Fairmont Villa Management
MOUNTAINSIDE

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INTERVAL INTERNATIONAL
PREMIER
MEMBER RESORT

Dear Villa Owner,

March 1, 2013

Financial Statements for 2012

I am pleased to enclose our audited annual financial statements for the year ending December 31, 2012.

We will finish and close the year over budget and carry forward a deficit into the 2013 operating expenses. The budget was sent to all owners last November and is available on our website in the fall newsletter.

Major expenditures over budget were bad debt provision and insurance. Most of you are aware that we were hit by a mudslide on July 15, 2012 and we had a deductible of $25,000. We are very lucky that the insurance company covered all the costs of the cleanup and repairs. The only major item left for the spring is landscaping. The largest shortfall on the income side was interest income. At the auditors request we are not charging any interest on foreclosure or relinquished accounts as that was just increasing our receivables.

Sales of foreclosed leases were not as brisk as anticipated in 2012. We did manage to sell 52 weeks to one owner as an investment. The proceed from that sale was credited to our accounts receivable. We set aside for future 52 week sales a one and a two bedroom Villa. These Villas can be used for a permanent residence or as an investment. If you have any interest please call David at 1-855-345-6341 or e mail at info@mountainsidevillas.com. We still have a number of leases available in single weeks. Fairmont Hot Springs Resort, the developer, is continuing to sell Interval points and the Mountainside Advantage program. Interested owners can call Kathy at 1-866-433-3282.

Replacement / refurbishment expenditure in 2012 were less than collections. We are pleased to announce that our reserve is now at $527,187. We are pleased to report that after 35 years of management, we have never had to present a special assessment to our members for additional funds to cover refurbishing costs, and plan to be able to continue this excellent record. Another notable item is that the Mountainside Villa maintenance fees are one of the lowest in the Rocky Mountain Region of Interval International.

I trust that you find the financial results for 2012 satisfactory.

Again, I wish to extend my thanks and appreciation to your Villa Management team for doing an outstanding job of retaining the highest quality rating in the industry at a moderate cost. We would welcome any suggestions you may have to control costs and improve your vacation experience at Mountainside.

Wishing you the very best in the coming year, I remain,

Yours truly,

Don

Don Seable
President

Fairmont Vacation Villas at Mountainside
Financial Statements
For the Year Ended December 31, 2012

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Independent Auditor's Report

To the Leaseholders of
Fairmont Vacation Villas at Mountainside

We have audited the accompanying financial statements of Fairmont Vacation Villas at Mountainside, which comprise the statement of financial position as at December 31, 2012 and the statement of operations and changes in fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation 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 Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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 auditors' 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairmont Vacation Villas at Mountainside as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Emphasis of matters

Without modifying our opinion, we draw attention to Note 2 and Note 12 of the financial statements which describes that Fairmont Vacation Villas adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011, and the statement of operations and fund balances and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information and as such, it is unaudited.

BDO Canada LLP

Chartered Accountants

Cranbrook, BC
February 4, 2013

Fairmont Vacation Villas at Mountainside
Statement of Financial Position

	December 31, 2012	(Unaudited) December 31, 2011	(Unaudited) January 1, 2011
Assets			
Current			
Cash	**$ 81,949**	$ 54,949	$ 24,242
Accounts receivable (Note 3)	**253,523**	200,940	268,105
Inventory	**108,657**	113,025	119,930
Prepaid expenses	**62,370**	56,959	45,719
Replacement reserve investments (Note 4)	**548,655**	507,746	489,822
	1,055,154	933,619	947,818
Capital assets (Note 5)	**30,569**	37,513	58,527
	$1,085,723	$ 971,132	$ 1,006,345
Liabilities and Net Deficit			
Current			
Accounts payable and accrued liabilities (Note 6)	**$ 478,838**	$ 492,656	$ 554,278
Prepaid leaseholders' fees	**86,557**	77,507	73,194
Bank advances (Note 7)	**200,331**	275,748	200,524
Replacement reserve (Note 8)	**527,186**	389,108	305,758
	1,292,912	1,235,019	1,133,754
Net deficit	**(207,189)**	(263,887)	(127,409)
	$1,085,723	$ 971,132	$ 1,006,345

Approved on behalf of the Manager:

The accompanying notes are an integral part of these financial statements.

