

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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, 2010, and the related statements of revenue, expense and changes in fund balances and 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. as of September 30, 2010, 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 schedule of revenue, expense and budget – operations on pages 10-11 and the schedule of revenue and expense – replacement on page 12 are presented for purposes of additional analysis and are 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, the information 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 of Westbury Condominiums Association, Inc., but is supplementary information required by the accounting principles generally accepted in the United States of America. 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
January 11, 2011

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2010

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
ASSETS				
Cash	\$ 53,596	\$ 239,442	\$ -	\$ 293,038
Accounts receivable – unit owners	2,786	-	-	2,786
Special assessment receivable	-	10,667	-	10,667
Interest receivable	-	133	-	133
Prepaid expenses	11,533	-	-	11,533
Office equipment	-	-	3,695	3,695
Capitalized unit – #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(57,818)	(57,818)
Due from replacement fund	2,795	(2,795)	-	-
	<u>\$ 70,710</u>	<u>\$ 247,447</u>	<u>\$ 15,877</u>	<u>\$ 334,034</u>
LIABILITIES				
Accounts payable	\$ 8,009	\$ -	\$ -	\$ 8,009
Unit owner fees paid in advance	980	54,595	-	55,575
Accrued expenses	5,781	-	-	5,781
Security deposits	968	-	-	968
Taxes payable	2,142	-	-	2,142
Notes payable – current	-	33,276	-	33,276
Total current liabilities	<u>17,880</u>	<u>87,871</u>	<u>-</u>	<u>105,751</u>
Notes payable – long-term	-	190,103	-	190,103
Total liabilities	<u>17,880</u>	<u>277,974</u>	<u>-</u>	<u>295,854</u>
FUND BALANCES (DEFICIT)	<u>52,830</u>	<u>(30,527)</u>	<u>15,877</u>	<u>38,180</u>
	<u>\$ 70,710</u>	<u>\$ 247,447</u>	<u>\$ 15,877</u>	<u>\$ 334,034</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

SCHEDULE OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
REVENUE				
Association fees	\$ 256,424	\$ 102,586	\$ -	\$ 359,010
Interest	-	2,929	-	2,929
Laundry	5,020	-	-	5,020
Rental income	13,620	-	-	13,620
Other	8,224	52	-	8,276
	<u>283,288</u>	<u>105,567</u>	<u>-</u>	<u>388,855</u>
EXPENSE				
Administration	50,746	-	-	50,746
Utilities	89,287	-	-	89,287
Maintenance	49,629	-	-	49,629
Contract services	23,476	-	-	23,476
Interest expense	-	16,810	-	16,810
Capital improvements	6,996	43,130	-	50,126
Depreciation	-	-	3,255	3,255
	<u>220,134</u>	<u>59,940</u>	<u>3,255</u>	<u>283,329</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	63,154	45,627	(3,255)	105,526
FUND BALANCES (DEFICIT) – BEGINNING OF YEAR	99,676	(186,154)	19,132	(67,346)
NET INTERFUND TRANSFERS	<u>(110,000)</u>	<u>110,000</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT) – END OF YEAR	<u>\$ 52,830</u>	<u>\$ (30,527)</u>	<u>\$ 15,877</u>	<u>\$ 38,180</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over expense	\$ 105,526
Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities:	
Allowance for uncollectible accounts	(2,000)
Depreciation	3,255
(Increase) decrease in operating assets:	
Accounts receivable	27,442
Interest receivable	(133)
Prepaid expenses	(8,597)
Increase (decrease) in operating liabilities:	
Accounts payable	1,334
Unit owner fees paid in advance	(7,393)
Accrued expenses	(8,451)
Security deposits	2
Taxes payable	340
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>111,325</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	<u>(46,245)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(46,245)</u>
NET INCREASE IN CASH	65,080
CASH – BEGINNING OF YEAR	<u>227,958</u>
CASH – END OF YEAR	<u><u>\$ 293,038</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid for income taxes	<u>\$ 1,802</u>
Cash paid for interest	<u><u>\$ 16,810</u></u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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 71% 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 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.

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, 2010

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

For purposes of the cash flow statement, the Association considers cash to be checking and savings accounts. Cash equivalents are certificates of deposit, or highly liquid investments with maturities of 91 days or less, if any. Investments are certificates of deposit or other instruments with maturities greater than 91 days, if any.

NOTE 5 – MEMBER ASSESSMENTS AND 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. As of September 30, 2010, no allowance for uncollectible accounts has been reflected in the financial statements because management has deemed all receivables to be fully collectible.

D.R. Outlook Associates owns 6 units at September 30, 2010. Common charges for these units are approximately 10% of fees collected.

