

***APPLETREE CONDOMINIUM  
ASSOCIATION***

FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION

**DECEMBER 31, 2012 and 2011**

***APPLETREE CONDOMINIUM  
ASSOCIATION***

FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION

**DECEMBER 31, 2012 and 2011**

***L.R. COMPTON II, LLC***  
**Certified Public Accountants**  
3595 South Teller Street, Suite 402  
Lakewood, Colorado 80235

# ***APPLETREE CONDOMINIUM ASSOCIATION***

**DECEMBER 31, 2012 and 2011**

## **TABLE OF CONTENTS**

|                                                                                       |           |
|---------------------------------------------------------------------------------------|-----------|
| <b><i>Independent Auditor's Report</i></b>                                            | <b>1</b>  |
| <b><i>Financial Statements</i></b>                                                    |           |
| Balance Sheets                                                                        | 3         |
| Statements of Revenue, Expenditures and<br>Change in the Fund Balances                | 4         |
| Statements of Cash Flows                                                              | 5         |
| Notes to Financial Statements                                                         | 6         |
| <b><i>Supplementary Information</i></b>                                               |           |
| <b><i>Independent Auditor's Report on<br/>Supplementary Information</i></b>           | <b>11</b> |
| Schedule of Actual Revenue and Expenditures<br>Versus Budget for the Operating Fund   | 12        |
| Schedule of Future Major Repair and Replacements<br>Proposed for the Replacement Fund | 13        |

# ***L.R. COMPTON II, LLC***

Certified Public Accountants

## ***Independent Auditor's Report***

To the Board of Directors  
Appletree Condominium Association  
Arapahoe County, Colorado

We have audited the accompanying financial statements of Appletree Condominium Association, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of revenue, expenditures and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appletree Condominium Association as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lakewood, Colorado  
April 29, 2013

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**APPLETREE CONDOMINIUM  
ASSOCIATION**  
BALANCE SHEETS

|                                                | <b>YEARS ENDED DECEMBER 31,</b> |                             |                          |                          |
|------------------------------------------------|---------------------------------|-----------------------------|--------------------------|--------------------------|
|                                                | <b>2012</b>                     |                             |                          | <b>2011</b>              |
|                                                | <b>Operating<br/>Fund</b>       | <b>Replacement<br/>Fund</b> | <b>Total</b>             | <b>Total</b>             |
| <b>ASSETS</b>                                  |                                 |                             |                          |                          |
| Cash                                           | \$ 2,191                        | \$ 29,771                   | \$ 31,962                | \$ 99,781                |
| Certificates of Deposit                        | -                               | 205,772                     | 205,772                  | 90,000                   |
| Assessments Receivable, Net                    | 11,029                          | -                           | 11,029                   | 14,392                   |
| Accrued Interest Receivable                    | -                               | 288                         | 288                      | 110                      |
| Prepaid Items                                  | 5,801                           | -                           | 5,801                    | 5,292                    |
| Interfund Balances                             | <u>5,800</u>                    | <u>(5,800)</u>              | <u>-</u>                 | <u>-</u>                 |
| <b>TOTAL ASSETS</b>                            | <b>\$ <u>24,821</u></b>         | <b>\$ <u>230,031</u></b>    | <b>\$ <u>254,852</u></b> | <b>\$ <u>209,575</u></b> |
| <b>LIABILITIES and FUND BALANCES</b>           |                                 |                             |                          |                          |
| <b>LIABILITIES</b>                             |                                 |                             |                          |                          |
| Accounts Payable and                           |                                 |                             |                          |                          |
| Accrued Liabilities                            | \$ 9,270                        | \$ -                        | \$ 9,270                 | \$ 10,827                |
| Deferred Assessments                           | <u>9,756</u>                    | <u>-</u>                    | <u>9,756</u>             | <u>9,497</u>             |
| <i>Total Liabilities</i>                       | 19,026                          | -                           | 19,026                   | 20,324                   |
| <b>FUND BALANCES</b>                           |                                 |                             |                          |                          |
| Operating Fund (Deficit)                       | 5,795                           | -                           | 5,795                    | 9,181                    |
| Replacement Fund                               | <u>-</u>                        | <u>230,031</u>              | <u>230,031</u>           | <u>180,070</u>           |
| <i>Total Fund Balances</i>                     | <u>5,795</u>                    | <u>230,031</u>              | <u>235,826</u>           | <u>189,251</u>           |
| <b>TOTAL LIABILITIES and<br/>FUND BALANCES</b> | <b>\$ <u>24,821</u></b>         | <b>\$ <u>230,031</u></b>    | <b>\$ <u>254,852</u></b> | <b>\$ <u>209,575</u></b> |

