

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

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, 2007, 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, 2007 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 10-12 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.

The supplementary information on future major repairs and replacements on page 13 is not a required part of the basic financial statements, but is supplementary information required by generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Rocky Hill, Connecticut  
February 11, 2008

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2007

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
<b>ASSETS</b>				
Cash	\$ 12,728	\$ 535,846	\$ -	\$ 548,574
Accounts receivable - unit owners	10,133	-	-	10,133
Special assessment receivable	318	166,287	-	166,605
Other receivable	-	80	-	80
Prepaid expenses	15,372	-	-	15,372
Office equipment	-	-	2,055	2,055
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(48,578)	(48,578)
Due from operating fund	-	3,816	-	3,816
	<u>\$ 38,551</u>	<u>\$ 706,029</u>	<u>\$ 23,477</u>	<u>\$ 768,057</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ 12,301	\$ 48,434	\$ -	\$ 60,735
Unit owner fees paid in advance	1,692	-	-	1,692
Accrued expenses	2,517	-	-	2,517
Security deposits	996	-	-	996
Taxes payable	171	-	-	171
Note payable - current	-	124,193	-	124,193
Due to replacement fund	3,816	-	-	3,816
	<u>21,493</u>	<u>172,627</u>	<u>-</u>	<u>194,120</u>
<b>Total current liabilities</b>				
Note payable - long term	-	387,738	-	387,738
	<u>21,493</u>	<u>560,365</u>	<u>-</u>	<u>581,858</u>
<b>Total long term liabilities</b>				
<b>FUND BALANCES</b>	<u>17,058</u>	<u>145,664</u>	<u>23,477</u>	<u>186,199</u>
	<u>\$ 38,551</u>	<u>\$ 706,029</u>	<u>\$ 23,477</u>	<u>\$ 768,057</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, 2007**

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
<b>REVENUE</b>				
Association fees	\$ 281,270	\$ 50,000	\$ -	\$ 331,270
Special assessments	15,988	944,385	-	960,373
Interest	-	4,377	-	4,377
Laundry	10,555	-	-	10,555
Rental income	12,900	-	-	12,900
Other	3,280	-	-	3,280
	<u>323,993</u>	<u>998,762</u>	<u>-</u>	<u>1,322,755</u>
<b>EXPENSE</b>				
Administration	58,136	-	-	58,136
Utilities	145,557	-	-	145,557
Maintenance	72,104	-	-	72,104
Contract services	22,857	-	-	22,857
Capital improvements	16,185	933,435	-	949,620
Depreciation	-	-	3,099	3,099
	<u>314,839</u>	<u>933,435</u>	<u>3,099</u>	<u>1,251,373</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	9,154	65,327	(3,099)	71,382
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,904</u>	<u>80,337</u>	<u>26,576</u>	<u>114,817</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 17,058</u>	<u>\$ 145,664</u>	<u>\$ 23,477</u>	<u>\$ 186,199</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Excess of revenue over expense	\$ 71,382
Adjustments to reconcile excess of revenue over expense to net cash used for operating activities:	
Depreciation	3,099
Net increase / (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(5,320)
Special assessment receivable	(128,286)
Prepaid expenses	(12,880)
Other receivables	(80)
Accounts payable	41,929
Unit owner fees paid in advance	(184)
Accrued expenses	1,028
Security deposits	(9)
Taxes payable	(908)
<b>Net cash used for operating activities</b>	<u>(30,229)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Advances from line of credit	480,000
Payments on line of credit	(4,551)
Payments on note payable	(5,936)
<b>Net cash provided by financing activities</b>	<u>469,513</u>
<b>NET INCREASE IN CASH</b>	439,284
<b>CASH - BEGINNING OF YEAR</b>	<u>109,290</u>
<b>CASH - END OF YEAR</b>	<u>\$ 548,574</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash paid for income taxes	<u>\$ 1,079</u>
Cash paid for interest	<u>\$ 2,885</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**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, 2007**

**NOTE 4 - CASH**

For purposes of the cash flow statement, cash consists of checking and savings accounts. Account balances at NewAlliance Bank are \$558,066 at September 30, 2007, which is in excess of the FDIC insured amount of \$100,000. NewAlliance Bank has the right to offset the outstanding loan balance against these deposits (see Note 9).

**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, 2007. 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 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, 2007 is \$3,099.

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, 2007, 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, 2007 is \$171.



WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

**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 2007 is \$675 per month. Total costs paid to ABC Group for the year ended September 30, 2007 were \$48,996. Accounting services are provided by ARC Strategic Solutions for an annual fee of \$9,500.

