do not receive title to the underlying real estate interests. All purchasers, who are more commonly referred to as "members," purchase points that act as a currency of use within the Club allowing a member to annually reserve one or more use periods at the various resort accommodations offered by the Club. In addition, the Club provides the members access to an external exchange program along with other vacation, travel, entertainment and benefits the Club may offer from time to time. Club memberships may be for a term of years or in perpetuity. Each member is entitled to one vote in the Club for each point owned.

The affairs of the Association are managed and conducted by a Board of Directors.

Liquidity

Assets are presented in the accompanying balance sheet according to their nearness of conversion to cash and liabilities according to their nearness of maturity and resulting use of cash.

Revenue Recognition

The Association derives revenue principally through member assessments. Assessments are billed to members annually. Assessments are approved by the Association's Board of Directors based upon budgeted expenditures, and are prorated amount members based on the number of points owned. In the event that assessments exceed the related expenditures in any one year, the excess may be deferred and used to reduce assessments in the subsequent year.

Late fees are charged on past due accounts with related income effectively recognized when collected due to uncertainty of realization.

Rental income is recognized over the period of rental.

Cash and Cash Equivalents and Concentration of Credit Risk

The Association considers highly liquid investments with an initial maturity of three months or less at date of purchase to be cash equivalents.

Note 1 - Summary of Significant Accounting Policies ***(Continued)***

Cash and Cash Equivalents and Concentration of Credit Risk *(Concluded)*
The Association's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include accounts placed with reputable federally insured financial institutions. Such accounts may at times exceed federally insured limits. The Association has not experienced any losses on such accounts.

Assessments Receivable
Assessments receivable represent maintenance assessments due from members. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts and historical collection experience. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to assessments receivable.

Assessments Billed in Advance
Assessments billed in advance represent the annual assessments for 2019 maintenance fees billed as of December 31, 2018.

Income Tax
The Association is subject to federal and state income taxes. In determining the amount of income tax liability, the Association must annually decide between two methods of taxation. Under the first method (Form 1120), the excess of revenues from members over related expenses is subject to taxation unless the excess of revenues over expenses is either refunded to members, applied against future assessments or transferred to the Replacement Fund. Under the second method (Form 1120H), taxation is based on non-exempt function income, which generally consists of income from sources other than member assessments. Under either method, the Association may be subject to taxation on investment and other non-exempt income, but at different tax rates.

For the year ended December 31, 2018, the Association elected to file Form 1120H. The Association also files an income tax return in the State of California. The Association's open tax years subject to examination by the Internal Revenue Service and the State of California generally remain open for three and four years, respectively, from the date of filing.

The Association identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Association has not recognized a liability for uncertain tax positions as of December 31, 2018. If there were an unrecognized tax benefit, the Association would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Association Maintenance Fees
Association maintenance fees are paid to various underlying timeshare owners' associations of which the Association is a member for the Association's pro rata share of operating and reserve expenses. Maintenance fees for the year ended December 31, 2018, amounted to $3,546,460.

Note 1 - Summary of Significant Accounting Policies *(Concluded)*

Association Maintenance Fees *(Concluded)*
At December 31, 2018, the Association had overpaid $14,698 for assessments to Fantasy World Club Villas Timeshare Plan Owners Association, Inc., which will be refunded to the Association in 2019.

Use of 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.

Reclassifications
For the purpose of the statement of cash flows, certain items have been reclassified as of the beginning of the year to conform to the 2018 presentation.

Recent Accounting Pronouncement Not Yet Adopted

Revenue
In May 2014, the FASB issued *Accounting Standards Update* No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Association is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

Subsequent Events
The Association has evaluated events and transactions occurring subsequent to December 31, 2018, as of June 5, 2019, which is the date the financial statements were available to be issued. Subsequent events occurring after June 5, 2019 have not been evaluated by management. No material events have occurred since December 31, 2018, that require recognition or disclosure in the financial statements.

Note 2 - Member Assessments and Assessments Receivable

Annual maintenance fees assessed to members are based on a rate per point. During 2018, maintenance fees assessed were $0.0156 per point. The annual budget and assessments to members were recommended by management and approved by the Board of Directors on behalf of the Association.

Note 2 - Member Assessments and Assessments Receivable *(Concluded)*

Receivables are valued at management's estimate of the total amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Association's historical collection experience. The Association has the right to place a lien against any points to secure the payment of maintenance fee assessments and other charges levied against the member. Failure of a member to make these payments may result in foreclosure of the lien.

	December 31, 2018
Assessments - 2019	$ 1,821,290
Assessments - 2018 and Prior	491,076
Allowance for Doubtful Accounts	(323,806)
Assessments Receivable, Net	$ 1,988,560

Note 3 - Related Party Transactions

Management Fees

The Association is obligated under an agreement with the Developer to provide for the management, operations, and maintenance of the Association. The initial term of the agreement is for a period of five years and automatically renews for successive three-year periods until terminated. The Association can terminate the agreement, for cause at any time, pursuant to a majority vote of the Board of Directors, or without cause at any time pursuant to a majority vote of the members other than the Developer. The Developer can terminate the agreement at any time upon 90 days' written notice to the Association. Under the terms of the agreement, the management fee is approximately 15% of the Association's annual operating budget, exclusive of the management fees, payable in monthly installments. During 2018, management fees totaled $543,026, which are included in management fees in the accompanying statement of revenues, expenses and changes in fund balance.

In addition to the above fees, the Association reimburses the Developer for certain costs incurred in connection with its performance, including member services and certain overhead costs. Reimbursable costs incurred by the Association for the year ended December 31, 2018, were $168,960, and are included in management fees in the accompanying statement of revenues, expenses and changes in fund balance.