

**SIMBA RUN CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED AUGUST 31, 2010 AND 2009**

Cannon & Schleicher, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Simba Run Condominium Association
Table of Contents
Years Ended August 31, 2010 and 2009

Accountant's Review Report

Financial Statements

Balance Sheets

Statements of Operating Revenues and Expenses

Statements of Changes in Fund Balance

Statements of Cash Flows

Notes to Reviewed Financial Statements

Supplementary Information

Schedules of Operating Revenues and Expenditures with Comparison to Budget

Statement of Capital Reserve Fund Receipts and Disbursements

Supplementary Information Regarding Future Repairs and Replacements

Cannon & Schleicher, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

STEPHEN M. CANNON
WILLIAM C. SCHLEICHER

Board of Directors
Simba Run Condominium Association
Vail, Colorado

We have reviewed the accompanying balance sheets of Simba Run Condominium Association as of August 31, 2010 and 2009, and the related statements of operating revenues and expenses, changes in fund balance, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for the years ended August 31, 2010 and 2009, in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying schedules of operating revenues and expenditures with comparison to budget and statement of Capital Reserve fund receipts and disbursements included in the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information regarding future repairs and replacements is required by the American Institute of Certified Public Accountants. We have compiled the schedules and supplementary information from information that is the representation of management of Simba Run Condominium Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the schedules or supplementary information.

Cannon & Schleicher, P.C.

October 26, 2010
Evergreen, Colorado

Simba Run Condominium Association
Balance Sheets
August 31, 2010
(With Comparative Totals for August 31, 2009)

| Assets | August 31, 2010 | | | August 31, 2009 |
|--|-------------------|-------------------|-------------------|--------------------|
| | Association | Rental Program | Total | Total |
| Current assets: | | | | |
| Cash (Note 2) | \$ 237,715 | \$ 183,322 | \$ 421,037 | \$ 331,946 |
| Accounts receivable (Note 3) | 3,164 | 22,206 | 25,370 | 19,989 |
| Prepaid expenses | 7,492 | 12,636 | 20,128 | 28,958 |
| Total current assets | <u>248,371</u> | <u>218,164</u> | <u>466,535</u> | <u>380,893</u> |
| Property, equipment and other assets: | | | | |
| Property and equipment, net (Notes 5 and 8) | <u>408,133</u> | <u>11,273</u> | <u>419,406</u> | <u>492,202</u> |
| | <u>\$ 656,504</u> | <u>\$ 229,437</u> | <u>\$ 885,941</u> | <u>\$ 873,095</u> |
| Liabilities and Fund Balance | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 25,348 | \$ 23,068 | \$ 48,416 | \$ 33,611 |
| Advance deposits (Note 6) | | 72,241 | 72,241 | 47,887 |
| Prepaid assessments and dues | 32,854 | | 32,854 | 18,313 |
| Other accrued expenses | | 20,632 | 20,632 | 19,142 |
| Current maturities of long-term debt (Note 8) | <u>106,487</u> | | <u>106,487</u> | <u>90,851</u> |
| Total current liabilities | <u>164,689</u> | <u>115,941</u> | <u>280,630</u> | <u>209,804</u> |
| Long-term debt (Note 8) | <u>206,203</u> | | <u>206,203</u> | <u>334,148</u> |
| Fund balance (Notes 2 and 10): | | | | |
| Operating fund balance | 84,343 | 113,496 | 197,839 | 180,537 |
| Repair and replacement fund | <u>201,269</u> | | <u>201,269</u> | <u>148,606</u> |
| | <u>285,612</u> | <u>113,496</u> | <u>399,108</u> | <u>329,143</u> |
| Commitments and contingencies (Note 11) | | | | |
| | <u>\$ 656,504</u> | <u>\$ 229,437</u> | <u>\$ 885,941</u> | <u>\$ 873,095</u> |

See accountant's review report and the accompanying notes to financial statements

