

**SIMBA RUN CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEARS ENDED AUGUST 31, 2012 AND 2011**

Cannon & Schleicher, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Simba Run Condominium Association
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STEPHEN M. CANNON
WILLIAM C. SCHLEICHER

Independent Accountant's Review Report

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, 2012 and 2011, 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 Association 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, 2012 and 2011, in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily 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 accounting principles generally accepted in the United States of America. The supplementary information included in the Statement of Revenues and Expenses Compared to Budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information (except for the budget information, which was compiled from information that is the representation of management without audit or review, 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 did not become aware of any material modifications that should be made to it.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion or provide any assurance on it.

Cannon & Schleicher, P.C.

November 2, 2012
Evergreen, Colorado

Simba Run Condominium Association
Balance Sheets
August 31, 2012
(With Comparative Totals for August 31, 2011)

Assets	August 31, 2012			August 31, 2011 Total
	Association	Rental Program	Total	
Current assets:				
Cash (Note 2)	\$ 191,257	\$ 244,729	\$ 435,986	\$ 390,610
Accounts receivable (Note 3)	3,380	3,947	7,327	5,983
Prepaid expenses	10,415	11,021	21,436	22,305
Total current assets	<u>205,052</u>	<u>259,697</u>	<u>464,749</u>	<u>418,898</u>
Property, equipment and other assets:				
Property and equipment, net (Notes 5, 7 and 8)	<u>306,270</u>	<u>700</u>	<u>306,970</u>	<u>357,950</u>
	<u>\$ 511,322</u>	<u>\$ 260,397</u>	<u>\$ 771,719</u>	<u>\$ 776,848</u>
Liabilities and Fund Balance				
Current liabilities:				
Accounts payable	\$ 20,543	\$ 24,934	\$ 45,477	\$ 68,424
Advance deposits (Note 6)		91,147	91,147	65,879
Prepaid assessments and dues	17,937		17,937	27,426
Other accrued expenses		29,974	29,974	20,571
Current maturities of long-term debt (Note 8)	<u>95,560</u>		<u>95,560</u>	<u>110,779</u>
Total current liabilities	<u>134,040</u>	<u>146,055</u>	<u>280,095</u>	<u>293,079</u>
Long-term debt (Note 8)				<u>95,490</u>
Fund balance (Notes 2 and 10):				
Operating fund balance	193,418	114,342	307,760	236,037
Repair and replacement fund	<u>183,864</u>		<u>183,864</u>	<u>152,242</u>
	<u>377,282</u>	<u>114,342</u>	<u>491,624</u>	<u>388,279</u>
Commitments and contingencies (Note 11)				
	<u>\$ 511,322</u>	<u>\$ 260,397</u>	<u>\$ 771,719</u>	<u>\$ 776,848</u>

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

Simba Run Condominium Association
 Statements of Revenues and Expenses
 Year ended August 31, 2012
 (With Comparative Totals for August 31, 2011)

	Year Ended August 31, 2012			Year Ended August 31, 2011
	Association	Rental Program	Total	Total
Assessments and revenues:				
Rental revenue	\$	\$ 1,493,823	\$ 1,493,823	\$ 1,552,997
Common assessments	498,850		498,850	483,900
Other assessments (Note 4)	95,341		95,341	95,274
Service charge Income		61,636	61,636	63,206
Parking and administrative fees		48,370	48,370	55,263
Housekeeping revenue		37,241	37,241	39,120
Maintenance revenue		25,813	25,813	23,247
Interest income	2,442	492	2,934	4,541
Other income	34	7,273	7,307	9,497
	<u>596,667</u>	<u>1,674,648</u>	<u>2,271,315</u>	<u>2,327,045</u>
Cost of rentals		<u>103,134</u>	<u>103,134</u>	<u>109,165</u>
Direct expenses:				
Rooms		350,721	350,721	334,558
Marketing		124,437	124,437	109,623
Repairs and maintenance	147,678	5,087	152,765	168,303
Telephone and utilities	146,327	1,584	147,911	148,777
General and administrative	131,564	251,780	383,344	398,434
	<u>425,569</u>	<u>733,609</u>	<u>1,159,178</u>	<u>1,159,695</u>
Excess of revenue over expenses before fixed charges	<u>171,098</u>	<u>837,905</u>	<u>1,009,003</u>	<u>1,058,185</u>
Fixed charges:				
Insurance	43,432		43,432	40,760
Interest expense	6,053	51	6,104	10,510
Depreciation and amortization	50,513	467	50,980	61,456
	<u>99,998</u>	<u>518</u>	<u>100,516</u>	<u>112,726</u>
Excess of revenues over expenses before distributions to rental participants	71,100	837,387	908,487	945,459
Distributions to rental participants		<u>836,541</u>	<u>836,541</u>	<u>906,534</u>
Excess of revenues over expenses before income taxes	71,100	846	71,946	38,925
Provision for income taxes (Note 11)				
Excess of revenues over expenses	<u>\$ 71,100</u>	<u>\$ 846</u>	<u>\$ 71,946</u>	<u>\$ 38,925</u>

