CONCEPT IN TIME

INTERVAL OWNERS ASSOCIATION

Fiscal Year 2015-2016

PRO FORMA OPERATING BUDGET

Prepared by:

Keith Brown
Chief Financial Officer
Concept In Time I.O.A.

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INTERVAL OWNERS ASSOCIATION

Fiscal Year 2014 - 2015 Financial Reports

Fiscal Year 2015 - 2016 Pro Forma Operating Budget

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CONCEPT IN TIME I.O.A.
Letter from the CFO

June, 2015

Dear Fellow Owners:

This past year marked yet another year of continuing challenge and transition for Villa Mykonos, Concept In Time Interval Owners Association.

First, all of us need to appreciate how hard Owners Ken Jacobi, as General Manager, and Mat Weiss, in providing the landscape services and as staff augmentation, along with our long-time housekeeping employee, Fernando Brenes-Zuniga, work to keep the resort running and keep control on costs. It is not an easy task in these tight financial times.

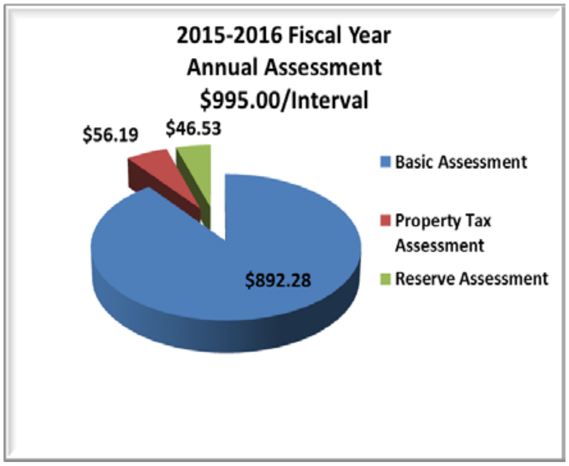
The weak recovery of the economy and an ownership base that continues to decline severely restricts our ability to raise revenues and devote financial resources toward updating the property.

Just as the fiscal year drew to a close, it looked like we might actually have sufficient reserves to consider some long-overdue improvements. Then, we were hit with two unexpected capital expenditures. First, the water heater for Building B had to be replaced. Second, a water leak was discovered under the concrete slab for the Unit 3 downstairs bathroom. The good news is that the leak was discovered before even more extensive damage occurred, but it still required a significant redo of the downstairs bathroom, including needing to replace carpeting and drywall ruined by water damage. Also, two sliding glass doors inexplicably shattered during the year. Whether due to seismic forces, unexplained impact, or simply age, it was another unexpected and an unusual expense.

Setting the Fiscal Year 2015-2016 budget has been a very difficult task. There have been significant increases in costs of insurance; as well as increases in property and employment-related taxes. Electric and natural gas rates are expected to increase this next year, too, as the major utilities had rate increases approved for 2015 and 2016. Despite these increases in the non-discretionary costs to run the resort, the Board is very sensitive to the resistance of owners to increases in the assessments.

Sadly, the number of owners who have passed away or succumbed to these persistently tough economic times greatly exceeds the number of new owners added. So, there are still fewer owners to share the increasing costs of running Villa Mykonos. Our active ownership base has declined by more than fifteen percent since the 2009-2010 Fiscal Year. That equates to more than $45,000 in decreased annual revenues. Yet the costs to run the resort continue to increase.

I cannot stress enough how important it is to attract new and younger people into the Association. We need all owners to help in this critical task, especially as we have little or no funds available for marketing. Nothing works better than personal testimony in marketing. Please encourage your friends and acquaintances to invest in Villa Mykonos to grow our owner base. The Board also approved the ability for Ken to offer competitive rental rates if you have friends or family wanting to visit Palm Springs and want an alternative to the usual hotel or motel setting.



Now, for the news everyone is waiting for: **THERE WILL BE NO INCREASE IN THE ANNUAL ASSESSMENT! THE ANNUAL ASSESSMENT REMAINS THE SAME AT $995.00 PER INTERVAL FOR THE 2015-2016 FISCAL YEAR.** This is the third year in a row there has been no increase in the annual assessment, despite the increased costs to run the property. Holding the line on the annual assessment means trimming out all capital replacement projects and updates and holding the line on controllable operations expenses, not to mention some sacrifice in wage and salary amounts for our dedicated staff.