Simba Run Condominium Association
Statement of Revenues and Expenses
Year ended August 31, 2010
(With Comparative Totals for August 31, 2009)

| | Year Ended August 31, 2010 | | | Year Ended August 31, 2009 |
|---|----------------------------|-------------------|------------------|----------------------------------|
| | Association | Rental Program | Total | Total |
| Assessments and revenues: | | | | |
| Rental revenue | \$ | \$ 1,287,899 | \$ 1,287,899 | \$ 1,378,631 |
| Common assessments | 483,900 | | 483,900 | 485,150 |
| Other assessments (Note 4) | 95,296 | | 95,296 | 95,296 |
| Service charge Income | | 59,258 | 59,258 | 54,955 |
| Parking and administrative fees | | 38,730 | 38,730 | 40,937 |
| Housekeeping revenue | | 43,290 | 43,290 | 47,369 |
| Maintenance revenue | | 18,758 | 18,758 | 36,501 |
| Interest income | 3,558 | 710 | 4,268 | 6,703 |
| Other income | | 7,468 | 7,468 | 7,216 |
| | <u>582,754</u> | <u>1,456,113</u> | <u>2,038,867</u> | <u>2,152,758</u> |
| Cost of rentals | | <u>95,923</u> | <u>95,923</u> | <u>106,561</u> |
| Direct expenses: | | | | |
| Rooms | | 313,136 | 313,136 | 330,736 |
| Marketing | | 101,939 | 101,939 | 109,859 |
| Repairs and maintenance | 144,108 | 3,605 | 147,713 | 146,569 |
| Telephone and utilities | 146,804 | 2,706 | 149,510 | 140,281 |
| General and administrative | 129,155 | 211,376 | 340,531 | 341,829 |
| | <u>420,067</u> | <u>632,762</u> | <u>1,052,829</u> | <u>1,069,274</u> |
| Excess of revenue over expenses before fixed charges | <u>162,687</u> | <u>727,428</u> | <u>890,115</u> | <u>976,923</u> |
| Fixed charges: | | | | |
| Insurance | 47,429 | 54 | 47,483 | 51,927 |
| Interest expense | 23,876 | 275 | 24,151 | 34,693 |
| Depreciation and amortization | 61,849 | 10,947 | 72,796 | 73,696 |
| | <u>133,154</u> | <u>11,276</u> | <u>144,430</u> | <u>160,316</u> |
| Excess of revenues over expenses before distributions to rental participants | 29,533 | 716,152 | 745,685 | 816,607 |
| Distributions to rental participants | | <u>720,542</u> | <u>720,542</u> | <u>789,730</u> |
| Excess (deficit) of revenues over expenses before income taxes | 29,533 | (4,390) | 25,143 | 26,877 |
| Provision for income taxes (Note 11) | | | | |
| Excess (deficit) of revenues over expenses | <u>\$ 29,533</u> | <u>\$ (4,390)</u> | <u>\$ 25,143</u> | <u>\$ 26,877</u> |

See accountant's review report and the accompanying notes to financial statements

Simba Run Condominium Association
Statement of Changes in Fund Balance
Years ended August 31, 2010 and 2009

| | Association | | Rental Program Operating Fund | Total |
|--|-------------------|-----------------------------------|--|-------------------|
| | Operating Fund | Repair and Replacement Fund | | |
| Balance - August 31, 2008 | \$ 20,055 | \$ 105,889 | \$ 137,279 | \$ 263,223 |
| Excess (deficit) of operating revenue over expenses | 35,771 | 1,674 | (10,568) | 26,877 |
| Decrease in working capital | | | (2,000) | (2,000) |
| Reserve fund assessments | | 63,543 | | 63,543 |
| Reserve fund expenditures | | (22,500) | | (22,500) |
| Balance - August 31, 2009 | 55,826 | 148,606 | 124,711 | 329,143 |
| Excess (deficit) of operating revenue over expenses | 28,517 | 1,016 | (4,390) | 25,143 |
| Decrease in working capital | | | (6,825) | (6,825) |
| Reserve fund assessments | | 64,997 | | 64,997 |
| Reserve fund expenditures | | (13,350) | | (13,350) |
| Balance - August 31, 2010 | <u>\$ 84,343</u> | <u>\$ 201,269</u> | <u>\$ 113,496</u> | <u>\$ 399,108</u> |