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

Simba Run Condominium Association
 Statements of Changes in Fund Balance
 Years ended August 31, 2012 and 2011

	Association		Rental Program Operating Fund	Total
	Operating Fund	Repair and Replacement Fund		
Balance - August 31, 2010	\$ 84,343	\$ 201,269	\$ 113,496	\$ 399,108
Excess (deficit) of operating revenue over expenses	38,198	727		38,925
Reserve fund assessments		64,997		64,997
Reserve fund expenditures		(114,751)		(114,751)
	122,541	152,242	113,496	388,279
Balance - August 31, 2011				
Excess of operating revenue over expenses	70,877	223	846	71,946
Decrease in working capital				
Reserve fund assessments		50,000		50,000
Reserve fund expenditures		(46,601)		(46,601)
Special Assessments		28,000		28,000
	193,418	183,864	114,342	491,624
Balance - August 31, 2012	\$ 193,418	\$ 183,864	\$ 114,342	\$ 491,624

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

Simba Run Condominium Association
Statements of Cash Flows
Year ended August 31, 2012
(With Comparative Totals for August 31, 2011)

Increase in Cash and Cash Equivalents

	Year Ended August 31, 2012			Year Ended August 31, 2011
	Association	Rental Program	Total	Total
Cash flows from operating activities:				
Cash received from tenants	\$	\$ 1,497,161	\$ 1,497,161	\$ 1,575,203
Owner dues and assessments	488,626		488,626	478,991
Other assessments	95,341		95,341	95,274
Service charge income		61,636	61,636	63,206
Parking and administrative fees		48,370	48,370	55,263
Housekeeping and maintenance revenues		63,054	63,054	62,367
Interest income	2,442	492	2,934	4,541
Other cash received	34	7,273	7,307	9,497
Cash paid to employees, suppliers and others	(462,654)	(859,712)	(1,322,366)	(1,295,188)
Cash paid to rental program participants		(836,541)	(836,541)	(906,534)
Interest expense	(6,053)	(51)	(6,104)	(10,510)
Net cash provided (utilized) by operating activities	<u>117,736</u>	<u>(18,318)</u>	<u>99,418</u>	<u>132,110</u>
Cash flows from financing activities:				
Increase (decrease) in advance deposits		25,268	25,268	(6,362)
Retirements of long-term debt	(110,709)		(110,709)	(106,421)
Reserve fund assessments	78,000		78,000	64,997
Reserve fund expenditures	(46,601)		(46,601)	(114,751)
Net cash provided (utilized) by financing activities	<u>(79,310)</u>	<u>25,268</u>	<u>(54,042)</u>	<u>(162,537)</u>
Net increase (decrease) in cash and cash equivalents	38,426	6,950	45,376	(30,427)
Cash and cash equivalents - beginning of year	<u>152,831</u>	<u>237,779</u>	<u>390,610</u>	<u>421,037</u>
Cash and cash equivalents - end of year	<u>\$ 191,257</u>	<u>\$ 244,729</u>	<u>\$ 435,986</u>	<u>\$ 390,610</u>

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

Simba Run Condominium Association
 Statements of Cash Flows
 (Continued)
 Year ended August 31, 2012
 (With Comparative Totals for August 31, 2011)