See Notes to Financial Statements

# APPLETREE CONDOMINIUM ASSOCIATION

## STATEMENTS of REVENUE, EXPENDITURES and CHANGE in the FUND BALANCES

|                                                              | YEARS ENDED DECEMBER 31, |                     |                   |                   |
|--------------------------------------------------------------|--------------------------|---------------------|-------------------|-------------------|
|                                                              | 2012                     |                     |                   | 2011              |
|                                                              | Operating<br>Fund        | Replacement<br>Fund | Total             | Total             |
| <b>REVENUE</b>                                               |                          |                     |                   |                   |
| Assessments                                                  | \$ 254,870               | \$ 119,530          | \$ 374,400        | \$ 355,680        |
| Other Member Income                                          | 27,458                   | -                   | 27,458            | 4,720             |
| Interest                                                     | <u>-</u>                 | <u>931</u>          | <u>931</u>        | <u>571</u>        |
| <i>Total Revenue</i>                                         | 282,328                  | 120,461             | 402,789           | 360,971           |
| <b>EXPENDITURES</b>                                          |                          |                     |                   |                   |
| <b>Maintenance</b>                                           |                          |                     |                   |                   |
| Common Area                                                  | 36,550                   | -                   | 36,550            | 30,225            |
| Open Space                                                   | 82,775                   | -                   | 82,775            | 76,515            |
| Pool and Tennis                                              | 9,697                    | -                   | 9,697             | 7,601             |
| Snow Removal                                                 | <u>9,270</u>             | <u>-</u>            | <u>9,270</u>      | <u>19,452</u>     |
| <i>Total Maintenance</i>                                     | 138,292                  | -                   | 138,292           | 133,793           |
| <b>Operating</b>                                             |                          |                     |                   |                   |
| Utilities                                                    | <u>58,308</u>            | <u>-</u>            | <u>58,308</u>     | <u>52,932</u>     |
| <i>Total Operating</i>                                       | 58,308                   | -                   | 58,308            | 52,932            |
| <b>Replacement Projects</b>                                  | -                        | 70,500              | 70,500            | 54,652            |
| <b>Administrative</b>                                        |                          |                     |                   |                   |
| Bad Debts                                                    | 6,341                    | -                   | 6,341             | (2,093)           |
| Income Taxes                                                 | -                        | -                   | -                 | -                 |
| Insurance                                                    | 46,108                   | -                   | 46,108            | 44,958            |
| Management Fees                                              | 23,400                   | -                   | 23,400            | 23,400            |
| Office and Communications                                    | 8,163                    | -                   | 8,163             | 7,187             |
| Professional Fees                                            | <u>5,102</u>             | <u>-</u>            | <u>5,102</u>      | <u>4,830</u>      |
| <i>Total Administrative</i>                                  | <u>89,114</u>            | <u>-</u>            | <u>89,114</u>     | <u>132,934</u>    |
| <b>Total Expenditures</b>                                    | <u>285,714</u>           | <u>70,500</u>       | <u>356,214</u>    | <u>319,659</u>    |
| <b>EXCESS (DEFICIT) of<br/>REVENUE OVER<br/>EXPENDITURES</b> | (3,386)                  | 49,961              | 46,575            | 41,312            |
| Fund Balances, Beginning<br>of Year                          | <u>9,181</u>             | <u>180,070</u>      | <u>189,251</u>    | <u>147,939</u>    |
| <b>FUND BALANCES, End<br/>of Year</b>                        | <u>\$ 5,795</u>          | <u>\$ 230,031</u>   | <u>\$ 235,826</u> | <u>\$ 189,251</u> |