Fairmont Vacation Villas at Mountainside
Statement of Operations and Changes in Fund Balances

For the Year Ended December 31	2012	(Note 13) 2011
Revenue		
Operating and management fees	$2,790,007	$ 2,701,327
Replacement reserve contributions (Note 8)	421,368	422,175
Interest	75,006	123,613
Rental commissions	43,940	30,243
Recreation centre	7,523	22,566
Other	53,005	66,611
Loss on sale of assets	(648)	-
	3,390,201	3,366,535
Expenses		
Salaries, wages and benefits	1,383,193	1,497,704
Replacement reserve expenses (Note 8)	421,368	422,175
Electricity	261,219	264,508
Supplies and cleaning services	112,960	132,524
Repairs and maintenance	117,262	129,545
Waste disposal and water	108,959	100,813
Provision for doubtful accounts	66,207	94,800
Propane and fireplace wood	62,651	91,707
Property tax	64,062	64,405
Bank charges and interest	66,855	57,922
Insurance	64,735	37,461
Office and data processing support	29,818	38,069
Automotive	31,943	35,297
Audit and legal	25,658	23,313
Amortization	17,286	21,282
Miscellaneous	15,360	17,767
Trustee fees	15,675	15,914
Communications with leaseholders	13,110	15,758
Cable television	14,606	13,889
Telephone	5,731	8,558
Postage	4,221	4,363
	2,902,879	3,087,774
Management fees	430,624	415,239
	3,333,503	3,503,013
Excess (deficiency) of revenue over expenses (Note 9)	56,698	(136,478)
Net deficit, beginning of year	(263,887)	(127,409)
Net deficit, end of year	$ (207,189)	$ (263,887)

The accompanying notes are an integral part of these financial statements.

Fairmont Vacation Villas at Mountainside
Statement of Cash Flows

For the Year Ended December 31	2012	(Note 13) 2011
Cash from operating activities:		
Cash receipts from owners	**$ 3,372,473**	$ 3,386,798
Interest received	**96,067**	141,038
Cash paid to employees and suppliers	**(3,339,481)**	(3,553,413)
Interest paid	**(1,446)**	(748)
	127,613	(26,325)
Cash flows from investing activities:		
Purchase of long-term investments (Note 4)	**(14,206)**	(17,924)
Purchase of property, plant and equipment	**(10,990)**	(268)
	(25,196)	(18,192)
Cash flows from financing activities:		
Proceeds from (repayment of) bank advances	**(75,417)**	75,224
Net increase in cash	**27,000**	30,707
Cash, beginning of period	**54,949**	24,242
Cash, end of period	**$ 81,949**	$ 54,949

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Fairmont Vacation Villas at Mountainside (the "Organization") is a not-for-profit entity, with the excess of revenue (expenses) for the year being credited to (recoverable from) leaseholders for inclusion in the next year's revenue (expenses). The Organization's principal business is the managment of the leased villas.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The Organization follows the deferral method of accounting for contributions.

The General Fund accounts for the Organization's management and administrative activities. This fund reports unrestricted resources in addition to capital assets.

The Replacement Reserve reports only restricted resources that have been designated for specific purposes or programs.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All bonds have been designated to be in the fair value category, with gains and losses reported in the replacement reserve. All other financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date.

Capital Assets

Purchased capital assets are stated at cost less accumulated amortization. Amortization is provided under the straight-line basis at the following rates:

Office equipment	20%
Maintenance equipment	20%
Recreation equipment	20%
Automotive equipment	20%
Maintenance building	5%

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Fees are invoiced to leaseholders yearly and are recognized as revenue on a calendar-year basis. Interest income is recognized on an accrual basis, and other revenue is recognized as rental commissions are earned, goods are sold, or services are provided.

Replacement reserve revenue is recognized as the related expenses are incurred.

Income Taxes

Fairmont Vacation Villas at Mountainside is a not-for-profit organization under the Income Tax Act and therefore is not subject to either federal or provincial income taxes.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

2. First-time Adoption

Effective January 1, 2012, the Organization adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011.

The Organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, income and cash flows of the Company.

