

Simba Run Condominium Association

Financial Report

August 31, 2017



**Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
August 31, 2017**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

**To the Board of Directors
Simba Run Condominium Association
Vail, Colorado**

Report on the Financial Statements

We have reviewed the accompanying balance sheets of Simba Run Condominium Association (the "Association"), a Colorado non-profit corporation, as of August 31, 2017, and the related statements of revenues, expenses and changes in equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's 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 opinion.

Management Responsibility

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

Accountant's Responsibility

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.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Other Matters

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with U.S. generally accepted accounting principles. The information included in the accompanying supplemental schedules on pages 11 – 12 is presented only for the purposes of additional analysis. Such information (except the Association's budget, which was compiled from information that is the representation of management, without audit or review, and on which we do not express an opinion or provide any assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Other Matters

The supplementary Schedule of Future Major Repairs and Replacements on page 13 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have compiled the supplementary information from information that is the representation of management the Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
November 13, 2017

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Balance Sheets
August 31, 2017

	2017			
	Operating Fund	Replacement Fund	Rental Operations	Total
Assets:				
Current Assets:				
Cash in bank	109,118	234,924	395,671	739,713
Accounts receivable	32,468	-	15,680	48,148
Prepaid expenses	3,796	-	8,583	12,379
Due (to) from other fund	(86,801)	69,524	17,277	-
Total Current Assets	58,581	304,448	437,211	800,240
Fixed Assets:				
Property and equipment	599,404	-	79,897	679,301
Accumulated depreciation	(442,420)	-	(79,897)	(522,317)
Net Fixed Assets	156,984	-	-	156,984
Total Assets	215,565	304,448	437,211	957,224
Liabilities and Equity:				
Liabilities:				
Current Liabilities:				
Accounts payable	58,802	-	60,478	119,280
Advanced deposits	-	-	144,809	144,809
Prepaid assessment	23,636	-	-	23,636
Other accrued expenses	25,141	-	174,495	199,636
Total Current Liabilities	107,579	-	379,782	487,361
Total Liabilities	107,579	-	379,782	487,361
Equity:				
Working capital	78,021	-	-	78,021
Fund balances	29,965	304,448	57,429	391,842
Total Equity	107,986	304,448	57,429	469,863
Total Liabilities and Equity	215,565	304,448	437,211	957,224

See accompanying notes and Independent Accountant's Review Report.

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended August 31, 2017

	2017			
	Operating Fund	Replacement Fund	Rental Operations	Total
Revenues:				
Assessments	696,935	150,000	-	846,935
Special assessment	-	80,350	-	80,350
Resort fee	151,240	-	-	151,240
Rental income	-	-	1,936,342	1,936,342
CDOT settlement proceeds	-	2,547,266	-	2,547,266
Owner service income, net	17,998	-	-	17,998
Other income	4,400	-	1,700	6,100
Investment income	5	222	91	318
Total Revenues	870,578	2,777,838	1,938,133	5,586,549
Expenses:				
Administrative	100,132	-	169,273	269,405
Operating	286,412	-	1,725,320	2,011,732
Maintenance	237,206	-	43,540	280,746
Utilities and transportation	283,818	-	-	283,818
Replacement:				
CDOT distribution	-	2,514,370	-	2,514,370
Other replacement	-	301,234	-	301,234
Total Expenses	907,568	2,815,604	1,938,133	5,661,305
Excess of Revenues Over Expenses	(36,990)	(37,766)	-	(74,756)
Beginning Fund Balances	66,955	342,214	57,429	466,598
Ending Fund Balances	29,965	304,448	57,429	391,842

See accompanying notes and Independent Accountant's Review Report.

**Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended August 31, 2017**

	2017			
	Operating Fund	Replacement Fund	Rental Operations	Total
Cash Flows from Operating Activities:				
Cash received from owners	746,034	230,350	-	976,384
Cash received from rentals	-	-	1,994,624	1,994,624
Other cash received	155,640	2,547,266	1,700	2,704,606
Cash received from interest	5	222	91	318
Interest paid	-	(1,490)	-	(1,490)
Transfers	4,463	(19,782)	-	(15,319)
Cash paid for salaries and benefits	(286,413)	-	(340,102)	(626,515)
Cash paid to owners	-	(2,514,370)	(1,099,462)	(3,613,832)
Cash paid for goods and services	(674,007)	(299,744)	(542,523)	(1,516,274)
Net Cash Provided by Operating Activities	<u>(54,278)</u>	<u>(57,548)</u>	<u>14,328</u>	<u>(97,498)</u>
Cash Flows from Financing Activities:				
Cash paid for replacement fund loan	-	(98,178)	-	(98,178)
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(98,178)</u>	<u>-</u>	<u>(98,178)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54,278)	(155,726)	14,328	(195,676)
Net Cash and Cash Equivalents - Beginning of Year	<u>163,396</u>	<u>390,650</u>	<u>381,343</u>	<u>935,389</u>
Net Cash and Cash Equivalents - End of Year	<u><u>109,118</u></u>	<u><u>234,924</u></u>	<u><u>395,671</u></u>	<u><u>739,713</u></u>
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:				
Excess of revenues over expenses	<u>(36,990)</u>	<u>(37,766)</u>	<u>-</u>	<u>(74,756)</u>
Adjustments to reconcile:				
Depreciation	10,651	-	-	10,651
(Increase) decrease in accounts receivable	2,103	-	4,835	6,938
(Increase) decrease in prepaid expenses	3,551	-	9,624	13,175
Increase (decrease) in accounts payable	(67,054)	-	(53,578)	(120,632)
Increase (decrease) in deferred assessments	3,857	-	-	3,857
Increase (decrease) in other liabilities	25,141	-	53,447	78,588
Transfers	4,463	(19,782)	-	(15,319)
Total Adjustments	<u>(17,288)</u>	<u>(19,782)</u>	<u>14,328</u>	<u>(22,742)</u>
Net Cash Provided by Operating Activities	<u><u>(54,278)</u></u>	<u><u>(57,548)</u></u>	<u><u>14,328</u></u>	<u><u>(97,498)</u></u>

See accompanying notes and Independent Accountant's Review Report.

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2017
(Continued)

1. Organization

Simba Run Condominium Association ("Association") is a statutory condominium association organized as a not-for-profit corporation in the State of Colorado for the purposes of maintaining and preserving the common property. The Association consists of 94 residential units, located in Vail, Colorado and began operations on January 14, 1983.

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 42%-58% basis. Participating owners also reimburse the rental program for rental expenses incurred on their behalf. Participation in the rental program may fluctuate throughout the year. The Board reserves the right to adjust the profit split returned to rental program participants if management company operations require it.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The common expenses of the Association are paid by the Association for its members. The Board of Directors estimates the expenses, and the Association's members are assessed for their pro-rata share.

B. Fund Accounting

The Association uses the fund method of accounting, which requires that funds, such as the Operating Fund and funds for future major repairs and replacements (Replacement Fund), be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors or Property Manager. Disbursements from the Replacement Fund may be made only for their designated purposes.

C. Cash Equivalents

For purposes of the statements of cash flows, the Association defines cash equivalents as all highly liquid investments with a maturity of less than three months.

D. Recognition of Assets

Real and personal property acquired by the Association is recognized on the Association's financial statements as capitalized fixed assets and is recorded at cost. The property is depreciated over its estimated useful life using the straight-line method of depreciation.

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

**Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2017
(Continued)**

2. Summary of Significant Accounting Policies (continued)

E. Accounts Receivable

The Association recognizes bad debts by the allowance method. No provision for doubtful accounts has been made because all amounts are considered collectable.

F. Prepaid Expenses

Prepaid expenses represent goods and services paid for in fiscal year 2017 for expenses associated with fiscal year 2018.

G. Accounts Payable

Accounts payable represented goods and services rendered in fiscal year 2017, but not paid for until fiscal year 2018.

H. Due To/From Other Funds

At times cash is disbursed or received on behalf of another fund. Processing transactions in this manner results in a liability to or receivable from the other fund. All interfund receivables and payables are periodically settled.

I. Working Capital

According to the Declarations of the Association, each owner is required to pay three months of common assessments as working capital. The assessment is refunded when a unit is sold and the new unit owner is assessed for working capital.

J. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Income Taxes

The Association has filed for and obtained non-profit status from the State of Colorado, therefore no stock was issued by the Corporation. The Association is not tax exempt for Federal and State income tax purposes and therefore must file Federal and State income tax returns as a corporation for profit.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are no longer subject to examination for tax years prior to 2014 by the Internal Revenue Service and for tax years prior to 2013 by the Colorado Department of Revenue.

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2017
(Continued)

3. Fixed Assets

The Associations property, equipment, and related accumulated depreciation as of August 31, 2017, are as follows:

	Association	Rental Operations
Manager's unit	195,000	-
Furniture, fixtures and equipment	402,051	79,897
Communication system	2,353	-
At cost	<u>599,404</u>	<u>79,897</u>
Less: Accumulated depreciation	<u>(442,420)</u>	<u>(79,897)</u>
 Property and equipment, net	 <u><u>156,984</u></u>	 <u><u>-</u></u>

4. Owners' Assessments

The annual budget and assessments of owners are determined by The Board of Directors. The Association retains excess operating funds at the end of the operating year for use in future operating periods.