See Notes to Financial Statements

# APPLETREE CONDOMINIUM ASSOCIATION

## STATEMENTS of CASH FLOWS

|                                                                                                                                                   | YEARS ENDED DECEMBER 31, |                         |                         |                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
|                                                                                                                                                   | 2012                     |                         |                         | 2011                    |
|                                                                                                                                                   | Operating<br>Fund        | Replacement<br>Fund     | Total                   | Total                   |
| <b><i>CASH PROVIDED (USED) by<br/>OPERATING ACTIVITIES:</i></b>                                                                                   |                          |                         |                         |                         |
| Excess (Deficit) of Revenue                                                                                                                       |                          |                         |                         |                         |
| Over Expenditures                                                                                                                                 | \$ (3,386)               | \$ 49,961               | \$ 46,575               | \$ 41,312               |
| <i>Adjustments to Reconcile Excess<br/>(Deficit) of Revenue over<br/>Expenditures to Net Cash<br/>Provided (Used) by Operating<br/>Activities</i> |                          |                         |                         |                         |
| Assessments Receivable,<br>Net                                                                                                                    | 3,363                    | -                       | 3,363                   | (7,107)                 |
| Accrued Interest Receivable                                                                                                                       | -                        | (178)                   | (178)                   | (110)                   |
| Prepaid Items                                                                                                                                     | (509)                    | -                       | (509)                   | (400)                   |
| Accounts Payable and<br>Accrued Liabilities                                                                                                       | (1,557)                  | -                       | (1,557)                 | (2)                     |
| Deferred Assessments                                                                                                                              | <u>259</u>               | <u>-</u>                | <u>259</u>              | <u>1,506</u>            |
| <b><i>Total Cash Provided (Used)<br/>by Operating Activities</i></b>                                                                              | <b>(1,830)</b>           | <b>49,783</b>           | <b>47,953</b>           | <b>35,199</b>           |
| <b><i>CASH PROVIDED (USED) by<br/>INVESTING ACTIVITIES:</i></b>                                                                                   |                          |                         |                         |                         |
| Certificates of Deposit                                                                                                                           | -                        | (115,772)               | (115,772)               | 35,000                  |
| Interfund Transfers                                                                                                                               | <u>(5,800)</u>           | <u>5,800</u>            | <u>-</u>                | <u>-</u>                |
| <b><i>Total Cash Provided (Used)<br/>by Investing Activities</i></b>                                                                              | <b><u>(5,800)</u></b>    | <b><u>(109,972)</u></b> | <b><u>(115,772)</u></b> | <b><u>35,000</u></b>    |
| <b><i>NET INCREASE<br/>(DECREASE) in CASH</i></b>                                                                                                 | <b>(7,630)</b>           | <b>(60,189)</b>         | <b>(67,819)</b>         | <b>70,199</b>           |
| Cash, Beginning of Year                                                                                                                           | <u>9,821</u>             | <u>89,960</u>           | <u>99,781</u>           | <u>29,582</u>           |
| <b><i>CASH, End of Year</i></b>                                                                                                                   | <b><u>\$ 2,191</u></b>   | <b><u>\$ 29,771</u></b> | <b><u>\$ 31,962</u></b> | <b><u>\$ 99,781</u></b> |
| <b>Supplemental Disclosure</b>                                                                                                                    |                          |                         |                         |                         |
| Income Taxes Paid                                                                                                                                 | \$ <u>-</u>              | \$ <u>-</u>             | \$ <u>-</u>             | \$ <u>-</u>             |
| Interest Paid                                                                                                                                     | \$ <u>-</u>              | \$ <u>-</u>             | \$ <u>-</u>             | \$ <u>-</u>             |

See Notes to Financial Statements

# ***APPLETREE CONDOMINIUM ASSOCIATION***

NOTES to FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

## **HISTORY and SIGNIFICANT ACCOUNTING POLICIES**

### **History**

Appletree Condominium Association was incorporated December 30, 1977, as a Colorado Nonprofit Corporation. The Association consists of the owners of 156 residential condominiums housed in 13 buildings and located in unincorporated Arapahoe County, Colorado. The Association's purpose is to perform the obligations and duties set forth in the Condominium Declaration filed December 27, 1977, through its elected Board of Directors. Those obligations and duties include representing all owners, each of whom specifically own the "airspace" within their unit plus certain limited common elements, in matters concerning the common elements (land, buildings and recreational facilities) in which each "air space" owner has an undivided interest and to operate, maintain, improve or add to those common elements in a manner which will protect, promote and advance the health, safety, welfare and interests of those owners and to maintain the common elements in a first class manner.