**NOTE 9 - NOTE PAYABLE**

During September 2005, the association obtained a line of credit from NewAlliance Bank for \$1,000,000 in order to replace the windows in the association buildings. During 2007, the bank agreed that the use of the line could also include the replacement of the air conditioning systems. The line of credit had a variable monthly interest rate based on the bank base rate plus 1%. On September 28, 2007 the balance on the line of credit was \$480,000 and was converted into two term loans payable on a monthly basis. The first term loan was for \$140,000 amortized over 30 months and the second term loan for \$340,000 was amortized over 10 years. The interest rate for both loans was set at 7.32 percent. On December 1, 2007 a principal payment of \$72,814, collected from a special assessment, was made. Future maturities are as follows:

Year ending September 30, 2008	\$117,762
September 30, 2009	\$ 52,884
September 30, 2010	\$ 44,402
September 30, 2011	\$ 29,635
September 30, 2012	\$ 31,878
Thereafter	<u>\$203,439</u>
	<u>\$480,000</u>

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, 2008	\$6,431
September 30, 2009	\$6,913
September 30, 2010	\$7,431
September 30, 2011	\$7,988
September 30, 2012	<u>\$3,168</u>
	<u>\$31,931</u>

**NOTE 10 - 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 approved a 2006-2007 assessment for \$16,000 to be used to abate asbestos insulation in the basement of Building 30. 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, 2007

**NOTE 10 - SPECIAL ASSESSMENTS** *(continued)*

The association approved a special assessment of \$805,000 to be paid in four installments during December 2006, January 2007, February 2007 and May 2007. The assessment averages \$11,027 per unit. This assessment was to help pay for the costs to replace all of the building windows. During the year ended September 30, 2006, a special assessment of \$35,000 was approved to help pay for the initial costs. As of September 30, 2007, all of the windows were replaced.

The association began an air conditioning and roof replacement project for 20 Outlook Avenue and 869 Farmington Avenue and intends to fund the project with the proceeds from a bank note (see Note 9). The total cost of the project is estimated to be \$480,000. As of September 30, 2007, the association approved a special assessment of \$140,000 to help pay for the project. The average assessment is approximately \$1,900 and is payable either in full or in 30 monthly payments. An additional assessment of \$340,000 was approved and is to be billed in 2007-2008 to help pay for the remaining cost of the project. Payments will be assessed separately and the cost averages \$4,600 per unit.

**NOTE 11 - 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 was updated by the board during 2006-2007. Costs are based on estimates of current replacement costs. Reference should be made to the complete analysis.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of certain common property components. Actual expenditures may vary from the estimated future expenditures, 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 replacements until funds are available.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

The association has several ongoing contracts extending past September 30, 2007, 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 \$1,250. The contract for cleaning provides for monthly payments of \$1,395.

As mentioned in Note 10, the association replaced the windows throughout the buildings. The cost of the window replacement project was \$838,158. The work is complete as of September 30, 2007. As of September 30, 2007, a balance of \$10,370 is remaining to be paid and is included in accounts payable.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2007**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES -*Continued***

As mentioned in Note 10, the association is replacing the air conditioning units and roofs for 20 Outlook Avenue and 869 Farmington Avenue. The estimated cost of the project is \$480,000. Contracts have been approved with B.T. Lindsay & Company, Inc. for \$239,845 and LKG Construction for \$190,159. As of September 30, 2007, approximately \$398,000 of the work remains to be completed.

During 2006-2007, the association has been accused of breaching a contract. The association has hired legal council to look into the issue. The outcome is undetermined at this time.

**ADDITIONAL AND SUPPLEMENTARY INFORMATION**

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<b>Actual</b>	<b>Budget (Unaudited)</b>
<b>REVENUE</b>		
Association fees	\$ 331,270	\$ 331,463
Special assessment	15,988	16,000
Laundry	10,555	3,000
Rental income	12,900	12,000
Other	<u>3,280</u>	<u>2,142</u>
	<u>373,993</u>	<u>364,605</u>
<b>EXPENSE</b>		
<b>ADMINISTRATION</b>		
Insurance	22,965	23,000
Legal fees	10,053	1,700
Bookkeeping	9,500	9,405
Management	7,664	8,221
Office - General	3,470	2,200
Accounting	2,517	2,500
Printing and copying	1,482	1,700
Postage and mailings	314	533
Income tax	<u>171</u>	<u>500</u>
	<u>58,136</u>	<u>49,759</u>
<b>UTILITIES</b>		
Gas	83,074	87,000
Oil	30,579	28,000
Electricity	23,979	20,295
Water and sewer	6,180	6,268
Telephone	<u>1,745</u>	<u>1,800</u>
	<u>145,557</u>	<u>143,363</u>
<b>MAINTENANCE</b>		
General maintenance & repair	29,264	35,000
Janitorial/Maintenance	17,413	17,400
HVAC	9,793	7,000
Elevator	9,749	11,397
Fire protection	4,812	6,186
Supplies	<u>1,073</u>	<u>500</u>
	<u>72,104</u>	<u>77,483</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, 2007**

