

THE BAY CLUB VACATION OWNERS ASSOCIATION
WAIKOLOA, HAWAII
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010



Myers, Brettholtz & Company, PA

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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THE EXCEPTION TO THE RULE

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Myers, Brettholtz & Company, PA
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Bay Club Vacation Owners Association
Waikoloa, Hawaii

We have audited the accompanying balance sheet of The Bay Club Vacation Owners Association, as of December 31, 2010, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bay Club Vacation Owners Association, as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on future major repairs and replacements is required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The schedule of operating fund revenues and expenses - budget to actual is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied during the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
April 13, 2011

THE BAY CLUB VACATION OWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2010

| | FUNDS | | |
|---|---------------------|---------------------|---------------------|
| | Operating | Replacement | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,510,157 | \$ 233,632 | \$ 5,743,789 |
| Investments | 1,779,478 | 1,511,867 | 3,291,345 |
| Accounts receivable - members (net of allowance for uncollectible accounts of \$406,634) | 388,473 | - | 388,473 |
| Interest receivable | 363 | - | 363 |
| Accounts receivable - other | 59,267 | - | 59,267 |
| Prepaid expense | 127,380 | - | 127,380 |
| Due from replacement fund | 127,853 | - | 127,853 |
| | <u>7,992,971</u> | <u>1,745,499</u> | <u>9,738,470</u> |
| Total assets | <u>\$ 7,992,971</u> | <u>\$ 1,745,499</u> | <u>\$ 9,738,470</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 683,130 | \$ 490 | \$ 683,620 |
| Income taxes payable | 8,143 | - | 8,143 |
| General excise tax payable | 29,415 | - | 29,415 |
| Assessments received in advance | 6,354,446 | - | 6,354,446 |
| Due to operating fund | - | 127,853 | 127,853 |
| | <u>7,075,134</u> | <u>128,343</u> | <u>7,203,477</u> |
| Total liabilities | 7,075,134 | 128,343 | 7,203,477 |
| FUND BALANCES | <u>917,837</u> | <u>1,617,156</u> | <u>2,534,993</u> |
| Total liabilities and fund balances | <u>\$ 7,992,971</u> | <u>\$ 1,745,499</u> | <u>\$ 9,738,470</u> |

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE BAY CLUB VACATION OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

| | FUNDS | | |
|---|------------------|------------------|-------------------|
| | Operating | Replacement | Total |
| REVENUES | | | |
| Maintenance fees | \$ 7,924,937 | \$ 1,431,630 | \$ 9,356,567 |
| Special assessment | - | 4,212,544 | 4,212,544 |
| Real estate taxes | 545,244 | - | 545,244 |
| General excise tax | 389,801 | - | 389,801 |
| Late fees | 239,546 | - | 239,546 |
| Interest and dividends | 58,842 | 110,798 | 169,640 |
| Other | 75,895 | - | 75,895 |
| Amortization of purchase premiums | (7,777) | - | (7,777) |
| Gain on sales of investments | - | 26,943 | 26,943 |
| Total revenues | 9,226,488 | 5,781,915 | 15,008,403 |
| EXPENSES | | | |
| Administrative | 3,830,092 | - | 3,830,092 |
| Operating | 3,169,491 | - | 3,169,491 |
| Electric | 701,726 | - | 701,726 |
| Building | 274,596 | - | 274,596 |
| Taxes | 958,581 | - | 958,581 |
| Replacement | - | 8,358,885 | 8,358,885 |
| Total expenses | 8,934,486 | 8,358,885 | 17,293,371 |
| Excess (deficiency) of revenues over expenses | 292,002 | (2,576,970) | (2,284,968) |
| FUND BALANCES - January 1, 2010 | 625,835 | 4,194,126 | 4,819,961 |
| FUND BALANCES - December 31, 2010 | \$ 917,837 | \$ 1,617,156 | \$ 2,534,993 |

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE BAY CLUB VACATION OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | FUNDS | | |
|--|---------------------|--------------------|---------------------|
| | Operating | Replacement | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Maintenance and late fees and real estate and general excise taxes and special assessment collected | \$ 8,937,941 | \$ 5,644,174 | \$ 14,582,115 |
| Interest and dividends received | 58,842 | 110,798 | 169,640 |
| Other revenue received | 75,895 | - | 75,895 |
| Cash paid for expenditures | (8,794,607) | (8,398,678) | (17,193,285) |
| Cash paid for income taxes | (5,996) | - | (5,996) |
| Net cash provided (used) by operating activities | <u>272,075</u> | <u>(2,643,706)</u> | <u>(2,371,631)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Sales of investments | 6,159,918 | 2,698,948 | 8,858,866 |
| Purchases of investments | (5,392,302) | - | (5,392,302) |
| Net cash provided by investing activities | <u>767,616</u> | <u>2,698,948</u> | <u>3,466,564</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interfund reimbursement | (128,673) | 128,673 | - |
| Net increase in cash | 911,018 | 183,915 | 1,094,933 |
| CASH AND CASH EQUIVALENTS - January 1, 2010 | <u>4,599,139</u> | <u>49,717</u> | <u>4,648,856</u> |
| CASH AND CASH EQUIVALENTS - December 31, 2010 | <u>\$ 5,510,157</u> | <u>\$ 233,632</u> | <u>\$ 5,743,789</u> |