To accomplish these goals, the Association's Board has the right to levy equal annual assessments per unit that shall be a legal debt second only to a recorded mortgage on the condominium unit. The right to levy assessments includes amounts for day-to-day operations, assessments to fund a major replacement and maintenance reserve ("replacement fund") or for special assessments for unplanned, unbudgeted major expenditures.

When the Developer transferred title to the common elements of the project to the Association, no value was set on these assets by the developer and therefore, no dollar amount for these assets has been recorded in the Association's financial statements. Major additions to the common elements, paid for with Association funds, will be recorded as an asset. Annual assessments levied on each personal unit owner for the replacement fund are considered as additional costs of the unit for income tax purposes.

### **Significant Accounting Policies**

#### **Accrual Accounting**

The financial statements of Appletree Condominium Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

# ***APPLETREE CONDOMINIUM ASSOCIATION***

NOTES to FINANCIAL STATEMENTS  
**DECEMBER 31, 2012 and 2011**  
(Continued)

## **Significant Accounting Policies** (Continued)

### **Fund Accounting**

The books and records of the Association recognize two primary funds:

Operating Fund: This fund records the daily activities of operating the Association, including the annual budgeting, assessing of the owners, collecting of assessments, disbursing funds under the annual budget and paying income taxes, if any are due, on income unrelated to membership in the Association.

Replacement Fund: This fund records that portion of unit owners' annual assessments restricted to future major maintenance, repair and replacement expenditures as projected in the Association's August 2010 Reserve Study. This study forecasts the cash necessary to fund the projects considered advisable to maintain the Association's property in first class condition.

Furniture and equipment or major common element asset additions purchased by the replacement fund may be transferred to and recorded in the operating fund with the related accumulated depreciation. Major maintenance, repair or replacement projects to date have been expended by the replacement fund, not capitalized.

### **Certificates of Deposit**

As of December 31, 2012, the portfolio of the replacement fund consists of six certificates of deposit. Maturity dates are spread throughout 2013 and 2014 with interest rates ranging from 0.350% to 0.811%. At December 31, 2011, there were three certificates of deposit with maturity dates spread throughout 2012 with interest rates ranging from 0.30% to 0.45%.

### **Prepaid Items**

Appletree Condominium Association may pay certain expenses such as insurance on an annual basis. The portions to be expensed in future accounting periods are recorded as prepaid items.

### **Prepaid Assessments**

Monthly assessments to the members are billed in advance, and may be paid prior to the period billed. Any early payments received are recorded as prepaid assessments and not recognized as income until the appropriate accounting period.

### **Interfund Balances**

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash held for transfer or transfer from one fund to the other, if any, is as interfund balances from one fund to the other.

# ***APPLETREE CONDOMINIUM ASSOCIATION***

## **NOTES to FINANCIAL STATEMENTS DECEMBER 31, 2012 and 2011 (Continued)**

### **Significant Accounting Policies** (Continued)

#### **Fair Value of Financial Instruments**

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair value at December 31, 2012. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Appletree Condominium Association maintains its cash balances in both national banks and with investment firms. The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance at December 31, 2012 and 2011, for interest earning balances in national banks, and unlimited insurance on demand deposits. Investment firms provide insurance for the balances in their accounts. Based on the FDIC limits at year-end December 31, 2012 and 2011, the Association has \$-0- in uninsured deposits.

#### **Income Taxes**

The Association is responsible for any income taxes due on its income from sources unrelated to members' ownership of condominiums. Such income may include interest, dividends, and other unrelated income. Income tax filings may be under a special election as an Homeowners Association, or as a standard Corporation. Filings in 2012 and 2011 were as a standard Corporation.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **NOTE 2: Assessments Receivable, Net**

The receivables arising from ordinary homeowner activities are, in management's opinion, collectible in full since they constitute a legal debt of the property subject only to a prior first mortgage on the condominium. The total owed to the Association includes any late fees and may include legal fees incurred. Collection of these debts, however, may require the Board of Directors exercise the Association's legal remedies and even if the Association were to act on its possible remedies, the debt and the costs to do so may not be totally recoverable, therefore an allowance for uncollectable accounts has been established of \$16,100 and \$11,600 at December 31, 2012 and 2011, respectively. The reduction in the allowance for uncollectable accounts is due to an increase in assessment collections. Assessments receivable are shown on the Association's financial statements at the total receivable amount net of the allowance for uncollectable accounts.