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

	Year Ended August 31, 2012			Year Ended August 31, 2011 Total
	Association	Rental Program	Total	
Excess of revenues over expenses	\$ 71,100	\$ 846	\$ 71,946	\$ 38,925
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation and amortization	50,513	467	50,980	61,456
Changes in assets and liabilities -				
Decrease (increase) in accounts receivable	(735)	(609)	(1,344)	19,387
Decrease (increase) in prepaid expenses	(410)	1,279	869	(2,177)
Increase (decrease) in accounts payable	6,757	(29,704)	(22,947)	20,008
Increase (decrease) in prepaid dues	(9,489)		(9,489)	(5,428)
Increase (decrease) in accrued expenses		9,403	9,403	(61)
Total adjustments	46,636	(19,164)	27,472	93,185
Net cash provided (utilized) by operating activities	\$ 117,736	\$ (18,318)	\$ 99,418	\$ 132,110

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, 2012 and 2011

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. Participating owners also reimburse the rental program for rental expenses incurred on their behalf. Participation in the rental program may fluctuate throughout the year. As of August 31, 2012 and 2011, 57 residential units participated in the rental program. The Board reserves the right to adjust the profit split returned to rental program participants if management company operations require it. At August 31, 2011, rental program profit for the year then ended, in the amount of \$36,855, was reallocated to the owners as additional profit split. No adjustment of the split occurred during the year ended August 31, 2012.

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, 2012 and 2011

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 separate savings accounts and are generally not available for operating expenditures. The balance in the capital reserve savings accounts at August 31, 2012 and 2011 was \$172,010 and \$148,571, respectively. At August 31, 2012 and 2011 the capital reserve fund was owed \$11,854 and \$3,671 by the Operating Fund for funds advanced or deposited into operating cash accounts. Included in the capital reserve savings account at August 31, 2012 is \$16,000 of prepaid special assessments as more fully described in note 10.

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, 2012, 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, institute 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, 2012 and 2011, advertising costs totaled \$32,216 and \$28,006, 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, 2012 and 2011 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, 2012 or 2011, since the Association did not have any accounts receivable deemed to be uncollectible. Rental program accounts receivable at August 31, 2012 and 2011, 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, 2012 and 2011

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 \$95,341 and \$95,274 for the years ended August 31, 2012 and 2011. At August 31, 2012 and 2011, 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, 2012 and 2011 follow:

	August 31, 2012			August 31, 2011
	Association	Rental Program	Total	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
	<u>634,733</u>	<u>79,897</u>	<u>714,630</u>	<u>714,630</u>
Accumulated depreciation	<u>(328,463)</u>	<u>(79,197)</u>	<u>(407,660)</u>	<u>(295,224)</u>
	<u>\$ 306,270</u>	<u>\$ 700</u>	<u>\$ 306,970</u>	<u>\$ 419,406</u>

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

The Association maintains a line-of-credit agreement with a local bank which provides borrowing capability of \$100,000, carries an interest rate of 5.25%, and is collateralized by furniture and fixtures of the association. This agreement matures annually on June 1st. At August 31, 2012 no funds had been advanced under this agreement.

Simba Run Condominium Association
Notes to Reviewed Financial Statements
(Continued)
Years Ended August 31, 2012 and 2011

Note 8) Long-Term Debt

Details of long-term debt at August 31, 2012 and 2011 are as follows:

	2012	2011
Mortgage note payable in monthly installments of \$9,746, including interest at 3.96%, collateralized by a condominium unit. Due June 16, 2013.	\$ 95,560	\$ 206,269
Less portion due within one year	95,560	110,779
	\$	\$ 95,490

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, 2012 and 2011, the rental program made payments to employees, vendors, and others of approximately \$141,648 and \$144,145, respectively, on behalf of the Association. At August 31, 2012 and 2011, \$7,454 and \$5,944, respectively, was due the rental program by the Association in respect to these expenses.

Note 10) Fund balance

Included in the rental program fund balance at August 31, 2012 and 2011, is \$57,000 of owner working capital deposits. Owners participating in the rental program are required to maintain a \$1,000 working capital deposit.

The Association is planning a special assessment for the year ending August 31, 2013 for the purpose of replacing the siding on the condominium buildings. This assessment is currently planned to be billed in two installments. The first will occur in October 2012, and will range from \$6,729 to \$15,701, based on ownership percentages. An additional amount will be billed by January 31, 2013, and will allocate the remainder of the project costs by ownership percentage. At August 31, 2012, \$28,000 of this assessment had been received.

