

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

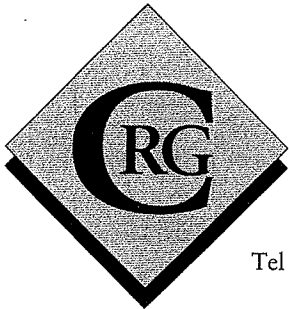
**DECEMBER 31, 2001**

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Westbury Condominiums Association, Inc.  
West Hartford, Connecticut

We have audited the accompanying balance sheet of Westbury Condominiums Association, Inc., as of December 31, 2001, and the related statement of revenue, expense and changes in fund balances, and statement of 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 U. S. generally accepted auditing standards. 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 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 Westbury Condominiums Association, Inc., at December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on page 8 and 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the budget 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 basic financial statements taken as a whole.

As discussed in Note 11, the association has not estimated the remaining useful lives and replacement costs of the common property, and therefore has not presented the estimates of future costs of major repairs and replacement which the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.

*Carney, Roy and Gerrol, P.C.*

Rocky Hill, Connecticut  
January 25, 2002

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2001

|   | Operating<br>Fund | Replacement<br>Fund | Fixed Asset<br>Fund | Total             |
|---|-------------------|---------------------|---------------------|-------------------|
| <b>ASSETS</b>                           |                   |                     |                     |                   |
| Cash                                    | \$ 21,440         | \$ 54,106           | \$ -                | \$ 75,546         |
| Accounts receivable - unit owners       | 776               | -                   | -                   | 776               |
| Prepaid insurance                       | 3,625             | -                   | -                   | 3,625             |
| Capitalized unit - #106                 | -                 | -                   | 70,000              | 70,000            |
| Accumulated depreciation                | -                 | -                   | (30,550)            | (30,550)          |
|   | <u>\$ 25,841</u>  | <u>\$ 54,106</u>    | <u>\$ 39,450</u>    | <u>\$ 119,397</u> |
| <b>LIABILITIES</b>                      |                   |                     |                     |                   |
| Accounts payable                        | \$ 10,395         | \$ -                | \$ -                | \$ 10,395         |
| Unit owner fees paid in advance         | 6,799             | -                   | -                   | 6,799             |
| Security deposits                       | 974               | -                   | -                   | 974               |
| Long term debt - current portion        | -                 | -                   | 4,716               | 4,716             |
| Taxes payable                           | 652               | -                   | -                   | 652               |
|   | 18,820            | -                   | 4,716               | 23,536            |
| Long term debt - net of current portion | -                 | -                   | 29,316              | 29,316            |
|   | 18,820            | -                   | 34,032              | 52,852            |
| <b>FUND BALANCES</b>                    | <u>7,021</u>      | <u>54,106</u>       | <u>5,418</u>        | <u>66,545</u>     |
|   | <u>\$ 25,841</u>  | <u>\$ 54,106</u>    | <u>\$ 39,450</u>    | <u>\$ 119,397</u> |

See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**STATEMENT OF REVENUE, EXPENSE AND  
CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2001

|  | Operating<br>Fund | Replacement<br>Fund | Fixed Asset<br>Fund | Total            |
|--|-------------------|---------------------|---------------------|------------------|
| <b>REVENUE</b>   |                   |                     |                     |                  |
| Association fees                                       | \$ 205,848        | \$ 12,000           | \$ -                | \$ 217,848       |
| Special assessment                                     | 21,785            | -                   | -                   | 21,785           |
| Interest   | -                 | 1,360               | -                   | 1,360            |
| Laundry  | 4,222             | -                   | -                   | 4,222            |
| Rental income  | 10,950            | -                   | -                   | 10,950           |
| Insurance claim  | 8,730             | -                   | -                   | 8,730            |
| Other  | 3,167             | -                   | -                   | 3,167            |
|  | <u>254,702</u>    | <u>13,360</u>       | <u>-</u>            | <u>268,062</u>   |
| <b>EXPENSE</b>   |                   |                     |                     |                  |
| Administration   | 31,820            | -                   | -                   | 31,820           |
| Personnel  | 48,741            | -                   | -                   | 48,741           |
| Utilities  | 100,949           | -                   | -                   | 100,949          |
| Maintenance  | 27,839            | -                   | -                   | 27,839           |
| Contract services                                      | 24,224            | -                   | -                   | 24,224           |
| Capital improvements                                   | 18,752            | -                   | -                   | 18,752           |
| Note and mortgage payments                             | 6,903             | -                   | (3,862)             | 3,041            |
| Depreciation   | -                 | -                   | 2,800               | 2,800            |
|  | <u>259,228</u>    | <u>-</u>            | <u>(1,062)</u>      | <u>258,166</u>   |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUE OVER EXPENSE</b> | (4,526)           | 13,360              | 1,062               | 9,896            |
| <b>FUND BALANCES (DEFICIT) -<br/>BEGINNING OF YEAR</b> | (3,453)           | 55,746              | 4,356               | 56,649           |
| <b>TRANSFER FROM REPLACEMENT<br/>FUND</b>              | <u>15,000</u>     | <u>(15,000)</u>     | <u>-</u>            | <u>-</u>         |
| <b>FUND BALANCES - END OF YEAR</b>                     | <u>\$ 7,021</u>   | <u>\$ 54,106</u>    | <u>\$ 5,418</u>     | <u>\$ 66,545</u> |