There is no room for the unexpected in the reserve account for the upcoming year. Because of the austerity this budget represents**, if there are unexpected failures or significant repair expenses, it may be necessary to impose a special assessment to cover these costs.** This is the last thing we would want to do, but unavoidable if we do not increase the basic assessment.

The Basic Assessment is **$892.28**, or 89.68% of the **$995.00** total Assessment. The Property Tax Assessment had to be increased to **$56.19** to cover the increased in property taxes, or 5.65% of the total. The Reserve Fund Assessment has to be cut to **$46.53**, or 4.68% of the total, in order to keep the total Assessment at the same level as the last two fiscal years.

Besides keeping the annual assessment as low as possible, given the above factors, there is one bright piece of financial news to look forward to in the 2015-2016 Fiscal Year. The Inskeep loan will be paid off in by May 2016. This means the resort will be debt-free by mid-2016. If we could attract some new owners and generate additional revenue, we may be able to pay off the note even earlier; although we need to devote any additional revenue toward the reserve account at this time.

As the Chief Financial Officer for your Owners' Association, I ask for your patience and understanding. I also am here to assist you with your Villa Mykonos accounts. However, in order to be able to help, I need to know that you are in need of help. If you are having trouble making timely payment for your assessments, please telephone me at (702) 260-4229; or e-mail me at *CFO@VillaMykonos.com*; or contact our Vice President of Owner Relations, Mat Weiss, at *vp.ownerrelations@villamykonos.com;* or (760) 202-8049. If necessary, Mat and I can work with you to avoid late fees and interest charges. We also can help you with flexibility for different payment plans.

The remaining pages of this mailing contain the Association's Pro Forma Operating Budget for the 2015-2016 Fiscal Year (July 1, 2015 – June 30, 2016); along with the Financial Reports for the last full fiscal year available (July 1, 2014 – June 30, 2015). These reports are required under state law.

I hope this next fiscal year brings greater prosperity to all and that all owners can take the opportunity to visit and enjoy our beautiful resort.

Keith Brown, Esq.
Chief Financial Officer/Concept in Time I.O.A.

PRO FORMA OPERATING BUDGET

FISCAL YEAR 2015-2016

CONCEPT IN TIME

INTERVAL OWNERS ASSOCIATION

Notes and Assumptions

Forecasted Statement of Revenues, Expenses and Changes in Fund Balances

Fiscal Year Ending in June 2016

NOTE 1 THE ASSOCIATION

Concept In Time I.O.A. (the Association) is a common interest timeshare resort development located in Cathedral City, Riverside County, California. The property consists of ten living units, 10 garages, an office and other amenities including a pool and spa. The Association was organized in 1990 as a nonprofit, mutual-benefit association to provide for the management and maintenance of the entire property (living units, offices, garages and the common areas).

NOTE 2 THE FORECAST

This forecasted statement is the Board of Directors' estimate of revenues and expenses based on the assumptions set forth below, which includes information obtained from the ongoing Reserve Analysis which was begun in 1998 and has been revised annually. The assumptions disclosed herein are those that the other Board members and I believe are significant to the forecast. Some assumptions may not materialize; and unanticipated events and circumstances may occur subsequent to July 1, 2015, the beginning date for this forecast. Therefore, the actual results achieved during the forecast period are likely to vary from this forecast--and these variations may be material.

NOTE 3 BASIS OF PRESENTATION

The accompanying forecasted financial statement is presented on the accrual basis of accounting, in accordance with California Civil Code Section 5200(a).

The yearly replacement provision represents an estimate of the "wearing out" of the major components, stated in dollars. The provision for repair and replacement of major components isn estimated for each component by dividing the estimated current replacement cost by the estimated useful life. For the Fiscal Year 2015-2016, the estimated annual wearing out of the major components, shown as "major component replacement provision", totals $29,459 (the component by component computation of this amount is shown in the accompanying forecasted schedule of major component replacement provision and estimated liability).

While the Association is required by California statute to present its budget on an accrual basis, it is also important to understand the projected cash-basis expenditures for the next fiscal year is based upon the Association's most recent reserve study or Board-directed update. Unless absolutely necessary, the board will not be authorizing any further reserve fund expenditures for the 2015-2016 Fiscal Year.