| | FUNDS | | |
|--|-------------------|-----------------------|-----------------------|
| | Operating | Replacement | Total |
| RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Excess (deficiency) of revenues over expenses | \$ 292,002 | \$ (2,576,970) | \$ (2,284,968) |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities: | | | |
| Amortization of purchase premiums | 7,777 | - | 7,777 |
| Gain on sales of investments | - | (26,943) | (26,943) |
| Provision for uncollectible accounts | 125,000 | - | 125,000 |
| Changes in: | | | |
| Accounts receivable - members | (176,995) | - | (176,995) |
| Accounts receivable - other | (35,004) | - | (35,004) |
| Prepaid expense | (18,247) | - | (18,247) |
| Accounts payable and accrued expenses | 56,776 | (39,793) | 16,983 |
| Income taxes payable | 2,147 | - | 2,147 |
| General excise tax | 3,211 | - | 3,211 |
| Increase in assessments received in advance | 15,408 | - | 15,408 |
| Total adjustments | (19,927) | (66,736) | (86,663) |
| Net cash provided (used) by operating activities | \$ 272,075 | \$ (2,643,706) | \$ (2,371,631) |

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE BAY CLUB VACATION OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - THE ASSOCIATION

The Bay Club Vacation Owners Association (the "Association") was incorporated on January 27, 1995, under the laws of Hawaii as a nonprofit, non-stock corporation to operate and manage a timeshare ownership program at the Bay Club at Waikola Beach Resort (the "Condominium") located in Waikoloa Beach, Hawaii. The Association consists of 167 units (8,517 unit-weeks). The owners of all unit-weeks in the Condominium are the only members.

Nikken Corporation (the "Developer"), a Hawaii corporation, is the developer of the Condominium. As of December 31, 2010, the Developer owned 81 unit-weeks.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 13, 2011, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and major repairs and replacements.

The operating fund reflects the operating portion of the annual assessments billed to the owners to meet the various day-to-day expenditures incurred in the administration and operation of the Condominium.

The replacement fund is composed of the portion of the annual assessments designated in the budget to fund future major repairs and replacements, as further described in Note 8.

Investments

The Association classifies its debt securities into held-to-maturity or available-for-sale categories. Debt securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Debt securities for which the Association does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded at amortized cost. Available-for-sale securities are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of other comprehensive income and reported as a separate component of fund balance.

The fair value of substantially all debt securities is determined by the broker using a third party source. Gains or losses on securities sold are based on the specific identification method.

THE BAY CLUB VACATION OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are generally considered delinquent when they are one day past due. The Association accounts for potential losses in accounts receivable utilizing the allowance method. The Association maintains an allowance for uncollectible accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experiences in the preceding years, taking into account historical losses, industry standards and current economic conditions. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible accounts. Provision for uncollectible accounts expense was \$125,000 for the year ended December 31, 2010 and is included in administrative expenses.

Common Property

The Association is responsible to preserve and maintain the common property of the Condominium. Ownership of the commonly owned assets is vested directly or indirectly in the unit-week owners, those assets are not titled in the Association's name and disposition of those assets by the Board of Directors (the "Board") is restricted. As a result, commonly owned assets are not presented in the Association's financial statements. Common property not capitalized consists of interior furnishings and equipment.

Income Taxes

Management has analyzed its various federal and state filing positions and believes that the Association's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The years 2007 through 2010 remain open to examination under federal statute and applicable state statute limitations.

The Association has elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at a federal rate of 32% on its investment income and other non-exempt function income, less allocable expenses. There are no temporary differences between the financial reporting and tax reporting with respect to the non-exempt function income; therefore, no deferred tax provision has been recorded. The Association incurred an income tax liability of \$8,143, for the year ended December 31, 2010.

Fair Value of Financial Instruments

Substantially all of the Association's assets and liabilities, excluding prepaid expense and assessments received in advance are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Investments are valued based on the classification as further described in the investment policy above.

THE BAY CLUB VACATION OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Maintenance fees revenue is recognized monthly in the amount of the membership assessment allocation specified for current period operations, based on the annual budget adopted by the Board. Each unit-week owner is an Association member and a proportionate amount of the maintenance fees is assessed for each unit-week.