5. Future Major Repairs and Replacements

The Association's governing documents allow for the accumulation of funds for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for operations.

The Association's Technical Committee developed the reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information for the Schedule of Future Major Repairs and Replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund. The Replacement Fund assessments for the year ended August 31, 2017 were \$150,000.

Funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. 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.

The Replacement Fund had a balance of \$304,448 at August 31, 2017.

7. Advertising Costs

Advertising costs are expensed when incurred. The Association had advertising expenses of \$24,126 related to the rental operations fund for the year ended August 31, 2017.

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2017
(Continued)

8. Management Contract

The Association entered into an agreement with Bold Property Management Solutions on September 21, 2016 to manage the property for a 10.5 month term ending August 31, 2017. The contract was terminated March 2017. At August 31, 2017, the Association had \$0 payable to Bold Property Management, Inc.

The Association incurred the following expenses to Bold Property Management, Inc. for the year ended August 31, 2017:

	<u>Association</u>	<u>Rental Program</u>
Management fee	\$ 31,129	\$ 31,129
Office supplies	461	-
Other administrative expense	460	-
Snow removal	19,541	-
Garage expense	192	-
Lighting expense	463	-
Keys & locks	217	-
Exterior building maintenance	4,788	-
Interior repairs & maintenance	22,122	23,749
Pool, sauna, and tennis	2,891	-
Trash removal	668	-
Bus license & fees	315	-
Capital reserve expense	2,538	-
	<u>\$ 85,783</u>	<u>\$ 54,878</u>

An Association Board Member is acting as interim general manager until a new management company is engaged.

9. Note Payable and Special Assessment

The Association had a loan outstanding during the year that had been used to finance replacement fund projects, including siding replacement, in previous year(s). The loan required monthly installments of \$6,696 including interest at 3.37% and was collateralized by accounts receivable, inventory, and equipment. As of August 31, 2016, the loan had a balance of \$98,177. The Association incurred \$1,490 in interest costs in 2017.

As of August, 31, 2017, the Association special assessed owners \$80,350 in payments on the loan balance. The special assessment proceeds, combined with the manager's unit share of the Eminent Domain Settlement (see Note 10) paid the loan in full.

**Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
August 31, 2017
(Continued)**

10. Eminent Domain Settlement

The Association received proceeds of \$2,575,000 in a final ruling that transferred ownership of Association common owned real property to CDOT for use in an adjacent highway underpass project. The Association recognized proceeds during the fiscal year August 31, 2016, and distributed the remaining proceeds to owners during fiscal year August 31, 2017 less related fees, as follows:

	<u>2017</u>	<u>2016</u>	<u>Total</u>
Proceeds:			
Association portion - manager's unit	-	27,734	27,734
Owner proceeds	<u>2,547,266</u>	-	<u>2,547,266</u>
Total proceeds	<u>2,547,266</u>	<u>27,734</u>	<u>2,575,000</u>
Distributions:			
Attorney fees	-	32,000	32,000
Distributed to owners	2,493,507	27,734	2,521,241
Other related fees	10,296	896	11,192
Unspent balance to owners (payable)	<u>10,567</u>	-	<u>10,567</u>
Total distributions	<u>2,514,370</u>	<u>60,630</u>	<u>2,575,000</u>

Additionally, the Board elected to apply a portion of the proceeds relating to the manager's unit to pay off the remaining balance on the note payable (see note 9). The remaining unspent portion of proceeds will be credited to the owner's accounts in the subsequent fiscal year.

11. Subsequent Events

Management has evaluated subsequent events through November 13, 2017; the date these financial statements were available to be issued.

12. Concentration of Credit Risk

The Federal Deposit Insurance Corporation insures depositors up to \$250,000 for deposits. At August 31, 2017, the Association's uninsured cash balances totaled \$277,952.

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Comparison of Operating Fund Revenues and Expenses
Budget (Non-GAAP Basis) to Actual
With Reconciliation to GAAP Basis
For the Year Ended August 31, 2017