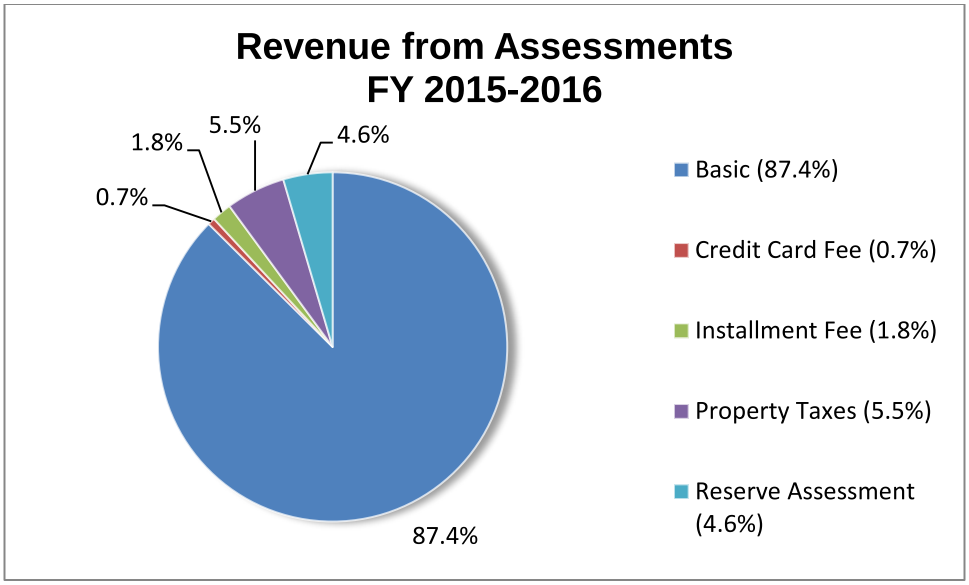
Whether or not the foregoing forecasted expenditures are made during the year ending June 30, 2016 will depend upon funds becoming available and the approval of the Board of Directors. In addition, major component repairs and replacements not listed in the reports to follow may be necessary if a component should fail and require immediate repair and replacement. **BECAUSE OF THE CONTINUAL DECLINE IN MEMBERSHIP AND SUBSEQUENT DECREASE IN AVAILABLE REVENUES, ANY UNEXPECTED MAJOR COMPONENT FAILURE OR REPLACEMENT MAY RESULT IN THE NEED FOR A SPECIAL ASSESSMENT.**

NOTE 4 REVENUES

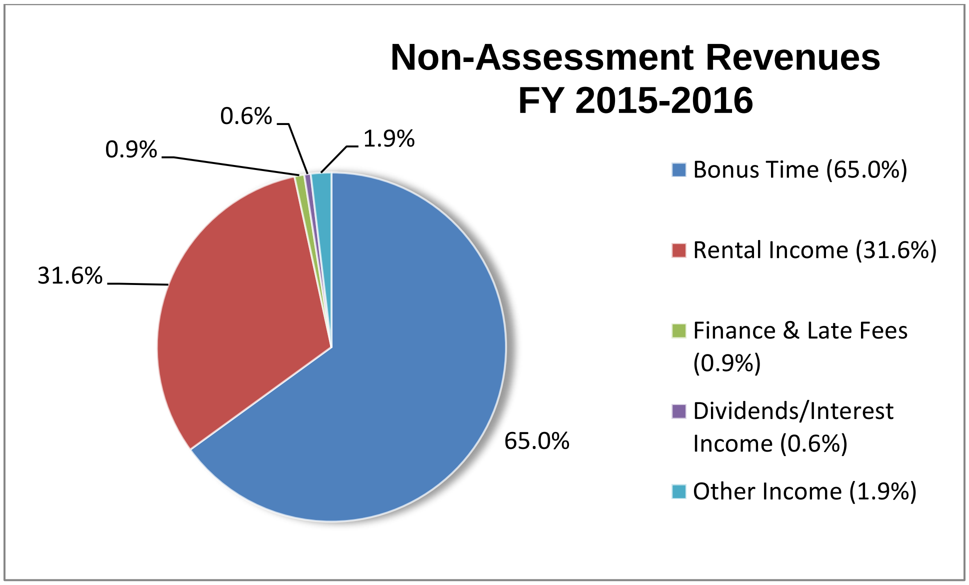
Total annual assessments for 2015-2016 will be invoiced this year at $995.00 per interval.

If assessments are paid on an installment basis, semi-annually, quarterly or monthly, the installment charge will be $7.50 per payment.

The breakdown of revenues is:



The Total Assessment Income (100%) is made up of Basic Assessment Income (87.4%), Reserve Assessment Income (4.6%), Property Tax Assessment Income (5.5%), Assessment Installment Fee Income (1.8%), and Credit Card Fees (0.7%).