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2001

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |               |
|---|---------------|
| Excess of revenue over expense  | \$ 9,896      |
| Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities: |               |
| Allowance for uncollectible accounts  | (500)         |
| Depreciation  | 2,800         |
| Net change in cash resulting from increase (decrease) in assets and liabilities:                      |               |
| Accounts receivable   | 1,644         |
| Prepaid insurance   | (630)         |
| Taxes payable   | 501           |
| Accounts payable  | (4,671)       |
| Security deposits   | 67            |
| Unit owner fees paid in advance   | <u>1,361</u>  |
| <b>Net cash provided by operating activities</b>  | <u>10,468</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |                |
|---|----------------|
| Payment of mortgage principle                 | <u>(3,862)</u> |
| <b>Net cash used for financing activities</b> | <u>(3,862)</u> |

|  |                  |
|--|------------------|
| <b>NET INCREASE IN CASH</b>                          | 6,606            |
| <b>CASH AND CASH EQUIVALENTS - beginning of year</b> | <u>68,940</u>    |
| <b>CASH AND CASH EQUIVALENTS - end of year</b>       | <u>\$ 75,546</u> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

|                   |                 |
|-------------------|-----------------|
| Income taxes paid | \$ 151          |
| Interest paid     | <u>\$ 3,041</u> |

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

**NOTE 1 - ORGANIZATION**

Westbury Condominiums Association, Inc. is a non-stock Connecticut corporation, not organized for profit. The association was originally incorporated in June 1988, and consists of 73 residential units in three buildings and one single-family house, situated on 3.5 acres of land within the Town of West Hartford, Connecticut. The board of directors and the association are responsible for the operation and maintenance of the common property of Westbury Condominiums.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Method of Accounting*

These financial statements are prepared on the accrual basis using generally accepted accounting principles appropriate for condominium associations. Revenue is recorded when due and expenses are recorded when incurred. The association records its transactions in separate funds depending on the identification of the activity to which the transaction relates.

*Operating Fund* - this fund is used to account for the general operating revenue and expenses of the association.

*Replacement Fund* - this fund is used to accumulate financial resources for major repairs and replacement costs which will be incurred at some future time.

*Fixed Asset Fund* - this fund is used to record those assets which are capitalized in accordance with the association's capitalization policy.

*Capitalization Policy*

Consistent with industry practice, the association capitalizes only property to which it has title and control over disposition. Property which the association has capitalized is recorded in the fixed asset fund. Other common property and any related additions and improvements are owned by the individual unit owners in common and not by the association.

**NOTE 3 - 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. Estimates may affect 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.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

**NOTE 4 - MEMBER ASSESSMENTS - CONCENTRATION OF RISK**

Association members are assessed monthly common charges to provide funds for the current operations and future needs of the association. Accounts receivable include any related late charges or collection fees. Prepaid common charges appear as a liability. The association has a policy of recording an allowance for fees that are more than six months overdue, if any. The declarant, Kingswood-West Associates, Limited Partnership, owns 17 units at December 31, 2001, for which they pay common charges. These units are all currently rented.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Common property which is capitalized is recorded at cost, less accumulated depreciation determined by the straight-line method over the expected useful life of the asset. This property consists of a unit at 869 Farmington Avenue, originally a superintendent's apartment. Due to a lack of historical data, the unit was originally capitalized at a value of \$100,000, which value was estimated by the bank in granting a mortgage in 1991 (see Note 7). When the unit was refinanced in 1997, the bank estimated the fair market value at \$50,000, resulting in an impairment of the asset, and its value was adjusted to \$70,000 less depreciation to correspond with the mortgage. Depreciation on the unit is determined by the straight-line method over the expected useful life of the asset. This unit, formerly part of the common elements, was converted to a separate unit in 1997.

The association has the responsibility to maintain and preserve the common property, whether or not capitalized. Common property not capitalized consists of roofs, streets and walkways, common lobbies and hallways, elevators, and heating system.

**NOTE 6 - CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash consists of checking and savings accounts, and highly liquid financial instruments with maturity dates of 91 days or less, if any.

**NOTE 7 - LONG TERM DEBT - FIRST BANK OF WEST HARTFORD MORTGAGE**

Long term debt is a bank installment note bearing interest at 11% per year, payable in monthly installments of \$683 for principal and interest. The original note was dated January 1, 1992 and it was refinanced in February, 1997. The new maturity date of the note is May 23, 2007. The note is secured by a first mortgage on Unit #106, discussed in Note 5. Maturities of the long-term debt are as follows:

|        |                 |
|--------|-----------------|
| 2002   | \$ 4,716        |
| 2003   | 5,262           |
| 2004   | 5,871           |
| 2005   | 6,550           |
| 2006-7 | <u>11,633</u>   |
|        | <u>\$34,032</u> |



WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

**NOTE 8 – SPECIAL ASSESSMENT**

The association approved an assessment of \$21,785 to cover excess costs for gas heat. The assessment was computed by comparing the actual costs to the planned amount, and assessing the difference. The assessment was payable over a four month period, starting in June 2001. The average cost per owner was \$300.