	<u>2017</u>		Variance Positive (Negative)	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Association dues	696,983	696,935	(48)	657,821
Resort fee	142,334	151,240	8,906	159,363
Interest income	127	5	(122)	187
Owner service income, net	18,100	17,998	(102)	23,413
Other income	633	4,400	3,767	900
Total Revenues	<u>858,177</u>	<u>870,578</u>	<u>12,401</u>	<u>841,684</u>
Expenses:				
Administrative expenses:				
Accounting fees	33,720	32,610	1,110	-
Bad debt expense	-	-	-	2,827
Legal and professional	23,551	11,919	11,632	30,058
Management fees	31,129	31,129	-	-
Other administrative	10,425	12,363	(1,938)	12,246
Manager condo and taxes	10,276	12,111	(1,835)	20,679
Total Administrative Expenses	<u>109,101</u>	<u>100,132</u>	<u>8,969</u>	<u>65,810</u>
Building Repair and Maintenance				
Landscaping	8,882	5,431	3,451	8,930
Fire and alarm systems	10,590	19,983	(9,393)	10,212
Painting	1,837	1,036	801	1,833
Snow removal	10,634	19,724	(9,090)	6,519
Elevator	16,524	33,015	(16,491)	23,300
Other general maintenance	34,689	61,523	(26,834)	23,318
Pool and sauna	15,237	28,561	(13,324)	14,337
Other amenities	14,324	9,921	4,403	14,072
Operating insurance and taxes	43,200	47,361	(4,161)	39,271
Total Building Repair and Maintenance	<u>155,917</u>	<u>226,555</u>	<u>(70,638)</u>	<u>141,792</u>
Operating payroll expense				
Payroll and wages	247,208	254,111	(6,903)	343,821
Taxes and benefits	28,306	32,301	(3,995)	35,101
Total operating payroll expense	<u>275,514</u>	<u>286,412</u>	<u>(10,898)</u>	<u>378,922</u>
Utilities and Transportation				
Transportation:				
Bus lease and insurance	26,000	32,235	(6,235)	30,245
Repair and maintenance	26,500	12,037	14,463	21,819
Utilities:				
Water and sewer	71,700	75,933	(4,233)	67,334
Trash removal	14,825	9,208	5,617	15,851
Cable and telephone	70,328	77,314	(6,986)	71,694
Gas and electric	82,000	77,091	4,909	84,991
Total Utilities and Transportation:	<u>291,353</u>	<u>283,818</u>	<u>7,535</u>	<u>291,934</u>
Total Expenses (Budget Basis)	<u>831,885</u>	<u>896,917</u>	<u>(65,032)</u>	<u>878,458</u>
Reconciliation to GAAP Basis:				
Depreciation		10,651		10,651
Total Expenses (GAAP Basis)		<u>907,568</u>		<u>889,109</u>

See accompanying notes and Independent Accountant's Review Report.

**Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Schedule of Replacement Fund Expenses
For the Year Ended August 31, 2017**

	<u>2017</u>
Replacement Fund Expenses:	
CDOT proceeds distribution	2,514,370
Manager unit remodel	5,131
Ceilings	2,664
Fifth floor project	169,746
Pool and spa	119,237
Landscaping	1,600
Carpeting	1,365
Loan interest	1,490
Total Expenses (Budget Basis)	<u><u>2,815,604</u></u>

Simba Run Condominium Association
(A Colorado Non-Profit Corporation)
Supplementary Information
Schedule of Future Major Repairs and Replacements
August 31, 2017

The Association's management conducted a study in the current year to estimate the remaining useful lives and the replacement costs of the components of common property. The study was based on inspection of the property, management's experience, and input from the Board.

Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following table is based on the study and presents significant information about the components of the Association's common property. The Board has not allocated the balance of the Replacement Fund at August 31, 2017 to specific components of the common elements.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Components of Fund Balance at October 31, 2017
Driveway lighting	0	5,000	
Elevator building 1 upgrade	0	10,000	
Elevator building 2 upgrade	0	10,000	
Elevator cab upgrade	0	10,000	
Front entry stairs	0	25,000	
Garage fan noise mitigation	0	5,000	
Hallway air handlers	0	10,000	
Mushroom replace	0	2,000	
Repair garage entry	0	45,200	
Replace garage door	0	20,000	
Replace garage entry doors (3)	0	10,000	
Roof repairs	0	15,000	
Ski locker upgrade	0	25,000	
Tennis court resurface	0	30,000	
Tennis court screening	0	5,000	
Fitness center	1	50,000	
Carpet replace	3	120,000	
Garage door motor	5	5,000	
Indoor hot tub	5	53,000	
Outdoor hot Tub	5	53,000	
Carpet tiles	8	5,000	
Exterior building paint 1 & 2	9	45,000	
Boiler for building 1	10	13,000	
Boiler for building 2	10	13,000	
Garage LED lighting	10	25,000	
Lawn mower	10	1,800	
Pool boiler	10	5,000	
Pool resurface	10	220,000	
Refurbishment 1205	10	10,000	
Pool boilers/pool filters	15	20,000	
Hot water storage building 1	17	21,000	
Hot water storage building 2	20	16,000	
Trane heat /cool system	20	22,000	
Trash compactor	20	25,000	
Roof replacement	30	1,000,000	
Tennis court railings	33	30,000	
Elevator replacement - building 1	40	160,000	
Elevator replacement - building 2	40	80,000	
		<u>2,220,000</u>	<u>304,448</u>

See accompanying notes and Independent Accountant's Review Report.