

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

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CARNEY, ROY AND GERROL, P.C.

Certified Public Accountants

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 September 30, 2006, 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 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 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 September 30, 2006 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 9-11 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 described in Note 12, the association is planning to update its plan to estimate the remaining lives and replacement costs of the common property. The association has not presented information on the future costs for repairs and replacements that United States generally accepted accounting principles have determined is required to supplement, although not required to be a part of, the basic financial statements.

Rocky Hill, Connecticut
October 23, 2006

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2006

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
ASSETS				
Cash	\$ 22,655	\$ 86,635	\$ -	\$ 109,290
Accounts receivable - unit owners	4,813	-	-	4,813
Special assessment receivable	-	38,319	-	38,319
Prepaid expenses	2,492	-	-	2,492
Office equipment	-	-	2,055	2,055
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(45,479)	(45,479)
Due from operating fund	-	4,044	-	4,044
	<u>\$ 29,960</u>	<u>\$ 128,998</u>	<u>\$ 26,576</u>	<u>\$ 185,534</u>
 LIABILITIES				
Accounts payable	\$ 12,563	\$ 6,243	\$ -	\$ 18,806
Unit owner fees paid in advance	1,876	-	-	1,876
Accrued expenses	1,489	-	-	1,489
Security deposits	1,005	-	-	1,005
Taxes payable	1,079	-	-	1,079
Line of credit	-	4,551	-	4,551
Note payable - current	-	5,982	-	5,982
Due to replacement fund	4,044	-	-	4,044
	22,056	16,776	-	38,832
Note payable - long term	-	31,885	-	31,885
	22,056	48,661	-	70,717
FUND BALANCES	<u>7,904</u>	<u>80,337</u>	<u>26,576</u>	<u>114,817</u>
	<u>\$ 29,960</u>	<u>\$ 128,998</u>	<u>\$ 26,576</u>	<u>\$ 185,534</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 SEPTEMBER 30, 2006

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
REVENUE				
Association fees	\$ 276,964	\$ 50,005	\$ -	\$ 326,969
Special assessment	19,985	34,999	-	54,984
Interest	-	4,587	-	4,587
Laundry	3,375	-	-	3,375
Rental income	12,000	-	-	12,000
Other	3,142	-	-	3,142
	<u>315,466</u>	<u>89,591</u>	<u>-</u>	<u>405,057</u>
EXPENSE				
Administration	57,614	-	-	57,614
Utilities	139,366	-	-	139,366
Maintenance	66,796	-	-	66,796
Contract services	50,602	-	-	50,602
Capital improvements	-	67,068	-	67,068
Depreciation	-	-	3,485	3,485
	<u>314,378</u>	<u>67,068</u>	<u>3,485</u>	<u>384,931</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	1,088	22,523	(3,485)	20,126
FUND BALANCES - BEGINNING OF YEAR	<u>6,816</u>	<u>57,814</u>	<u>30,061</u>	<u>94,691</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,904</u>	<u>\$ 80,337</u>	<u>\$ 26,576</u>	<u>\$ 114,817</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over expense \$ 20,126

Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities:

 Depreciation 3,485

Net increase / (decrease) in cash resulting from changes in assets and liabilities:

 Accounts receivable (3,294)

 Special assessment receivable 5,068

 Prepaid expenses 3,288

 Deferred claim expense 5,142

 Accounts payable 2,190

 Assessments - refundable (22,197)

 Unit owner fees paid in advance (2,180)

 Accrued expenses 559

 Security deposits 5

 Taxes payable 1,079

Net cash provided by operating activities 13,271

CASH FLOWS FROM FINANCING ACTIVITIES

 Payments on note payable (5,520)

Net cash used for investing activities (5,520)

NET INCREASE IN CASH 7,751

CASH - BEGINNING OF YEAR 101,539

CASH - END OF YEAR \$ 109,290

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

 Cash paid for income taxes \$ -

 Cash paid for interest \$ 3,453

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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 in 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. The association's operations are funded by common fees and assessments from owners. Approximately 81% of the units are owner-occupied.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

These financial statements are prepared on the accrual basis using accounting principles generally accepted in the United States of America and appropriate for condominium associations. Revenue is recorded when due and expenses are recorded when incurred. To ensure that the association observes any limitations or restrictions on the use of financial resources, the financial records are kept using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - this fund is used to account for financial resources available for the general operations of the association.

Replacement Fund - this fund is used to account for financial resources designated for major repairs and replacements.

Fixed Asset Fund - this fund is used to record those assets which are capitalized in accordance with the capitalization policy. Depreciation is recorded in this fund using the straight line method.

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 accounting principles generally accepted in the United States of America 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

SEPTEMBER 30, 2006

NOTE 4 - CASH

For purposes of the cash flow statement, cash consists of checking and savings accounts.

NOTE 5 - 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. D.R. Outlook Associates owns 7 units at September 30, 2006. Common charges for these units are approximately 10% of fees collected. These units are all currently rented.

NOTE 6 - 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 office computer equipment, office equipment and 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. 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. This unit, formerly part of the common elements, was converted to a separate unit in 1997. This unit is rented by the association. Depreciation on the assets is determined by the straight line method over their expected useful lives. Depreciation expense for the year ended September 30, 2006 is \$3,485.

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 7 - INCOME TAXES

For the year ended September 30, 2006, 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, laundry and certain parking 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. The tax liability for the year ended September 30, 2006 is \$1,079.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

NOTE 8 - ASSOCIATION MANAGEMENT

Beginning January 1, 2006, the association is managed by ABC Group, LLC under a renewable contract. Management provides supervision and maintenance for the association, in accordance with the budget or as requested by the board of directors. The management fee for 2006 is \$675 per month. Accounting services are provided by an outside contractor, ARC Strategic Solutions. This contract is for two years at \$9,500 per year.