See accountant's review report and the accompanying notes to financial statements

Simba Run Condominium Association
Statement of Cash Flows
Year ended August 31, 2010
(With Comparative Totals for August 31, 2009)

Increase in Cash and Cash Equivalents

| | <u>Year Ended August 31, 2010</u> | | | <u>Year Ended August 31, 2009</u> |
|---|-----------------------------------|---------------------------|-------------------|---|
| | <u>Association</u> | <u>Rental Program</u> | <u>Total</u> | <u>Total</u> |
| Cash flows from operating activities: | | | | |
| Cash received from tenants | \$ | \$ 1,303,775 | \$ 1,303,775 | \$ 1,420,766 |
| Owner dues and assessments | 499,390 | | 499,390 | 474,449 |
| Other assessments | 95,296 | | 95,296 | 95,296 |
| Service charge income | | 59,258 | 59,258 | 54,955 |
| Parking and administrative fees | | 38,730 | 38,730 | 40,937 |
| Housekeeping and maintenance revenues | | 62,048 | 62,048 | 83,870 |
| Interest income | 3,558 | 710 | 4,268 | 6,703 |
| Other cash received | | 7,468 | 7,468 | 7,216 |
| Cash paid to employees, suppliers and others | (453,491) | (739,825) | (1,193,316) | (1,347,353) |
| Cash paid to rental program participants | | (720,542) | (720,542) | (789,730) |
| Interest expense | (23,876) | (275) | (24,151) | (34,693) |
| Net cash provided by operating activities | <u>120,877</u> | <u>11,347</u> | <u>132,224</u> | <u>12,416</u> |
| Cash flows from investing activities: | | | | |
| Capital expenditures | | | | (88,788) |
| Increase (decrease) in working capital | | (6,825) | (6,825) | (2,000) |
| Net cash provided (utilized) by investing activities | | <u>(6,825)</u> | <u>(6,825)</u> | <u>(90,788)</u> |
| Cash flows from financing activities: | | | | |
| Increase (decrease) in advance deposits | | 24,354 | 24,354 | (58,776) |
| Retirements of long-term debt | (112,309) | | (112,309) | (84,690) |
| Reserve fund assessments | 64,997 | | 64,997 | 63,543 |
| Reserve fund expenditures | (13,350) | | (13,350) | (22,500) |
| Net cash provided (utilized) by financing activities | <u>(60,662)</u> | <u>24,354</u> | <u>(36,308)</u> | <u>(102,423)</u> |
| Net increase (decrease) in cash and cash equivalents | 60,215 | 28,876 | 89,091 | (180,795) |
| Cash and cash equivalents - beginning of year | <u>177,500</u> | <u>154,446</u> | <u>331,946</u> | <u>512,741</u> |
| Cash and cash equivalents - end of year | <u>\$ 237,715</u> | <u>\$ 183,322</u> | <u>\$ 421,037</u> | <u>\$ 331,946</u> |

See accountant's review report and the accompanying notes to financial statements

Simba Run Condominium Association

Statement of Cash Flows

(Continued)

Year ended August 31, 2010

(With Comparative Totals for August 31, 2009)