	<b>Actual</b>	<b>Budget (Unaudited)</b>
<b>CONTRACT SERVICES</b>		
Lawn maintenance and landscaping	20,561	21,500
Pest control	<u>2,296</u>	<u>2,000</u>
	<u>22,857</u>	<u>23,500</u>
<b>CAPITAL IMPROVEMENTS</b>		
Capital - Asbestos Abatement	14,610	16,000
Capital-operating projects	<u>1,575</u>	<u>4,500</u>
	<u>16,185</u>	<u>20,500</u>
<b>Total operating expense</b>	314,839	314,605
Contribution to replacement	<u>50,000</u>	<u>50,000</u>
<b>Total expense</b>	<u>364,839</u>	<u>364,605</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ 9,154</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, 2007**

**REVENUE**

Monthly contributions	\$ 50,000
Special assessment	944,385
Interest	<u>4,377</u>

998,762

**EXPENSE**

Windows -AIA Cert	772,516
Roof & HVAC	78,689
Other contractors	22,965
Clerk of the works-windows	15,450
Air conditioner units	13,000
Environmental	7,027
Legal	6,853
Engineering	4,491
Architectural	4,125
Clerk of the works-roof & HVAC	3,625
Interest expense	2,885
Heat timers	1,444
Miscellaneous replacement expense	302
Insurance	45
Bank fees	<u>18</u>

933,435

**EXCESS OF REVENUE OVER EXPENSE**

\$ 65,327

See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION**  
**ON MAJOR REPAIRS AND REPLACEMENTS**

SEPTEMBER 30, 2007

(UNAUDITED)

A professional engineering firm prepared an analysis in December 2004 to estimate the remaining useful lives of replacement components. The Association has since updated the projects/costs and useful lives as more information became available. The following table is a summary of the components listed in the plan but does not include the funding options or the priority of each component. Reference should be made to the complete analysis for such information.

**20 YEAR CYCLE DATA**

<u>BUILDING</u>	<u>COMPONENT</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>PLAN YEARS SCHEDULE FOR FIRST REPLACEMENT</u>
	Paving	\$ 15,000	16	2025
20 Outlook Avenue	Air Conditioners	140,000	20	2007
30 Outlook Avenue	Air Conditioners	140,000	20(1)	2007(2)
869 Farmington Avenue	Air Conditioners	140,000	20	2007
20 Outlook Avenue	Boiler Replacements	15,000	20	2016
30 Outlook Avenue	Boiler Replacements	15,000	20	2017
869 Farmington Avenue	Boiler Replacements	15,000	20	2018
20 Outlook Avenue	Brick Repointing	30,000	20	2024
30 Outlook Avenue	Brick Repointing	30,000	20	2025
869 Farmington Avenue	Brick Repointing	30,000	20	2026
Other	Brick Repointing	next 20 year cycle		
20 Outlook Avenue	Common Areas	30,000	20	2013
30 Outlook Avenue	Common Areas	30,000	20	2014
869 Farmington Avenue	Common Areas	30,000	20	2015
20 Outlook Avenue	Roof	100,000	20	2007
30 Outlook Avenue	Roof	100,000	20	2018
869 Farmington Avenue	Roof	100,000	20	2007
	Roofs (Garage)	40,000	20	2012
	Drainage	50,000	20	2009
	All Other	60,000	1(3)	2007
		<u>\$1,110,000</u>		

- (1) Air conditioning units in building 30 are replaced at a rate of 2 to 3 per year on an ongoing basis.
- (2) Units are replaced yearly as cited above.
- (3) \$3,000 per year is planned for unplanned items. The \$60,000 amount shown would be the current cost times a twenty year time period. The amount is adjusted annually for inflation thus the \$60,000 could be viewed as the net present value (cost) for unplanned projects.

**Notes:**

The data shown above is for a 20 year cycle from 2007 thru 2026. The cycle would then repeat with one additional item being added on the 3<sup>rd</sup> cycle (years 41 thru 60); that items would be the replacement of windows. All windows were replaced in 2007 and have an estimated life of 45 years.

As mentioned above, we have developed a 40 year model to provide visibility to two twenty year cycles and have planned for replacement costs to be funded from the reserve account with a minimum of assessments or bank loans being required.

For a more complete analysis of yearly planned activity and funding assumptions, as well as viewing the 2<sup>nd</sup> 20 year cycle, refer to the Get Well Plan.

See accountant's report and accompanying notes.