Income from non-assessment sources are: Bonus Time Income (65.0%), Rental Income (31.6%), Finance & Late Fee Income (0.9%), Dividend/Interest Income (0.6%), and Other Income (1.9%).

Interest income (after income taxes) of approximately $67.00 is forecast to be earned on reserve fund balances. Interest income is forecast on an after-tax basis using an approximately 1.0% before-tax, interest rate and an estimated 2% after-tax interest rate.

NOTE 5 REPLACEMENT FUND BALANCE and an ESTIMATE of the PERCENT of FUNDING for this FISCAL YEAR

The beginning of the year deficit in the replacement fund results from an excess of estimated major component replacement liability over replacement fund cash reserves, as follows:

Estimated cash reserves (A)	$ 9,778
Estimated liability (B)	$ 219,120
Replacement fund (deficit) aka (under-funded) reserves (C=B-A)	$ 209,342
(Under-funded) reserves per Interval (D=C/245 Intervals)	$ 854.46
Estimated percent funding (A/C)	4.46%

The estimated liability for repair and replacement of major components represents an estimate of how much money should have been accumulated for that portion of each component which has "worn out" or been "used up" as of June 30, 2015. The estimated liability is computed, for each component, by multiplying the estimated current replacement cost by the fraction (estimated useful life – estimated remaining life / estimated useful life. The component by component computation of liability is shown in the accompanying forecasted schedule of major component replacement provision and estimated liability.

The estimated percent funded for our Reserve Accounts is computed by dividing the estimated cash reserves by the estimated reserve liability.

NOTE 6 RESERVE FUNDING PLAN

The Association plans to fund the future repair and/or replacement of the major components by attempting to make additional sales (very difficult in this economy) and increased rental revenue. The Inskeep loan, the only outstanding long-term debt obligation for the Association, is scheduled to be repaid by May, 2016. The estimated percent funding this year has declined to 4.46%, a decrease of 4.2%. **At this point, we do not believe we will be able to meet our fiscal needs without the probability of special assessments**. By holding the annual assessment at the same amount for the last three years, available reserve funds are depleted and no funding is available for reserve spending or improvements. **If any unexpected major component failures or extraordinary expenses occur, a special assessment may be required.**

NOTE 7 SIGNIFICANT ASSUMPTIONS

In arriving at the foregoing reserve funding plan, the following significant assumptions were made:

Components

The components listed here are the ones that Board of Directors determined to be the major components for which the Association is obligated to establish reserves. The Board of Directors has determined that the maintenance and repair of major components not included in the reserve fund, if any, shall be funded through the operations fund budget.

Components not included in the component and funding studies by the Board of Directors are: (1) considered to have a remaining life in excess of 51 years and will remain unfunded until the estimated remaining life is 51 years or less; (2) expected to be maintained, repaired and replaced through the operations fund budget; or (3) the value of the components (individually or jointly) is less than $1000.

Replacement Cost Inflation Rate

The Consumer Price Index last year through April 2015 showed a very slight gain. Therefore, the estimated average long-term rate of change in expected costs to perform major repairs and replacements was a positive 0.5%.

Replacement Fund Interest Rate

The estimated average long-term before-tax interest rate earned on replacement fund cash balances will approximate only 0.15% per annum. Interest earned on replacement fund cash balances will remain in the replacement fund and not be used to defray day-to-day operating expenses.

Estimated Useful Life

The estimated useful life of each identified major component was determined by the Chief Financial Officer after having researched information from a variety of sources, including licensed contractors with experience in their respective fields.

Estimated Remaining Life

Estimated remaining useful life represents the estimated life expectancy of a component, or its repair, based upon its observed condition and state of repair. It is assumed that normal schedules of maintenance will be followed. If it was determined that the remaining life of a component was shorter than originally shown in previous Pro Forma Budgets, the report has been updated. Generally, the estimated remaining useful life shown in the 2014-2015 Pro Forma Budget was reduced by one year in the 2015-2016 Pro Forma Budget. Many components are beyond their projected life expectancy.

Estimated Current Replacement Cost

Current repair or replacement cost represents the cost of a repair or replacement as of the date of the initial Reserve Report in June 1998 and updated annually. This cost includes the cost to remove the existing component.

This 2015-2016 Pro Forma Budget has been updated with a cost increase factor of 0.5% for this fiscal year.

2015-2016 Replacement Provision

The replacement provision represents an estimate of the "wearing out" of the major components, stated in dollars. The provision for repair and replacement of major components has been estimated, for each component, by dividing the estimated current replacement cost by the estimated useful life.