Reconciliation of Excess (Deficit) of Revenues Over Expenses to
Net Cash Provided by Operating Activities

| | Year Ended August 31, 2010 | | | Year Ended |
|---|----------------------------|-------------------|------------|-----------------------------|
| | Association | Rental Program | Total | August 31, 2009 Total |
| Excess (deficit) of revenues over expenses | \$ 29,533 | \$ (4,390) | \$ 25,143 | \$ 26,877 |
| Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 61,849 | 10,947 | 72,796 | 73,696 |
| Changes in assets and liabilities - | | | | |
| Decrease (increase) in accounts receivable | 949 | (6,330) | (5,381) | 23,979 |
| Decrease (increase) in prepaid expenses | 9,238 | (408) | 8,830 | (1,006) |
| Increase (decrease) in accounts payable | 4,767 | 10,038 | 14,805 | (87,854) |
| Increase (decrease) in prepaid dues | 14,541 | | 14,541 | (8,421) |
| Increase (decrease) in accrued expenses | | 1,490 | 1,490 | (14,855) |
| Total adjustments | 91,344 | 15,737 | 107,081 | (14,461) |
| Net cash provided by operating activities | \$ 120,877 | \$ 11,347 | \$ 132,224 | \$ 12,416 |

See accountant's review report and the accompanying notes to financial statements

Simba Run Condominium Association
Notes to Reviewed Financial Statements
Years Ended August 31, 2010 and 2009

Note 1) Organization

Simba Run Condominium Association was incorporated under the provisions of the Colorado Non-Profit Corporation Act on January 14, 1983. The Association is a statutory condominium association formed to maintain, preserve, and operate the common property of the Association. The Association consists of 94 residential units, located in Vail, Colorado.

Simba Run Management Corporation was incorporated in the State of Colorado on May 13, 1994, for the purpose of managing the rental operations of the Association. Effective in September of 1998, Simba Run Management Corporation was merged into Simba Run Condominium Association to form a single entity.

Owners that elect to participate in the rental program enter into individual rental management agreements with the Association. The Association collects rental income, and pays rental expenses on behalf of the owners. Rental income, net of commissions paid to travel agents, is split between the rental program and the owners on a 44%-56% basis. The Board reserves the right to adjust the amount returned to rental program participants if management company operations require it. Participating owners also reimburse the rental program for rental expenses incurred on their behalf. At August 31, 2010 and 2009, 57 and 58 residential units, respectively, participated in the rental program.

Note 2) Summary of Significant Accounting Policies

- a) 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. Actual results could differ from those estimates.
- b) Basis of Accounting – The Association prepares its financial statements on the accrual basis of accounting, which recognizes revenues when earned, or assessed, and expenses when incurred.
- c) Fund Accounting – The Association utilizes fund accounting, which requires that funds, as described below, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors in accordance with the budget they have adopted for the year. Disbursements from the replacement fund are restricted to the fund's designated purposes.
- d) Cash and Cash Equivalents - The Association maintains its available cash in demand checking and savings accounts in various federally insured banks. Holdings of highly liquid investments with maturities of three months or less when purchased are also considered to be cash equivalents.
- e) Operating Fund – The operating fund reports the Association's common assets, liabilities, revenues and expenses. Assessments are charged to owners to provide funds for the common costs of operations. The operating fund balance (deficit) represents the cumulative difference of such transactions.

Simba Run Condominium Association
Notes to Reviewed Financial Statements
(Continued)
Years Ended August 31, 2010 and 2009

Note 2) Summary of Significant Accounting Policies (continued)

- f) Future Repairs and Replacement Fund – The Association’s governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated funds are held in a separate savings account and are generally not available for operating expenditures. The balance in the capital reserve savings account at August 31, 2010 and 2009 was \$197,235 and \$167,569, respectively. During the year ended August 31, 2010, the reserve fund advanced the operating fund \$23,000, used to retire long-term debt. At year end \$4,034 of this advance remained outstanding. At August 31, 2009 the reserve fund owed \$18,963 to the operating fund for advances made during and prior to the year then ended.

The Association performs a study annually, to estimate the remaining useful lives, and the replacement costs, of the components of common property. The estimates are made primarily by the Association’s manager, with assistance from industry professionals. The table included in the supplementary information on Future Major Repairs and Replacements is based on that study. As of August 31, 2010, the Board has elected to not fully fund the Repair and Replacement Fund. The Association is funding for major repairs and replacements over the remaining useful lives of the common components, based on the study’s estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the 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.