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.

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, 2010, the Association 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. 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 Association's tax liability was \$2,142 for the year ended September 30, 2010.

The Association accounts for uncertainty in income taxes in accordance with the *Income Taxes* topic of the FASB Accounting Standards Codification. The Association files federal and Connecticut income tax returns, which represent the major tax jurisdictions of the Association. Federal and state tax years 2006 through 2009 remain open for audit under the various statutes of limitations.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 8 – ASSOCIATION MANAGEMENT

The Association has a continuous contract with Enhanced Management Services, LLC to provide supervision and maintenance for the Association, in accordance with the budget or as requested by the board of directors. The contract automatically renews for one year periods beginning each June, unless terminated by either party upon not less than 60 days prior written notice. The management fee is \$761 per month, including applicable sales tax. Accounting services are provided by ARC Strategic Solutions through December 31, 2012 for an annual fee of \$10,000 for 2010 and \$10,500 for 2011 and 2012.

NOTE 9 – NOTES 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 of \$480,000 was converted into a 15 year term loan. The interest rate was 7.32%. The Association was paying the loan off on an amortization schedule that would pay off the entire loan balance in 10 years. The Association treated the loan as if it were two portions, one with an initial principal balance of \$140,000 to be repaid over 2 ½ years, and a second with an initial principal balance of \$340,000 to be repaid over 10 years. During 2010, the remaining balance on the \$140,000 portion was repaid in full. On April 28, 2010, the loan, which had a balance on that date of \$222,242 representing the remaining balance on the \$340,000 portion, was modified to change the interest rate to 6.18% and the maturity date to September 28, 2017. The monthly payment was adjusted based on the new amortization schedule. The balance on the loan at September 30, 2010 was \$212,329. The loan is collateralized by all future income of the Association. Both portions of the loan had prepayments in full by unit owners. The balance sheet reflects \$54,595 of prepayments made on the \$340,000 portion by unit owners.

In 2004, the Association obtained a line of credit from Community Association Bank (First National Bank of Arizona) and withdrew \$66,450 from the line to pay for the costs associated with a roof replacement at 30 Outlook Avenue. At December 31, 2004, the balance due on the line of credit was \$69,711. Interest only at 6.75 % was due during 2004. On 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 was taken over by NewAlliance Bank. The payment terms remain the same. At January 27, 2008, the rate changed to 8.5%. The balance on the loan at September 30, 2010 was \$11,050. The loan is collateralized by all future income of the Association.

Future maturities of all long-term debt over the next five years are as follows:

<u>Year ending September 30:</u>	
2011	\$ 33,276
2012	29,640
2013	28,431
2014	30,239
2015	32,161
Thereafter	69,632
	<u>\$ 223,379</u>

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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 had an air conditioning and roof replacement project for 20 Outlook Avenue and 869 Farmington Avenue and funded the project with the proceeds from a bank note (see Note 9). The total cost of the project was 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 was approximately \$1,900 and was payable either in full or in 30 monthly payments. During 2010, the remaining balances owed by unit owners for this assessment were received in full.

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. The board also obtained a professional engineer's report on paving and drainage and has incorporated this information into their capital reserve analysis. This plan was expanded and updated during 2009-2010 and the board intends to revisit and update the study on an annual basis. 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. For the year ended September 30, 2010, the association budgeted \$95,620 as contributions from the operating fund to the replacement fund. During the year, the board of directors approved the transfer of an additional \$110,000 from the operating fund to the replacement fund.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Association has several ongoing contracts extending past September 30, 2010, such as elevator maintenance, pest control, landscaping and snow removal. The contract for the landscaping and snow removal provides for monthly payments of \$1,375 through September 30, 2012. The contract for cleaning provides for monthly payments of \$1,465 through February 28, 2010.

In August 2010, the board of directors approved a front entryways refurbishment project costing approximately \$29,000. The project was started in November 2010.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 12 – COMMITMENTS AND CONTINGENCIES *(continued)*

In September 2010, the board of directors approved a contract for paving and drainage work for \$90,200. The work was started in October 2010.

In September 2010, the board of directors approved a fence replacement project costing approximately \$4,500. The project was started in November 2010.

NOTE 13 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through January 11, 2011, which is the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.