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. Payments under these agreements were approximately \$39,591 and \$39,479, respectively for the years ended August 31, 2012 and 2011. The Association leases the shuttle bus on a seasonal basis, only for the months during which it is needed. While there is no future commitment to continue leasing the shuttle, it is management's intent to do so. Future minimum lease payments under these agreements, including management's best estimate of the cost of the shuttle lease, are as follows:

Simba Run Condominium Association
Notes to Reviewed Financial Statements
(Continued)
Years Ended August 31, 2012 and 2011

Note 11) Commitments and contingencies (continued)

Year ending August 31, 2013	\$ 39,591
Year ending August 31, 2014	39,591
Year ending August 31, 2015	36,601
Year ending August 31, 2016	36,601
Year ending August 31, 2017	<u>36,601</u>
	<u>\$ 188,985</u>

The Association files a corporate income tax return annually utilizing Form 1120. The Association has a net operating loss carryover of approximately \$27,868 available to offset future taxable income. This net operating loss carryover expires in 2028.

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.

Simba Run Condominium Association
Statement of Revenues and Expenses Compared to Budget
Condominium Association
Year ended August 31, 2012

	Actual	Budget	Variance Over (Under) Budget
Assessments and revenues:			
Common assessments	\$ 498,850	\$ 498,900	\$ (50)
Other assessments	95,341	95,300	41
Interest income	2,442	2,750	
Other income	34		34
	596,667	596,950	25
Direct expenses:			
Repairs and maintenance			
Maintenance labor	59,765	54,500	5,265
Payroll taxes	4,572	4,369	203
Employee benefits	2,400	2,400	
Landscaping and snowplowing	18,658	20,300	(1,642)
Elevator	17,718	16,750	968
Trash removal	6,293	6,000	293
Fire alarm monitoring	7,369	8,000	(631)
Building maintenance	30,903	31,500	(597)
Total repairs and maintenance	147,678	143,819	3,859
Telephone and utilities			
Electricity	57,228	61,500	(4,272)
Gas	12,407	14,000	(1,593)
Water and sewer	31,651	31,000	651
Cable TV	36,037	40,000	(3,963)
Telephone	9,004	11,700	(2,696)
Total telephone and utilities	146,327	158,200	(11,873)
General and administrative			
Manager's salary	45,000	45,000	
Bus driver labor	21,534	21,000	534
Payroll taxes	5,090	4,865	225
Manager housing and benefits	14,278	13,600	678
Bus operating expenses	10,943	12,000	(1,057)
Professional fees	26,980	26,400	580
Other general and administrative expenses	7,739	9,015	(1,276)
Total general and administrative expenses	131,564	131,880	(316)
Total direct expenses	425,569	433,899	(8,330)

Simba Run Condominium Association
 Statement of Revenues and Expenses Compared to Budget
 Condominium Association (Continued)
 Year ended August 31, 2012

	Actual	Budget	Variance Over (Under) Budget
Fixed charges:			
Insurance	43,432	46,100	(2,668)
Interest expense	6,053		6,053
Depreciation and amortization	50,513		50,513
Total fixed charges	99,998	46,100	53,898
Total expenses	525,567	479,999	45,568
Excess of revenues over expenses	\$ 71,100	\$ 116,951	\$ (45,543)
Retirement of long-term debt	\$ 110,709	\$ 116,951	\$ (6,242)

Simba Run Condominium Association
Statement of Revenues and Expenses Compared to Budget
Rental Management Company
Year ended August 31, 2012