- g) Recognition of Assets and Depreciation Policy – The Association’s policy is to capitalize common real and personal property to which it has separate title or ownership, and which may be sold individually, or from which significant cash flows can be derived, based on usage by members and non-members. These assets are recorded at cost and are depreciated using various methods over estimated useful lives ranging from five to twenty seven years.
- h) Advertising costs – The Association expenses advertising costs when incurred. For the years ended August 31, 2010 and 2009, advertising costs totaled \$30,287 and \$27,559, respectively.
- i) Concentration Risk – A significant portion of the Association’s revenue is generated during the winter months. If circumstances were to arise which adversely affected skier days in the Vail area, it could have significant impact on the Association’s rental revenue.

Note 3) Accounts Receivable

Association accounts receivable at August 31, 2010 and 2009 represent amounts due from owners for common assessments. The Association’s policy is to bill owners for common assessments on a monthly basis. No allowance for bad debts was recorded at August 31, 2010 or 2009, since the Association did not have any accounts receivable deemed to be uncollectible. Rental program accounts receivable at August 31, 2010 and 2009, represent expenses paid on behalf of the Condominium Association and participants in the rental program, not reimbursed until after year-end.

Simba Run Condominium Association
Notes to Reviewed Financial Statements
(Continued)
Years Ended August 31, 2010 and 2009

Note 4) Other Assessments

During the year ended August 31, 2008 the Association established a separate assessment for furniture, fixtures and equipment replacement and renovation. This assessment totaled \$95,296 for each of the years ended August 31, 2010 and 2009. At August 31, 2010 and 2009, all of the current year assessments had been collected.

Note 5) Property and Equipment

Details of the Association's property and equipment, and related accumulated depreciation, at August 31, 2010 and 2009 follow:

| | August 31, 2010 | | | August 31, 2009 Total |
|--------------------------|-----------------|-------------------|------------|-----------------------------|
| | Association | Rental Program | Total | |
| Manager's Unit | \$ 195,000 | \$ | \$ 195,000 | \$ 195,000 |
| Shuttle buses | 35,329 | | 35,329 | 35,329 |
| Furniture and equipment | 402,051 | 79,897 | 481,948 | 481,948 |
| Communication system | 2,353 | | 2,353 | 2,353 |
| | 634,733 | 79,897 | 714,630 | 714,630 |
| Accumulated depreciation | (226,600) | (68,624) | (295,224) | (222,428) |
| | \$ 408,133 | \$ 11,273 | \$ 419,406 | \$ 492,202 |

Note 6) Advance Deposits

Advance deposits represent partial pre-payment of rent by guests for periods subsequent to year-end and security deposits made by long-term guests. Guests may forfeit a portion of this deposit in the event of cancellation of their booking or for damages upon move out.

Note 7) Note payable

During the year ended August 31, 2010, the Association entered into a line-of-credit agreement with a local bank. This line-of-credit agreement provides borrowing capability of \$100,000, and matures June 1, 2011. At August 31, 2010 no funds had been advanced under this agreement.

Simba Run Condominium Association
Notes to Reviewed Financial Statements
(Continued)
Years Ended August 31, 2010 and 2009

Note 8) Long-Term Debt

Details of long-term debt at August 31, 2010 and 2009 are as follows:

| | 2010 | 2009 |
|---|------------|------------|
| Mortgage note payable in monthly installments of \$9,746, including interest at 3.96%, collateralized by a condominium unit | \$ 312,690 | \$ |
| Mortgage note payable in monthly installments of \$1,106, including interest at 6.50%, collateralized by a condominium unit | | 159,454 |
| Note payable to a bank in monthly installments of \$704, including interest at 7.25% , collateralized by a shuttle bus | | 16,318 |
| Mortgage note payable in monthly installments of \$7,941, including interest at 7.00%, collateralized by a condominium unit | | 249,227 |
| | 312,690 | 424,999 |
| Less portion due within one year | 106,487 | 90,851 |
| | \$ 206,203 | \$ 334,148 |

