

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

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SEPTEMBER 30, 2005

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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, 2005, and the related statement of revenue, expense and changes in fund balances, and statement of cash flows for the nine month period 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, 2005 and the results of its operations and its cash flows for the nine month period 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.

The supplementary information on future major repairs and replacements on page 12 is not a required part of the basic financial statements, but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted primarily 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.

Rocky Hill, Connecticut  
November 4, 2005

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**BALANCE SHEET**

SEPTEMBER 30, 2005

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,020	\$ 85,519	\$ -	\$ 101,539
Accounts receivable - unit owners	1,519	-	-	1,519
Special assessment receivable	-	43,387	-	43,387
Prepaid expenses	5,780	-	-	5,780
Deferred claim expense	5,142	-	-	5,142
Office equipment	-	-	2,055	2,055
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(41,994)	(41,994)
Due from replacement fund	957	-	-	957
	<u>\$ 29,418</u>	<u>\$ 128,906</u>	<u>\$ 30,061</u>	<u>\$ 188,385</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ 16,616	\$ -	\$ -	\$ 16,616
Assessment - refundable	-	22,197	-	22,197
Unit owner fees paid in advance	4,056	-	-	4,056
Accrued expenses	930	-	-	930
Security deposits	1,000	-	-	1,000
Line of credit	-	4,551	-	4,551
Note payable - current	-	5,565	-	5,565
Due to operating fund	-	957	-	957
	<u>22,602</u>	<u>33,270</u>	<u>-</u>	<u>55,872</u>
Note payable - long term	-	37,822	-	37,822
	<u>22,602</u>	<u>71,092</u>	<u>-</u>	<u>93,694</u>
<b>FUND BALANCES</b>	<u>6,816</u>	<u>57,814</u>	<u>30,061</u>	<u>94,691</u>
	<u>\$ 29,418</u>	<u>\$ 128,906</u>	<u>\$ 30,061</u>	<u>\$ 188,385</u>

See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCES**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 2005**

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
<b>REVENUE</b>				
Association fees	\$ 201,866	\$ 43,891	\$ -	\$ 245,757
Special assessment	-	78,347	-	78,347
Interest	-	929	-	929
Laundry	1,944	-	-	1,944
Rental income	3,000	-	-	3,000
Insurance claim - net	2,083	-	-	2,083
Other	2,674	-	-	2,674
	<u>211,567</u>	<u>123,167</u>	<u>-</u>	<u>334,734</u>
<b>EXPENSE</b>				
Administration	71,286	-	-	71,286
Utilities	81,914	-	-	81,914
Maintenance	19,973	-	-	19,973
Contract services	23,932	-	-	23,932
Capital improvements	-	34,015	-	34,015
Computer equipment	510	-	(510)	-
Depreciation	-	-	2,529	2,529
	<u>197,615</u>	<u>34,015</u>	<u>2,019</u>	<u>233,649</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	13,952	89,152	(2,019)	101,085
<b>FUND BALANCES (DEFICIT) - BEGINNING OF YEAR</b>	<u>(7,136)</u>	<u>(31,338)</u>	<u>32,080</u>	<u>(6,394)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,816</u>	<u>\$ 57,814</u>	<u>\$ 30,061</u>	<u>\$ 94,691</u>

See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Excess of revenue over expense	\$ 101,085
Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities:	
Depreciation	2,529
Net change in cash resulting from increase (decrease) in assets and liabilities:	
Accounts receivable	(982)
Special assessment receivable	(43,387)
Prepaid expenses	(4,204)
Deferred claim expense	(240)
Accounts payable	(28,226)
Assessments - refundable	22,197
Unit owner fees paid in advance	1,561
Accrued expenses	930
Security deposits	(18)
Taxes payable	<u>(775)</u>
<b>Net cash provided by operating activities</b>	<u>50,470</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of assets	<u>(510)</u>
<b>Net cash used for investing activities</b>	<u>(510)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from line of credit	4,551
Repayment of line of credit	(69,711)
Proceeds from note payable	46,708
Payments on note payable	<u>(3,321)</u>
<b>Net cash used for investing activities</b>	<u>(21,773)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 28,187

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 73,352

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 101,539

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Income taxes paid	<u>\$ 775</u>
Interest paid	<u>\$ 2,630</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

**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 65% 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, 2005

**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

For purposes of the cash flow statement, cash consists of checking and savings accounts. Cash equivalents are highly liquid financial instruments with maturities of 91 days or less, including money market funds. Investments are certificates of deposit with maturities of more than 91 days, if any.