# ***APPLETREE CONDOMINIUM ASSOCIATION***

## **NOTES to FINANCIAL STATEMENTS DECEMBER 31, 2012 and 2011 (Continued)**

### **NOTE 3: Replacement Fund**

The Association's governing documents direct the Board to accumulate funds for future major maintenance, repairs and replacements. Accumulated funds are held in a separate account and are generally not available for day-to-day operations. The Board commissioned an independent building consultant to prepare an updated study of the future major maintenance, repair and replacement needs of the common areas of the Association. This study was completed in August 2010 and projects the needs for funds and their possible use from 2011 through 2040.

Actual earnings and expenditures may vary from the amounts estimated in the 2010 updated study, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major maintenance, repairs and replacements. If additional monies are found to be necessary, the Board has the right to increase regular assessments restricted to the replacement fund, pass special assessments, or delay the major maintenance and replacement projects until funds are available.

### **NOTE 4: Income Taxes**

For the years 2012 and 2011, The Association's membership income <loss> carried forward to the next year's operating budgets were (\$18,389) and \$32,515 respectively. At December 31, 2012, the Association showed a (\$61,750) membership (loss) carryforward.

Taxable income (loss) from non-membership sources, net of attributable expenses, was \$15,935 and (\$7,644) in 2012 and 2011 respectively. Appletree Condominium Association has a net loss carryforward of \$7,333 at December 31, 2012.

### **NOTE 5: Restatements**

Certain accounts from the December 31, 2011 financial statements have been reclassified to conform to the presentation at December 31, 2012.

### **NOTE 6: Contingencies**

The Association is a party to various legal actions normally associated with homeowner's associations, such as the collection of delinquent accounts and owner compliance with the covenants, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

# ***APPLETREE CONDOMINIUM ASSOCIATION***

## **NOTES to FINANCIAL STATEMENTS DECEMBER 31, 2012 and 2011 (Continued)**

### **NOTE 7: Replacement Projects**

The Board of the Association plans the Replacement Fund expenditures each year depending on the "Reserve Study", and on owners' reports of physical conditions. During the years covered herein, the following projects were undertaken and completed by the Replacement Fund:

| <u><b>Project Description</b></u> | <u><b>Years Ended December 31,</b></u> |                         |
|-----------------------------------|----------------------------------------|-------------------------|
|                                   | <u><b>2012</b></u>                     | <u><b>2011</b></u>      |
| Buildings                         | \$ 34,810                              | \$ 46,716               |
| Grounds                           | <u>35,690</u>                          | <u>7,936</u>            |
| Total Replacement Projects        | <u><u>\$ 70,500</u></u>                | <u><u>\$ 54,652</u></u> |

### **NOTE 8: Subsequent Events**

For the year ended December 31, 2012, the Association has evaluated subsequent events for potential recognition and disclosure through April 29, 2013, the date of the financial statement issuance.

***APPLETREE CONDOMINIUM  
ASSOCIATION***

SUPPLEMENTARY INFORMATION

**DECEMBER 31, 2012**

# ***L.R. COMPTON II, LLC***

## **Certified Public Accountants**

3595 S. Teller Street, Suite 402

Lakewood, Colorado 80235

(303) 980-6232

### ***Independent Auditor's Report on Supplementary Information***

Members of the Board of Directors  
Appletree Condominium Association  
Arapahoe County, Colorado

Our report on our audits of the basic financial statements of Appletree Condominium Association at December 31, 2012 and 2011 and for the years then ended appears on page 1. These audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information for the year ended December 31, 2012, *Actual Revenue and Expenditures Versus Budget for the Operating Fund*, on page 12, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Appletree Condominium Association. Such information, except for the column marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The *Future Major Repairs and Replacements Proposed for the Replacement Fund* presented on page 13, is not a required part of the basic financial statements of Appletree Condominium Association at December 31, 2012 but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

April 29, 2013

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# **APPLETREE CONDOMINIUM ASSOCIATION**