A schedule of maturities by year for the Association's long-term debt follows:

| | |
|-----------------------------|------------|
| Year ending August 31, 2011 | \$ 106,487 |
| Year ending August 31, 2012 | 110,781 |
| Year ending August 31, 2013 | 95,422 |
| | \$ 312,690 |

Note 9) Interfund Transactions

Simba Run Condominium Association reimburses the rental program for payroll and maintenance expenses incurred on their behalf. During the years ended August 31, 2010 and 2009, the Rental Program made payments of approximately \$129,884 and \$127,871, respectively, on behalf of the Association. At August 31, 2010 and 2009, \$14,008 and \$12,581, respectively, was due from the Association in respect to these expenses.

Note 10) Owners' Working Capital

Included in the rental program fund balance at August 31, 2010 and 2009, is \$57,000 and \$63,825 of owner working capital deposits, respectively. Owners participating in the rental program are required to maintain a \$1,000 working capital deposit.

Simba Run Condominium Association
Notes to Reviewed Financial Statements
(Continued)
Years Ended August 31, 2010 and 2009

Note 11) Commitments and contingencies

The Association has entered into operating lease agreements for telephone and office equipment, various security and fire monitoring equipment, and a shuttle bus as described in Note 5. Payments under these agreements were approximately \$45,328 and \$41,751, respectively for the years ended August 31, 2010 and 2009. Future minimum lease payments under these agreements are as follows:

| | |
|-----------------------------|------------------|
| Year ending August 31, 2011 | \$ 35,525 |
| Year ending August 31, 2012 | 22,115 |
| Year ending August 31, 2013 | <u>22,115</u> |
| | <u>\$ 79,755</u> |

The Association has a net operating loss carryover of approximately \$191,000 available to offset future taxable income, expiring as follows:

| | |
|-----------------------------|-------------------|
| Year ending August 31, 2023 | \$ 1,450 |
| Year ending August 31, 2026 | 17,050 |
| Year ending August 31, 2028 | <u>172,500</u> |
| | <u>\$ 191,000</u> |

No deferred tax asset has been recorded in the accompanying financial statements relating to the above net operating loss carryover as the realization of the benefit is questionable.

SUPPLEMENTARY INFORMATION

Simba Run Condominium Association
Statement of Revenues and Expenses Compared to Budget
Condominium Association
Year ended August 31, 2010

| | Actual | Budget | Variance Over (Under) Budget |
|---|------------|------------|------------------------------------|
| Assessments and revenues: | | | |
| Common assessments | \$ 483,900 | \$ 483,900 | \$ |
| Other assessments | 95,296 | | 95,296 |
| Interest income | 3,558 | 2,150 | 1,408 |
| | 582,754 | 486,050 | 96,704 |
| Direct expenses: | | | |
| Repairs and maintenance | | | |
| Maintenance labor | 49,273 | 55,000 | (5,727) |
| Payroll taxes | 4,205 | 4,020 | 185 |
| Employee benefits | 2,400 | 2,400 | |
| Landscaping and snowplowing | 17,614 | 22,000 | (4,386) |
| Elevator | 20,879 | 19,000 | 1,879 |
| Trash removal | 4,839 | 5,000 | (161) |
| Fire alarm monitoring | 7,708 | 8,200 | (492) |
| Building maintenance | 37,190 | 33,000 | 4,190 |
| Total repairs and maintenance | 144,108 | 148,620 | (4,512) |
| Telephone and utilities | | | |
| Electricity | 52,609 | 50,000 | 2,609 |
| Gas | 12,391 | 16,000 | (3,609) |
| Water and sewer | 29,158 | 25,000 | 4,158 |
| Cable TV | 33,300 | 33,000 | 300 |
| Telephone | 19,346 | 19,700 | (354) |
| Total telephone and utilities | 146,804 | 143,700 | 3,104 |
| General and administrative | | | |
| Manager's salary | 39,898 | 43,265 | (3,367) |
| Bus driver labor | 16,984 | 15,000 | 1,984 |
| Payroll taxes | 3,916 | 4,640 | (724) |
| Manager housing and benefits | 13,202 | 13,300 | (98) |
| Bus operating expenses | 9,968 | 9,000 | 968 |
| Professional fees | 26,900 | 27,000 | (100) |
| Other general and administrative expenses | 18,287 | 7,000 | 11,287 |
| Total general and administrative expenses | 129,155 | 119,205 | 9,950 |
| Total direct expenses | 420,067 | 411,525 | 8,542 |