3. Accounts Receivable - Leaseholder's Fees

	2012	2011
Related parties (Note 10)	$ 105,967	$ 11,525
Other leaseholders	$ 308,951	$ 260,822
Provision for doubtful accounts	(200,055)	(104,688)
	$ 108,896	$ 156,134

4. Replacement Reserve Investments

The Organization's investment in bonds is comprised of a variety of federal, provincial and corporate bonds with stated interest rates ranging from 2.65% to 6.28% (2011 - 3.70% to 6.28%) and maturity dates ranging from 2013 to 2022.

During the year a fair value adjustment of $26,703 was recorded. This non-cash transaction resulted in an increase to the replacement reserve investments and the replacement reserve.

5. Capital Assets

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	$ 112,434	$ 98,504	$ 116,001	$ 94,694
Maintenance equipment	81,087	70,567	75,782	69,774
Recreation equipment	28,431	28,431	28,431	28,431
Automotive equipment	99,538	93,419	99,538	89,340
Maintenance building	12,545	12,545	12,545	12,545
	$ 334,035	$ 303,466	$ 332,297	$ 294,784
Net book value		$ 30,569		$ 37,513

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is $23,755 (2011 - $23,853) in government remittances payable.

December 31, 2012

7. Bank Advances

	2012	2011
Demand loan, secured by charge over replacement reserve investments, with interest payable at bank prime rate plus 1.25%	$ 200,331	$ 275,748

8. Replacement Reserve

	2012	2011
Revenue		
Annual fees transferred	$ 511,683	$ 482,103
Interest earned	21,061	23,422
Unrealized gain	26,703	-
	559,447	505,525
Expenses		
Appliances/BBQ's/electronics	48,819	25,557
Beds/linens/window coverings	32,898	37,682
Renovations/flooring/furniture	148,826	179,215
Roofing and decking	33,978	23,338
Painting	43,650	60,748
Recreation centre	14,421	3,562
Labour	92,245	86,076
Interest and management fees	6,531	5,997
	421,368	422,175
Excess of revenue over expenses	138,079	83,350
Replacement reserve, beginning of year	389,108	305,758
Replacement reserve, end of year	$ 527,187	$ 389,108

The replacement reserve is funded through the funds received from leaseholders.

9. Excess (Deficiency) of Revenue over Expenses

The excess (deficiency) of revenue over expenses for the year is credited to (recoverable from) leaseholders for inclusion in the next year's revenue (expenses).

10. Related Party Transactions

The Organization is related to Fairmont Financial Services Ltd., the manager of the villas, and to Fairmont Hot Springs Resoirt Ltd., the developer and lessor of the villas.

(a) At the end of the year, amounts due from and to related parties included in accounts receivable and accounts payable are as follows:

	2012	2011
Due from related parties		
Fairmont Hot Springs Resort Ltd.	$ 7,709	$ 11,525
Fairmont Financial Services Ltd.	98,258	-
	$ 105,967	$ 11,525

	2012	2011
Due to related parties		
Fairmont Financial Services Ltd.	$ 33,774	$ 56,994

Management has concluded that it is not practical to determine the fair value of related party loans as there is no comparable market data.

(b) The following table summarizes the Organization's related party transactions with related parties:

	2012	2011
Amounts paid to related parties		
Fairmont Hot Springs Resort Ltd.	$ -	$ 87,120
Fairmont Financial Services Ltd. - management fees	430,624	415,239
	$ 430,624	$ 502,359

	2012	2011
Amounts received from related parties		
Fairmont Hot Springs Resort Ltd. - leaseholder fees	$ 48,199	$ 30,000
Fairmont Financial Services Ltd. - leaseholder fees	98,258	-
	$ 146,457	$ 30,000

These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related parties).

11. Financial Instruments

Credit Risk

The Organization is exposed to normal credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Organization's financial instruments that are exposed to concentrations of credit risk relate primarily to accounts receivable

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments and the amount of the payments made on the demand loan.

12. Measurement Uncertainty and Estimates

The preparation of financial statements in conformity with ASNPO 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 revenue and expenses during the period. Actual results could differ from those estimates.

The measurement uncertainties and assumptions which may be material are the adequacy of the provision of doubtful accounts and the classification of leaseholders' fees receivable as a current asset, which is dependent upon the timing of collection of those receivables.

13. Comparative Figures

The comparative figures were audited by another accountant with a report date of February 27, 2012. Certain comparative figures have been restated to conform to current year's presentation.