Maintenance fees for the Association include association dues for the Association of Apartment Owners of Bay Club Waikoloa Beach Resort (“AOAO”). During the year ended December 31, 2010, association dues for AOAO that were assessed through the Association totaled \$2,402,319 and are included in administrative expenses. In addition, certain costs are allocated between the Association and AOAO. As of December 31, 2010, no amount was due from the AOAO.

Late fees revenue is recognized when collected.

Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Association made cash payments of \$5,996 for income taxes and no cash payments for interest during the year ended December 31, 2010.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of 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.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”). The balances were fully insured as of December 31, 2010, based on the bank statement balances, less the FDIC insurance. Cash equivalents totaling \$373,701 as of December 31, 2010, are not insured by the FDIC. These non FDIC insured funds are maintained in money market mutual funds invested in U.S. government obligations.

THE BAY CLUB VACATION OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5 - INVESTMENTS

The Association invests idle cash balances in debt securities. The amortized historical cost, aggregate fair value, and gross unrealized holding (losses) gains, summarized by major security type, as of December 31, 2010, consisted of:

| | Amortized Historical Cost | Aggregate Fair Value | Gross Unrealized Holding (Losses) Gains |
|-----------------------------|---------------------------------|----------------------------|---|
| <u>Held-to-maturity</u> | | | |
| <u>Operating fund</u> | | | |
| Municipal bonds | \$ 636,470 | \$ 620,090 | \$ (16,380) |
| U.S. government obligations | 1,143,008 | 1,146,902 | 3,894 |
| | 1,779,478 | 1,766,992 | (12,486) |
| <u>Replacement fund</u> | | | |
| Municipal bonds | 1,337,170 | 1,274,217 | (62,953) |
| U.S. government obligations | 159,662 | 166,405 | 6,743 |
| U.S. Treasury notes | 15,035 | 15,168 | 133 |
| | 1,511,867 | 1,455,790 | (56,077) |
| Total investments | \$ 3,291,345 | \$ 3,222,782 | \$ (68,563) |

Future maturities of debt securities held as of December 31, 2010, consist of:

| | Amortized Historical Cost | Aggregate Fair Value | Unrealized Holding Losses |
|-------------------|---------------------------------|----------------------------|---------------------------------|
| <u>Maturities</u> | | | |
| Less than 1 year | \$ 1,890,423 | \$ 1,863,983 | \$ (26,440) |
| 1 - 5 years | 1,400,922 | 1,358,799 | (42,123) |
| | \$ 3,291,345 | \$ 3,222,782 | \$ (68,563) |

NOTE 6 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members, as of December 31, 2010, consisted of the following:

| | |
|--|------------|
| Maintenance fees and special assessment | \$ 604,759 |
| Club dues | 39 |
| Real estate taxes | 22,062 |
| General excise tax | 15,318 |
| Finance and related fees | 152,929 |
| Less: allowance for uncollectible accounts | (406,634) |
| | \$ 388,473 |

Read Independent Auditor's Report.

THE BAY CLUB VACATION OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of 2011 maintenance fees, real estate and general excise taxes received by the Association prior to January 1, 2011.

NOTE 8 - REPLACEMENT FUND

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees assessment charged to each unit-week owner, and specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established.

The following is a table of the current year's activity in the replacement fund, by component:

| Components | Balance January 1, 2010 | Additions to Fund | Charges to Fund | Balance December 31, 2010 |
|----------------------|-------------------------------|----------------------|---------------------|---------------------------------|
| Interior | \$ 4,055,409 | \$ 1,542,428 | \$ 4,142,944 | \$ 1,454,893 |
| Capital improvements | 138,717 | 26,943 | 3,397 | 162,263 |
| Special assessment | - | 4,212,544 | 4,212,544 | - |
| | <u>\$ 4,194,126</u> | <u>\$ 5,781,915</u> | <u>\$ 8,358,885</u> | <u>\$ 1,617,156</u> |

Additions to fund include \$110,798 of interest and dividends and gains on sales of investments of \$26,943. The Association's policy for allocating the replacement fund's investment income is based on the current year's funding of each component.

During the year ended December 31, 2010, the Association funded for major repairs and replacements over the estimated useful lives of the components, based on an independent appraiser's estimates of current replacement costs.

During the year ended December 31, 2009, the Board approved a special assessment for a renovation project. The entire amount was expended during the year ended December 31, 2010.

The 2011 proposed budgeted funding is \$1,478,877, as shown in the unaudited supplementary information. The components' actual replacement costs, useful lives, and investment income may vary from the estimated amounts and the variation may be material. Therefore, the Association's 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.

NOTE 9 - COMMITMENTS

The Association currently has a one-year management agreement ending January 1, 2012, with Hilton Grand Vacations Company, LLC ("HGVC"). HGVC provides on-site management and maintenance services and off-site administrative and accounting services. The contract automatically renews for successive one-year periods unless HGVC or the Association, by a vote of a majority of the owners, determines not to renew the agreement and gives appropriate notice of that determination.