**NOTE 9 - ASSOCIATION MANAGEMENT**

The association has a contract with Elite Property Management, which provides supervision, maintenance and accounting functions for the association. The management company provides monthly financial reports, as well as services to maintain the common property in accordance with the association's budget, or as requested by the board of directors. The management fee for 2001 was \$1,160 per month. The annual contract for the year 2002 will be \$14,314, payable in monthly installments of \$1,193 plus tax. The manager also provides additional services to administer insurance claims or other special projects.

**NOTE 10 - INCOME TAXES**

For the year ended December 31, 2001 the association has elected to be treated as a qualified homeowners association, according to Section 528 of the Internal Revenue Code. Under this section, the association is taxed on certain net income which derives from sources outside the association, such as interest, rent and laundry proceeds. Common charges received from owners and used for association expenses are generally exempt from taxation. When the association elects this filing status, no taxes are due to the State of Connecticut, although an information return must be filed.

**NOTE 11 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The association has not included a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The board has also not developed a plan to fund those needs, although it has set aside cash in a replacement fund. When replacement funds are needed for future major repairs and replacements, the association has the right to increase the regular assessment, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

**NOTE 12 - COMMITMENTS**

The association has several ongoing contracts extending past December 31, 2001, such as elevator maintenance, landscaping and snow removal.

ADDITIONAL INFORMATION

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUE, EXPENSE AND BUDGET - OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

|                         | <b>Actual</b>  | <b>Budget<br/>(Unaudited)</b> |
|-------------------------|----------------|-------------------------------|
| <b>REVENUE</b>          |                |                               |
| Association fees        | \$ 205,848     | \$ 218,000                    |
| Special assessment      | 21,785         | -                             |
| Laundry                 | 4,222          | 4,500                         |
| Rental income           | 10,950         | 10,800                        |
| Insurance claim         | 8,730          | -                             |
| Other                   | 3,167          | 2,500                         |
|                         | <u>254,702</u> | <u>235,800</u>                |
| <b>EXPENSES</b>         |                |                               |
| <b>ADMINISTRATION</b>   |                |                               |
| Management              | 14,285         | 15,000                        |
| Legal and accounting    | 1,700          | 2,100                         |
| Postage and mailings    | 376            | 300                           |
| Insurance               | 13,622         | 12,500                        |
| Printing and copying    | 818            | 300                           |
| Income tax              | 652            | 500                           |
| Miscellaneous           | 367            | 200                           |
|                         | <u>31,820</u>  | <u>30,900</u>                 |
| <b>PERSONNEL</b>        |                |                               |
| Payroll                 | 34,022         | 34,000                        |
| Benefits and processing | 12,409         | 13,500                        |
| Workers' compensation   | 2,310          | 3,000                         |
|                         | <u>48,741</u>  | <u>50,500</u>                 |
| <b>UTILITIES</b>        |                |                               |
| Electricity             | 13,475         | 15,000                        |
| Water and sewer         | 9,221          | 8,000                         |
| Gas                     | 64,835         | 43,000                        |
| Oil                     | 12,269         | 12,000                        |
| Telephone               | 1,149          | 1,100                         |
|                         | <u>100,949</u> | <u>79,100</u>                 |

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.  
SCHEDULE OF REVENUE, EXPENSE AND BUDGET - OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2001

|  | Actual                   | Budget<br>(Unaudited) |
|--|--------------------------|-----------------------|
| MAINTENANCE  |                          |                       |
| Elevator   | \$ 6,321                 | \$ 7,000              |
| General  | 8,696                    | 3,000                 |
| Fire protection                                    | 1,806                    | 3,500                 |
| HVAC   | 3,922                    | 5,000                 |
| Supplies   | <u>7,094</u>             | <u>4,000</u>          |
|  | <u>27,839</u>            | <u>22,500</u>         |
| CONTRACT SERVICES                                  |                          |                       |
| Landscaping and fertilization                      | 6,620                    | 7,000                 |
| Grounds improvements                               | 9,511                    | 7,000                 |
| Snow removal                                       | 6,893                    | 6,500                 |
| Pest control                                       | <u>1,200</u>             | <u>1,200</u>          |
|  | <u>24,224</u>            | <u>21,700</u>         |
| CAPITAL IMPROVEMENTS                               | <u>18,752</u>            | <u>10,900</u>         |
| <b>Total operating expense</b>                     | 252,325                  | 215,600               |
| Note and mortgage payments                         | 6,903                    | 8,200                 |
| Budgeted contributions to replacement fund         | <u>-</u>                 | <u>12,000</u>         |
| <b>Total expense</b>                               | <u>259,228</u>           | <u>235,800</u>        |
| <b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b> | <u><u>\$ (4,526)</u></u> | <u><u>\$ -</u></u>    |

See accountant's report and accompanying notes.