NOTE 9 - LINE OF CREDIT

The association has obtained a line of credit for \$1,000,000 in order to replace the windows in the association buildings. The line of credit has an interest rate of 7.75%, and as of September 30, 2006, the amount due was \$4,551, mainly consisting of closing costs for the line of credit. Monthly interest is due on the amounts advanced.

NOTE 10 - NOTE PAYABLE

The association obtained a line of credit from Community Association Bank (First National Bank of Arizona) and withdrew \$66,450 from the line. At December 31, 2004, the balance due on the line of credit was \$69,711. Interest only at 6.75 % was due during 2004. At January 27, 2005, a principal payment of \$22,413, collected from a special assessment, was made and the loan was converted to a term loan payable on a monthly basis until January 27, 2012 at 7.25%. This note has been taken over by NewAlliance Bank. The payment terms remain the same. At January 27, 2008, the rate may change. Future maturities of this note are as follows:

Year ending September 30, 2007	\$ 5,982
September 30, 2008	\$ 6,431
September 30, 2009	\$ 6,913
September 30, 2010	\$ 7,431
September 30, 2011-12	<u>\$11,110</u>
	<u>\$37,867</u>

NOTE 11 - SPECIAL ASSESSMENTS

In January, 2005, the association approved a special assessment of approximately \$78,000 to pay the interest and principal on the note with NewAlliance bank. The assessment was payable either in full or in monthly payments. The amount due from owners that are paying on a monthly basis is shown as special assessment receivable.

The association estimated that costs for heating would be in excess of the planned budget by approximately \$20,000. In order to keep common charges at the same level as planned, the amount was assessed to owners over a three month period in June, July and August of 2006.

The association approved an assessment for \$16,000 to be used to abate asbestos insulation in the basement of Building 30. This assessment is included in the 2006-2007 approved budget. Payments will be assessed separately over a twelve month period. The cost averages \$210 per unit.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

NOTE 11 - SPECIAL ASSESSMENTS *(continued)*

The association has approved a contract with Lockheed Window Corporation to replace all the building windows. The contract is for \$755,000, and there will be additional costs for architectural services, clerk of the works, environmental materials abatement and related expenses. The total cost is estimated to be \$930,000. A special assessment of \$35,000 was collected in June 2006 to pay for some of the initial costs. The balance of the cost to the unit owners is estimated to be \$895,000.

NOTE 12 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The association's governing documents suggest that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures in normal operations.

The association obtained a capital reserve study from Becht Engineering Company, Inc. 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. This plan is currently being updated by the board, and the supplementary information is not presented with this report.

Funds are being accumulated in the replacement fund based on estimates of future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The association has several ongoing contracts extending past September 30, 2006, such as elevator maintenance, pest control, fire security, landscaping and snow removal. The contract for the landscaping and snow removal provides for monthly payments of \$1,643. The contract for cleaning provides for monthly payments of \$1,075.

As mentioned in Note 11, the association is replacing the windows throughout the buildings. The estimated cost of the window replacement is approximately \$930,000. A contract has been negotiated with Lockheed Window Corporation.

ADDITIONAL INFORMATION

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Actual	Budget (Unaudited)
REVENUE		
Association fees	\$ 326,969	\$ 327,755
Special assessment	19,985	-
Laundry	3,375	2,000
Rental income	12,000	12,000
Other	<u>3,142</u>	<u>1,500</u>
	<u>365,471</u>	<u>343,255</u>
EXPENSE		
ADMINISTRATION		
Insurance	20,730	24,078
Management	20,550	15,225
Bookkeeping	9,375	9,000
Accounting	2,050	2,329
Miscellaneous	1,832	551
Printing and copying	1,698	1,023
Income tax	1,079	1,000
Postage and mailings	210	511
Legal fees	90	2,045
General administration	<u>-</u>	<u>2,500</u>
	<u>57,614</u>	<u>58,262</u>
UTILITIES		
Gas	85,269	64,009
Oil	27,029	29,057
Electricity	19,458	18,000
Water and sewer	5,710	9,000
Telephone	<u>1,900</u>	<u>1,900</u>
	<u>139,366</u>	<u>121,966</u>
MAINTENANCE		
General maintenance & repair	42,965	45,522
HVAC	9,518	6,033
Elevator	8,700	13,406
Fire protection	5,302	3,298
Supplies	311	5,113
General	<u>-</u>	<u>7,311</u>
	<u>66,796</u>	<u>80,683</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
 SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Actual	Budget (Unaudited)
CONTRACT SERVICES		
Lawn maintenance and landscaping	20,370	28,173
Cleaning services	13,848	-
Capital - tree work	6,927	2,500
Snow removal	5,832	-
Pest control	3,271	1,666
Fertilization	354	-
	<u>50,602</u>	<u>32,339</u>
Total operating expense	314,378	293,250
Contribution to replacement	<u>50,005</u>	<u>50,005</u>
Total expense	<u>364,383</u>	<u>343,255</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 1,088</u>	<u>\$ -</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE AND EXPENSE - REPLACEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

REVENUE

Monthly contributions	\$ 50,005
Special assessment	34,999
Interest	<u>4,587</u>

89,591

EXPENSE

Other contractors	32,623
Engineering	8,770
Windows -AIA Cert	6,759
Air conditioner units	6,200
Legal	4,150
Architectural	3,862
Interest expense	3,453
Miscellaneous replacement expense	<u>1,251</u>

67,068

EXCESS OF REVENUE OVER EXPENSE

\$ 22,523

See accountant's report and accompanying notes.