THE BAY CLUB VACATION OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9 - COMMITMENTS (Continued)

Although no written agreement has been signed, AOA allows the Association to conduct certain operations in the designated common elements of AOA. The Association pays a monthly fee of \$6,300 together with Hawaii general excise tax. For the year ended December 31, 2010, fees amounted to \$78,624 and are included in administrative expenses.

SUPPLEMENTARY INFORMATION

THE BAY CLUB VACATION OWNERS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2010
 (Unaudited)

A study was performed by an independent appraiser during 2009, to estimate the remaining useful lives and replacement costs of the components of common property. The following table presents significant information about the components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

| <u>Components</u> | <u>Average Estimated Useful Lives</u> | <u>Average Estimated Remaining Useful Lives</u> | <u>Estimated Current Replacement Costs</u> | <u>2011 Proposed Budgeted Funding</u> |
|----------------------|---|---|--|---|
| Interior | 13.40 years | 6.61 years | \$ 14,919,877 | \$ 1,475,957 |
| Capital improvements | 7.50 years | 5.04 years | 262,460 | 2,920 |
| | | | <u>\$ 15,182,337</u> | <u>\$ 1,478,877</u> |

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 3% and the rate of inflation 4%.

THE BAY CLUB VACATION OWNERS ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget <i>(Unaudited)</i> | Actual | Variance Favorable (Unfavorable) |
|--|------------------------------|------------------|--|
| REVENUES | | | |
| Maintenance fees | \$ 7,924,937 | \$ 7,924,937 | \$ - |
| Real estate taxes | 545,244 | 545,244 | - |
| General excise tax | - | 389,801 | 389,801 |
| Late fees | 46,800 | 239,546 | 192,746 |
| Interest and dividends | - | 58,842 | 58,842 |
| Other | 84,000 | 75,895 | (8,105) |
| Amortization of purchase premiums | - | (7,777) | (7,777) |
| Total operating fund revenues | <u>8,600,981</u> | <u>9,226,488</u> | <u>625,507</u> |
| EXPENSES | | | |
| ADMINISTRATIVE | | | |
| Annual audit | 7,100 | 7,120 | (20) |
| Other administrative | 365,383 | 448,241 | (82,858) |
| Board reimbursements | 9,000 | 4,535 | 4,465 |
| Financial services/data processing | 78,000 | 78,000 | - |
| Postage, printing and newsletter | 29,910 | 16,853 | 13,057 |
| Management fees | 873,024 | 873,024 | - |
| Management fees - AOA | 2,402,290 | 2,402,319 | (29) |
| Total administrative | <u>3,764,707</u> | <u>3,830,092</u> | <u>(65,385)</u> |
| OPERATING | | | |
| Office, desk, reservations, bell service | 1,097,695 | 1,019,211 | 78,484 |
| Housekeeping, laundry and supplies | 1,882,030 | 1,990,894 | (108,864) |
| Uniforms | 22,200 | 17,705 | 4,495 |
| Pool and spa | 24,000 | 13,045 | 10,955 |
| Recreation and concierge | 145,171 | 117,100 | 28,071 |
| Other | 22,500 | 11,536 | 10,964 |
| Total operating | <u>3,193,596</u> | <u>3,169,491</u> | <u>24,105</u> |
| ELECTRIC | <u>884,000</u> | <u>701,726</u> | <u>182,274</u> |
| BUILDING | | | |
| Maintenance - service, equipment, supplies | 245,234 | 216,465 | 28,769 |
| Building and equipment contracts | 26,500 | 26,300 | 200 |
| Telephone contract | 31,700 | 28,657 | 3,043 |
| Elevator and fire system contracts | 5,200 | 3,174 | 2,026 |
| Total building | <u>308,634</u> | <u>274,596</u> | <u>34,038</u> |

| | <u>Budget</u> <i>(Unaudited)</i> | <u>Actual</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|---|-------------------------------------|-------------------|---|
| TAXES | | | |
| Income taxes | 4,800 | 8,143 | (3,343) |
| General excise tax | - | 402,177 | (402,177) |
| Real estate taxes | <u>545,244</u> | <u>548,261</u> | <u>(3,017)</u> |
| Total taxes | <u>550,044</u> | <u>958,581</u> | <u>(408,537)</u> |
| | | | |
| Total operating fund expenses | <u>8,700,981</u> | <u>8,934,486</u> | <u>(233,505)</u> |
| | | | |
| (Deficiency) excess of revenues over expenses | <u>\$ (100,000)</u> | <u>\$ 292,002</u> | <u>\$ 392,002</u> |

** Note: The 2009 operating surplus was used to offset the 2010 budgeted deficit of \$100,000