Simba Run Condominium Association
 Statement of Revenues and Expenses Compared to Budget
 Condominium Association (Continued)
 Year ended August 31, 2010

| | Actual | Budget | Variance Over (Under) Budget |
|----------------------------------|-----------|---------|------------------------------------|
| Fixed charges: | | | |
| Insurance | 47,429 | 52,725 | (5,296) |
| Interest expense | 23,876 | 21,800 | 2,076 |
| Depreciation and amortization | 61,849 | | 61,849 |
| Total fixed charges | 133,154 | 74,525 | 58,629 |
| Total expenses | 553,221 | 486,050 | 67,171 |
| Excess of revenues over expenses | \$ 29,533 | \$ | \$ 29,533 |

Simba Run Condominium Association
Statement of Revenues and Expenses Compared to Budget
Rental Management Company
Year ended August 31, 2010

| | Actual | Budget | Variance Over (Under) Budget |
|-------------------------------------|--------------|--------------|------------------------------------|
| Assessments and revenues: | | | |
| Rental revenue | \$ 1,287,899 | \$ 1,277,141 | \$ 10,758 |
| Service charge Income | 59,258 | 44,819 | 14,439 |
| Parking and administrative fees | 38,730 | 39,507 | (777) |
| Housekeeping revenue | 43,290 | 45,964 | (2,674) |
| Maintenance revenue | 18,758 | 42,644 | (23,886) |
| Interest income | 710 | 2,663 | (1,953) |
| Other income | 7,468 | 7,191 | 277 |
| Total assessments and revenues | 1,456,113 | 1,459,929 | (3,816) |
| Cost of rentals: | | | |
| Travel agent commissions | 51 | | 51 |
| Linen expenses | 39,438 | 40,797 | (1,359) |
| Housekeeping supplies | 17,777 | 17,350 | 427 |
| Credit card charges | 38,657 | 32,760 | 5,897 |
| Total cost of rentals | 95,923 | 90,907 | 5,016 |
| Direct expenses: | | | |
| Rooms | | | |
| Housekeeping payroll | 113,317 | 107,990 | 5,327 |
| Front desk payroll | 51,624 | 50,480 | 1,144 |
| Houseman payroll | 16,441 | 10,900 | 5,541 |
| Maintenance payroll | 64,787 | 72,436 | (7,649) |
| Payroll taxes and employee benefits | 25,617 | 24,820 | 797 |
| Workmens' compensation insurance | 14,090 | 9,500 | 4,590 |
| Other room expenses | 27,260 | 26,360 | 900 |
| Total room expenses | 313,136 | 302,486 | 10,650 |
| Marketing | | | |
| Reservations and sales payroll | 55,804 | 60,934 | (5,130) |
| Payroll taxes and employee benefits | 5,804 | 5,624 | 180 |
| Marketing and advertising | 30,287 | 27,559 | 2,728 |
| Printing | 352 | 543 | (191) |
| Meals and entertainment | 615 | 1,471 | (856) |
| Other marketing | 9,077 | 10,946 | (1,869) |
| Total marketing | 101,939 | 107,077 | (5,138) |