ADDITIONAL AND SUPPLEMENTARY INFORMATION

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE AND BUDGET – OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Actual	Budget (Unaudited)
REVENUE		
Association fees	\$ 352,044	\$ 352,500
Laundry	5,020	2,800
Rental income	13,620	13,620
Other	8,224	3,300
	<u>378,908</u>	<u>372,220</u>
EXPENSE		
ADMINISTRATION		
Insurance	21,741	21,600
Bookkeeping	10,337	10,000
Property manager fees	9,126	9,200
Accounting	4,000	2,750
Income tax	2,142	2,400
General administration	1,910	3,000
Legal fees	983	2,500
Postage and mailings	303	-
Postage	190	400
Printing & copying	14	400
	<u>50,746</u>	<u>52,250</u>
UTILITIES		
Gas	55,444	80,000
Electricity	20,971	24,000
Water & sewer	10,959	7,000
Telephone	1,913	1,950
Oil	-	2,500
	<u>89,287</u>	<u>115,450</u>
MAINTENANCE		
General maintenance & repair	13,934	33,000
Janitorial/maintenance	17,579	17,800
Elevator	10,093	11,000
HVAC	5,410	8,000
Fire protection	2,452	7,000
Maintenance supplies	161	600
	<u>49,629</u>	<u>77,400</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, 2010

	Actual	Budget (Unaudited)
CONTRACT SERVICES		
Lawn maintenance & landscaping	\$ 20,086	\$ 25,000
Fertilization	1,433	-
Pest control	1,081	1,500
Contract services – other	876	-
	<u>23,476</u>	<u>26,500</u>
 CAPITAL IMPROVEMENTS		
Operating projects	6,996	5,000
	<u>6,996</u>	<u>5,000</u>
 Total operating expense	 220,134	 276,600
Contribution to replacement	95,620	95,620
	<u>95,620</u>	<u>95,620</u>
 Total expense	 315,754	 372,220
	<u>315,754</u>	<u>372,220</u>
 EXCESS OF REVENUE OVER EXPENSE	 \$ 63,154	 \$ -
	<u>\$ 63,154</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, 2010

REVENUE

Association fees	\$ 102,586
Interest	2,929
Other	52
	<u>105,567</u>

EXPENSE

Interest expense	16,810
Air conditioners	11,660
Brick repointing	8,450
Railings	7,726
Front stairs – 30 Outlook Ave	3,394
Front stairs – 869 Farm Ave	3,394
Front stairs – 20 Outlook Ave	3,200
Front doors	1,631
Engineering	1,500
Architectural	1,500
Paving	675
	<u>59,940</u>

EXCESS OF REVENUE OVER EXPENSE

\$ 45,627

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS

SEPTEMBER 30, 2010

(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 as described in Note 12. 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.

<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>
20 Outlook Avenue	Air Conditioners	\$ 120,000	19	2029
30 Outlook Avenue	Air Conditioners	120,000	19 ⁽¹⁾	2011 ⁽²⁾
869 Farmington Avenue	Air Conditioners	120,000	19	2029
20 Outlook Avenue	Boiler Replacements	15,000	8	2018
30 Outlook Avenue	Boiler Replacements	15,000	9	2019
869 Farmington Avenue	Boiler Replacements	15,000	10	2020
20 Outlook Avenue	Brick Repointing	30,000	16	2026
30 Outlook Avenue	Brick Repointing	30,000	17	2027
869 Farmington Avenue	Brick Repointing	30,000	18	2028
20 Outlook Avenue	Common Areas	40,000	3	2013
30 Outlook Avenue	Common Areas	40,000	3	2013
869 Farmington Avenue	Common Areas	40,000	3	2013
20 Outlook Avenue	Front Entranceways	11,000	0	2011
30 Outlook Avenue	Front Entranceways	11,000	0	2011
869 Farmington Avenue	Front Entranceways	11,000	0	2011
20 Outlook Avenue	Roof	140,000	19	2029
30 Outlook Avenue	Roof	140,000	10	2020
869 Farmington Avenue	Roof	140,000	19	2029
20 Outlook Avenue	Windows	160,000	43	2053
30 Outlook Avenue	Windows	160,000	43	2053
869 Farmington Avenue	Windows	160,000	43	2053
	Roofs (Garage)	120,000	6	2016
	Paving/Drainage	95,000	0	2011
	All Other	100,000	1 ⁽³⁾	2011
		<u>\$ 1,863,000</u>		

(1) Air conditioning units in building 30 are replaced at a rate of 4 to 5 per year on an ongoing basis.

(2) Units are replaced as needed (yearly) as indicated above.

(3) \$5,000 per year is planned for unplanned items for the next fiscal year. This amount is adjusted annually, the net present value over a 20 year cycle would be \$100,000.

Notes:

Subsequent to the Association's year ended September 30, 2010, the paving and drainage project and the front entry projects were completed. The Association will be updating its analysis and projection of future major repairs and replacements and their funding during the first half of 2011.

See accountant's report and accompanying notes.