Estimated Liability on June 30, 2016

The estimated liability for repair and replacement of major components represents an estimate of how much money should have been accumulated for that portion of each component which has "worn-out" or been "used up" as of June 30, 2016.

CONCEPT IN TIME

INTERVAL OWNERS ASSOCIATION

FORECASTED STATEMENT of REVENUES, EXPENSES and CASH FLOW
SHOWING CHANGES in FUND BALANCES
for the YEAR ENDING JUNE 30, 2016

	NOTES	OPERATION FUND	RESERVE FUND	TOTAL FUNDS
REVENUES				
Assessment Income	See Note 4			
Basic Assessment		$ 218,609		$ 218,609
Property Tax Assessment		$ 13,767		$ 13,767
Reserve Assessment			$ 11,400	$ 11,400
Assessment Installment Fee Income		$ 4,575		$ 4,575
Owner's Credit Card Fee		$ 1,668		$ 1,668
Bonus Time Income		$ 6,950	$ 250	$ 7,200
Dividend/Interest Income	See Note 4		$ 66	$ 66
Finance & Late Fee Income (From Late Assessments)		$ 100		$ 100
Interval Sale (1 Prime @ $3,500)			$ -	$ -
Rental Income		$ 3,500	$ -	$ 3,500
Other Income		$ 210		$ 210
TOTAL REVENUES:		**$ 249,379**	**$ 11,716**	**$ 261,094**
EXPENSES				
Administration				
Credit Card Fees		$ 7,270		$ 7,270
Insurance: Officer's & Director's Liability			$ 3,400	$ 3,400
Property & Liability		$ 12,006		$ 12,006
Worker's Compensation			$ 7,908	$ 7,908
Licenses,Permits & all other Fees		$ 900		$ 900
Loan Interest Expense (Innskeep)		$ 233		$ 233
Loan Principal Reduction (Liabilities- Innskeep)		$ 9,954		$ 9,954
Marketing Promotion & Meeting Expenses		$ 935		$ 935
Office (Supplies, Computer etc.)		$ 3,200		$ 3,200
Payroll (Net)		$ 64,849		$ 64,849
Payroll Expenses		$ 1,450		$ 1,450
Postage and Delivery		$ 828		$ 828
Professional Fees (Accounting, Bookkeeping, Legal)		$ 975		$ 975
Taxes: County Secured Property		$ 13,767	$ -	$ 13,767
Occupancy (Local)		$ 420		$ 420
Payroll (FICA, FUTA & EDD)		$ 23,572		$ 23,572
State Corporation Income		$ 1,400		$ 1,400
Temporary Labor		$ 11,760		$ 11,760
Other Administration Expenses		$ 2,470		$ 2,470
Total Administration Expenses:		**$ 155,989**	**$ 11,308**	**$ 167,297**
Maintenance				
Contracts: Alarm Service		$ 792		$ 792
Landscape		$ 14,400		$ 14,400
Pest Control		$ 1,140		$ 1,140
Pool Service		$ 2,400		$ 2,400
Housekeeping Supplies		$ 5,040		$ 5,040
Linen Supplies		$ 540		$ 540
Other Maintenance Expenses		$ 12,321		$ 12,321
Major Component Replacement (Reserve Expenses)			$ 10,186	
Total Maintenance Expenses:		**$ 36,633**	**$ 10,186**	**$ 46,819**

	NOTES	OPERATION FUND	RESERVE FUND	TOTAL FUNDS
Utilities				
Cable TV		$ 4,714		$ 4,714
Electricity		$ 23,363		$ 23,363
Gas		$ 10,546		$ 10,546
Internet High Speed Service		$ 683		$ 683
Telephone		$ 9,231		$ 9,231
Waste Disposal		$ 2,856		$ 2,856
Water		$ 5,364		$ 5,364
Total Utility Expenses:		**$ 56,757**	**$ -**	**$ 56,757**
TOTAL EXPENSES:		**$ 249,378**	**$ 21,494**	**$ 270,872**
Requires deficit spending; Reducing available Reserve $$ by $ 174 to $5,269				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES		**$0**	**-$9,778**	**-$9,778**
FUND BALANCE (DEFICIT) AT BEGINNING OF FISCAL YEAR	**See Note 5**	**$0**	**$9,778**	**$9,778**
FUND BALANCE (DEFICIT) AT END OF FISCAL YEAR		**$0**	**$0**	**$0**