Simba Run Condominium Association
Statement of Revenues and Expenses Compared to Budget
Rental Management Company (Continued)
Year ended August 31, 2010

| | Actual | Budget | Variance Over (Under) Budget |
|---|------------|-----------|------------------------------------|
| General and administrative | | | |
| Management and accounting payroll | 97,374 | 97,194 | 180 |
| Bus driver labor | 20,106 | 19,521 | 585 |
| Payroll taxes and employee benefits | 12,219 | 11,839 | 380 |
| Equipment leases | 14,826 | 13,904 | 922 |
| Computer and software | 3,294 | 7,748 | (4,454) |
| Bus expense | 22,463 | 21,635 | 828 |
| Professional Fees | 2,500 | 2,600 | (100) |
| Office supplies and expense | 3,984 | 4,134 | (150) |
| Other general and administrative | 34,610 | 36,621 | (2,011) |
| Total general and administrative expenses | 211,376 | 215,196 | (3,820) |
| Repairs and maintenance | 3,605 | 1,854 | 1,751 |
| Telephone | 2,706 | 3,130 | (424) |
| Total direct expenses | 632,762 | 629,743 | 3,019 |
| Fixed charges: | | | |
| Insurance | 54 | 897 | (843) |
| Interest expense | 275 | 236 | 39 |
| Depreciation and amortization | 10,947 | 12,000 | (1,053) |
| Total fixed charges | 11,276 | 13,133 | (1,857) |
| Total expenses | 739,961 | 733,783 | 6,178 |
| Excess of revenues over expenses before distributions to rental participants | 716,152 | 726,146 | (9,994) |
| Distributions to rental participants | 720,542 | 715,199 | 5,343 |
| Excess (deficit) of revenues over expenses | \$ (4,390) | \$ 10,947 | \$ (15,337) |

Simba Run Condominium Association
 Statement of Condominium Association Capital Reserve Fund
 Receipts and Disbursements
 Years ended August 31, 2010 and 2009

| | | | |
|----------------------------------|----------|----|---------|
| Balance - August 31, 2008 | | \$ | 127,233 |
| Reserve fund assessments | 63,543 | | |
| Interest earned | 1,674 | | |
| Boiler/Water Heater Expenditures | (22,500) | | |
| Transfer to operating fund | (2,381) | | |
| | | | 40,336 |
| Balance - August 31, 2009 | | | 167,569 |
| Reserve fund assessments | 64,997 | | |
| Interest earned | 1,016 | | |
| Emergency Lighting | (13,350) | | |
| Retirement of long-term debt | (23,000) | | |
| Transfer from operating fund | 3 | | |
| | | | 29,666 |
| Balance - August 31, 2010 | | \$ | 197,235 |

Simba Run Condominium Association
 Supplementary Information About Future
 Repairs and Replacements
 August 31, 2010

The Board of Directors and management annually perform a study in to estimate the remaining useful lives, and the replacement costs, of the components of common property. The estimates are obtained, or derived, by management and have been updated through August 31, 2010.

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

| Components | Estimated Remaining Useful Lives (Years) | Estimated Replacement Costs | 2010 - 2011 Funding Requirement | Components Of Fund Balance at August 31, 2010 |
|--------------------------|---|-----------------------------------|---------------------------------------|---|
| Buildings | 1-17 | \$ 1,253,000 | \$ 25,000 | \$ |
| Grounds | 3-16 | 25,000 | | |
| Shuttle bus | 3 | 40,000 | | |
| Unallocated fund balance | | | | 201,269 |
| | | <u>\$ 1,318,000</u> | <u>\$ 25,000</u> | <u>\$ 201,269</u> |

Current projections of funding requirements are as follows:

| | |
|-----------------------------|---------------------|
| Year ending August 31, 2011 | \$ 25,000 |
| Year ending August 31, 2012 | 75,000 |
| Year ending August 31, 2013 | 70,000 |
| Year ending August 31, 2014 | 1,028,000 |
| Year ending August 31, 2015 | 120,000 |
| | <u>\$ 1,318,000</u> |

The Association Board of Directors currently plans to charge the Association owners a total of \$63,543 annually to fund the capital reserve. Necessary expenditures in excess of the Capital Reserve balance will be funded through a combination of special assessments and borrowing.