	Actual	Budget	Variance Over (Under) Budget
Assessments and revenues:			
Rental revenue	\$ 1,493,823	\$ 1,286,905	\$ 206,918
Service charge income	61,636	59,262	2,374
Parking and administrative fees	48,370	38,730	9,640
Housekeeping revenue	37,241	43,290	(6,049)
Maintenance revenue	25,813	18,170	7,643
Interest income	492	710	(218)
Other income	7,273	6,396	877
Total assessments and revenues	<u>1,674,648</u>	<u>1,453,463</u>	<u>221,185</u>
Cost of rentals:			
Travel agent commissions		51	(51)
Linen expenses	30,511	39,438	(8,927)
Housekeeping supplies	20,973	18,186	2,787
Credit card charges	51,650	38,657	12,993
Total cost of rentals	<u>103,134</u>	<u>96,332</u>	<u>6,802</u>
Direct expenses:			
Rooms			
Housekeeping payroll	129,064	115,741	13,323
Front desk payroll	58,672	63,641	(4,969)
Houseman payroll	13,813	17,881	(4,068)
Maintenance payroll	78,346	65,527	12,819
Payroll taxes and employee benefits	32,747	27,290	5,457
Workmens' compensation insurance	10,117	16,552	(6,435)
Other room expenses	27,962	27,260	702
Total room expenses	<u>350,721</u>	<u>333,892</u>	<u>16,829</u>
Marketing			
Reservations and sales payroll	69,104	61,392	7,712
Payroll taxes and employee benefits	8,083	6,736	1,347
Marketing and advertising	32,216	31,020	1,196
Printing	428	352	76
Meals and entertainment	2,245	1,172	1,073
Other marketing	12,361	9,178	3,183
Total marketing	<u>124,437</u>	<u>109,850</u>	<u>14,587</u>

Simba Run Condominium Association
Statement of Revenues and Expenses Compared to Budget
Rental Management Company (Continued)
Year ended August 31, 2012

	Actual	Budget	Variance Over (Under) Budget
General and administrative			
Management and accounting payroll	114,628	100,700	13,928
Bus driver labor	21,534	20,106	1,428
Payroll taxes and employee benefits	15,934	13,278	2,656
Equipment leases	12,486	14,826	(2,340)
Computer and software	9,979	14,294	(4,315)
Bus expense	28,428	22,463	5,965
Professional fees	2,250	2,500	(250)
Office supplies and expense	5,006	3,984	1,022
Other general and administrative	41,535	35,560	5,975
Total general and administrative expenses	251,780	227,711	24,069
Repairs and maintenance	5,087	3,605	1,482
Telephone	1,584	2,706	(1,122)
Total direct expenses	733,609	677,764	55,845
Fixed charges:			
Insurance		54	(54)
Interest expense	51	275	(224)
Depreciation and amortization	467		467
Total fixed charges	518	329	189
Total expenses	837,261	774,425	62,836
Excess of revenues over expenses before distributions to rental participants	837,387	679,038	158,349
Distributions to rental participants	836,541	698,539	138,002
Excess of revenues over expenses	\$ 846	\$ (19,501)	\$ 20,347

Simba Run Condominium Association
Statement of Condominium Association Capital Reserve Fund
Receipts and Disbursements
Years ended August 31, 2012 and 2011

Balance - August 31, 2010		\$ 201,269
Reserve fund assessments	64,997	
Interest earned	727	
Exterior paint & repair	(25,000)	
Pool & hot tub	(78,376)	
Exterior remodel design work	<u>(11,375)</u>	
		<u>(49,027)</u>
Balance - August 31, 2011		152,242
Reserve fund assessments	50,000	
Special assessment revenue	28,000	
Interest earned	223	
Hot water storage tank	(36,150)	
Exterior remodel design work	<u>(10,451)</u>	
		<u>31,622</u>
Balance - August 31, 2012		<u>\$ 183,864</u>

Simba Run Condominium Association
 Supplementary Information About Future
 Repairs and Replacements
 August 31, 2012

The Board of Directors and management perform a study annually in order 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, 2012.

The following table of projected capital requirements for the next five years is based on the study, and presents significant information about the components of common property.

Components	Estimated Useful Lives (Years)	Estimated Replacement Costs	2012 - 2013 Funding Requirement	Components Of Fund Balance at August 31, 2012
Buildings and equipment	10-45	\$ 1,680,500	\$ 1,470,000	\$
Grounds	10	31,000		
Unallocated fund balance				183,864
		<u>\$ 1,711,500</u>	<u>\$ 1,470,000</u>	<u>\$ 183,864</u>

Current projections of funding requirements are as follows:

Year ending August 31, 2013	\$ 1,470,000
Year ending August 31, 2014	34,000
Year ending August 31, 2015	98,000
Year ending August 31, 2016	80,000
Year ending August 31, 2017	29,500
	<u>\$ 1,711,500</u>

The Association's Board of Directors currently plans to charge the Association owners a total of \$50,000 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.