**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. The declarant, Kingswood-West Associates, Limited Partnership, owns 7 units at September 30, 2005. 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 period ending September 30, 2005 is \$2,529.

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 - ASSOCIATION MANAGEMENT**

The association is managed by New England Realty Management. 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 2005 is \$1,075 per month, and the maintenance and service fee is \$3,750 per month. Accounting services are provided by an outside contractor at \$750 per month.

**NOTE 8 – INSURANCE CLAIM**

The association had an insurance claim for water leaks in a newly replaced building roof. Total insurance receipts were \$20,567 with expenses incurred by the association of \$18,484. The net amount of \$2,083 is shown net as revenue in the operating fund. The association had an additional claim in June, 2005. This claim is still active. Expenses of \$5,142 incurred to date have been deferred pending the receipt of insurance proceeds, expected to be \$6,056. The association deductible of \$5,000 for this claim has been expensed in the current year, as this amount will probably not be recoverable.



WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

**NOTE 9 - INCOME TAXES**

The association has elected to change its fiscal year from December 31 to September 30. For the nine month period ended September 30, 2005, 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. There is no tax liability for the nine month period ending September 30, 2005.

**NOTE 10 - 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. At September 30, 2005, the association did not have a completed contract, although negotiations are currently underway. The line of credit has an interest rate of 7.75%, and as of September 30, 2005, the amount due was \$4,551, mainly consisting of closing costs for the line of credit. Monthly interest will be due on the amounts advanced.

**NOTE 11 - 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, 2006	\$ 5,565
September 30, 2007	\$ 5,982
September 30, 2008	\$ 6,430
September 30, 2009	\$ 6,913
September 30, 2010-12	\$18,497

**NOTE 12 - 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 has approved a special assessment of \$810,350 to be used for the window replacement project. This assessment was originally scheduled to start in August, 2005, but since the contract had not been finalized, the assessment will not be charged until after September 30, 2005. Two owners had paid in advance, and \$22,197 appears as refundable assessments on the balance sheet. This money was refunded in October, 2005, and will be collected again when the assessment is charged to all owners.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

**NOTE 12 – SPECIAL ASSESSMENTS** *(continued)*

The association anticipates that utilities costs for heating will be in excess of the planned budget for 2005-2006 by approximately \$30,000. In order to keep common charges at the same level as planned, the utility costs for the upcoming winter season will be evaluated in April 2006. Any shortfall at that time will be assessed to owners over a three month period in June, July and August of 2006.

**NOTE 13 - 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. A summary of the plan is presented on page 12.

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 14 – COMMITMENTS AND CONTINGENCIES**

The association has several ongoing contracts extending past September 30, 2005, such as elevator maintenance, pest control, fire security, landscaping and snow removal. The contractor providing the landscaping and snow removal is an affiliate of New England Realty Management, and the contract provides for monthly payments of \$2,330.

As mentioned in Note 12, the association is planning to replace the windows throughout the buildings. The estimated cost of the window replacement is approximately \$830,000. A contract is being negotiated with the window installer. Certain environmental issues involving the possible removal or abatement of some lead and asbestos materials used in the original construction have not been estimated, and no decision as to how to proceed has been made at this time.