## ACTUAL REVENUE and EXPENDITURES VERSUS BUDGET for the OPERATING FUND YEAR ENDED DECEMBER 31, 2012

|                                                | ACTUAL                   | BUDGET<br>(UNAUDITED) | VARIATION<br>(OVER)/<br>UNDER<br>BUDGET |
|------------------------------------------------|--------------------------|-----------------------|-----------------------------------------|
| <b>REVENUE</b>                                 |                          |                       |                                         |
| Assessments                                    | \$ 374,400               | \$ 374,400            | \$ -                                    |
| Interest and<br>Other Income                   | <u>27,458</u>            | <u>8,120</u>          | <u>(19,338)</u>                         |
| <i>Total Revenue</i>                           | 401,858                  | 382,520               | (19,338)                                |
| <b>EXPENDITURES</b>                            |                          |                       |                                         |
| <b>Maintenance</b>                             |                          |                       |                                         |
| Common Area                                    | 36,550                   | 36,100                | (450)                                   |
| Open Space                                     | 82,775                   | 62,940                | (19,835)                                |
| Pool & Tennis                                  | 9,697                    | 7,750                 | (1,947)                                 |
| Snow Removal                                   | 9,270                    | 12,000                | 2,730                                   |
| <b>Operations</b>                              |                          |                       |                                         |
| Utilities                                      | 58,308                   | 58,000                | (308)                                   |
| <b>Administrative Expenses</b>                 |                          |                       |                                         |
| Bad Debts                                      | 6,341                    | 7,000                 | 659                                     |
| Income Taxes                                   | -                        | 500                   | 500                                     |
| Insurance                                      | 46,108                   | 36,000                | (10,108)                                |
| Management Fees                                | 23,400                   | 23,400                | -                                       |
| Office and<br>Communications                   | 8,163                    | 7,100                 | (1,063)                                 |
| Professional Fees                              | <u>5,102</u>             | <u>12,200</u>         | <u>7,098</u>                            |
| <i>Total Expenditures</i>                      | <u>285,714</u>           | <u>262,990</u>        | <u>(22,724)</u>                         |
| <b>EXCESS of REVENUE<br/>FROM OPERATIONS</b>   | <b>116,144</b>           | <b>119,530</b>        | <b>3,386</b>                            |
| Assessments Transferred to<br>Replacement Fund | <u>(119,530)</u>         | <u>(119,530)</u>      | <u>-</u>                                |
| <b>EXCESS of REVENUE<br/>OVER EXPENDITURES</b> | <b>\$ <u>(3,386)</u></b> | <b>\$ <u>-</u></b>    | <b>\$ <u>3,386</u></b>                  |

- \* A + variation in revenue represents an amount in excess of the budget  
A ( ) variation in expenditures represents an amount in excess of the budget.

**APPLETREE CONDOMINIUM  
ASSOCIATION**

**FUTURE MAJOR REPAIRS and REPLACEMENTS  
PROPOSED for the REPLACEMENT FUND**

**DECEMBER 31, 2012  
(Not Audited)**

The Association's Board of Directors contracted a study in 2010, to estimate the remaining useful lives and the replacement costs of the components of the Association's common property. The study was prepared by an independent building consultant who inspected the common areas of the property. Costs were based on estimates, including 3.0% inflation, offset by 1.5% earnings, to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date.

The following table is based on the 2010 study and presents significant information about the components, estimated lives and costs of common property:

| <u>Components</u>            | <u>2010<br/>Estimated<br/>Remaining<br/>Useful Life<br/>in Years</u> | <u>2010<br/>Estimated<br/>Current<br/>Replacement<br/>Cost</u> |
|------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------|
| Concrete                     | 0 to 15                                                              | \$ 58,115                                                      |
| Asphalt                      | 0 to 9                                                               | 202,488                                                        |
| Retaining Walls              | 0 to 36                                                              | 8,449                                                          |
| Pool                         | 0 to 8                                                               | 70,440                                                         |
| Building Roofs and Exteriors | 0 to 15                                                              | 890,766                                                        |
| Drainage                     | 0                                                                    | 6,000                                                          |
| Tennis Court                 | 0                                                                    | 4,500                                                          |
| Other                        | 1 to 15                                                              | <u>51,026</u>                                                  |
| <b>TOTAL</b>                 |                                                                      | <b><u>\$ 1,291,784</u></b>                                     |