**ADDITIONAL AND SUPPLEMENTARY INFORMATION**

WESTBURY CONDOMINIUMS ASSOCIATION, INC.  
SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS  
FOR NINE MONTHS ENDED SEPTEMBER 30, 2005

	Actual	Budget (Unaudited)
<b>REVENUE</b>		
Association fees	\$ 245,757	\$ 245,816
Laundry	1,944	3,000
Rental income	3,000	9,900
Insurance claim - net	2,083	-
Other	<u>2,674</u>	<u>1,125</u>
	<u>255,458</u>	<u>259,841</u>
<b>EXPENSE</b>		
<b>ADMINISTRATION</b>		
Management	43,425	11,419
Insurance	16,140	18,059
Bookkeeping	6,750	6,750
Accounting	2,500	1,688
Miscellaneous	1,264	373
Printing and copying	793	750
Postage and mailings	250	375
Legal fees	164	1,500
Income tax	-	750
General administration	<u>-</u>	<u>2,421</u>
	<u>71,286</u>	<u>44,085</u>
<b>UTILITIES</b>		
Gas	44,962	45,504
Oil	19,249	20,657
Electricity	11,384	11,683
Water and sewer	4,786	6,734
Telephone	<u>1,533</u>	<u>1,410</u>
	<u>81,914</u>	<u>85,988</u>
<b>MAINTENANCE</b>		
Elevator	5,754	9,833
Insurance claim expense	5,000	-
General maintenance & repair	4,778	33,390
Fire protection	3,270	2,419
HVAC	997	4,425
Supplies	174	3,750
General	<u>-</u>	<u>5,363</u>
	<u>19,973</u>	<u>59,180</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.  
 SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS  
 FOR NINE MONTHS ENDED SEPTEMBER 30, 2005

	Actual	Budget (Unaudited)
CONTRACT SERVICES		
Lawn maintenance and landscaping	12,192	20,972
Snow removal	9,691	-
Pest control	2,049	1,224
Miscellaneous	-	4,500
	<u>23,932</u>	<u>26,696</u>
COMPUTER EQUIPMENT		
Purchase of new equipment	510	-
	<u>510</u>	<u>-</u>
<b>Total operating expense</b>	197,615	215,949
Contribution to replacement	43,891	43,892
	<u>43,891</u>	<u>43,892</u>
<b>Total expense</b>	<u>241,506</u>	<u>259,841</u>
<b>EXCESS OF REVENUE OVER EXPENSE</b>	<u>\$ 13,952</u>	<u>\$ -</u>

See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUE AND EXPENSE - REPLACEMENT**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 2005**

**REVENUE**

Monthly contributions	\$ 43,891
Special assessment	78,347
Interest	<u>929</u>

123,167

**EXPENSE**

Project management	8,250
Legal	7,448
Air conditioner units	5,995
Engineering	4,297
Interest expense	2,630
Miscellaneous replacement expense	2,231
Other contractors	1,837
Bank fees	887
Architectural	<u>440</u>

34,015

**EXCESS OF REVENUE OVER EXPENSE**

\$ 89,152

See accountant's report and accompanying notes.

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

SEPTEMBER 30, 2005

(UNAUDITED)

Becht Engineering Company, Inc. prepared a capital reserve study for the association in 2004. The table below is a summary of the reserve plan. Reference should be made to the completed study for additional information. The association has been discussing the possibility of replacing the windows in the various buildings. This project has not been included in the capital reserve study.

	Estimated Life <u>(years)</u>	Estimated Remaining Life <u>(years)</u>	Estimated Replacement <u>Cost</u>
Architectural			
Brick pointing	30	5-25	\$186,030
Roofing	20	9-25	253,000
Electrical			
Compactors	20	4-10	32,400
Emergency lighting	20	5-15	5,640
Exit signs	25	10	4,860
Building lighting	20	10	4,734
Mechanical			
Boilers	20	10-13	42,525
Pumps	15-20	10-15	7,402
Water heaters	15	5-10	4,860
Tanks	15-20	13-14	4,002
HVAC	20	10-15	325,554
Site			
Paving	15	1-5	17,550
Sidewalks and signage	20-30	10	30,981
Other			
Carpeting	12	2-7	25,542
Wallpaper	15	10	33,543
			<u>\$978,623</u>

See accountant's report and accompanying notes.