

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

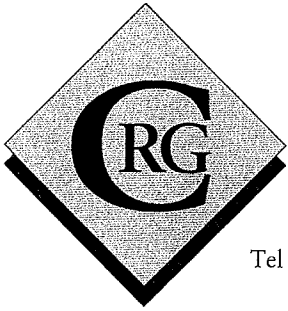
DECEMBER 31, 2000

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

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Carney, Roy and Gerrol, P.C.

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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, 2000, and the related statement of revenue, expense and changes in fund balances, statement of cash flows, and schedule of expense 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 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.

The budget on the schedule of expense is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

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, 2000 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 10, 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 replacements 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 24, 2001

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2000

ASSETS	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
Current assets:				
Cash	\$13,194	\$55,746	\$ -	\$ 68,940
Accounts receivable - unit owners, net of allowance for uncollectible accounts of \$500	1,920	-	-	1,920
Prepaid insurance	2,995	-	-	2,995
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>(27,750)</u>	<u>(27,750)</u>
	<u>\$18,109</u>	<u>\$55,746</u>	<u>\$42,250</u>	<u>\$116,105</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$15,066	\$ -	\$ -	\$ 15,066
Unit owner fees paid in advance	5,438	-	-	5,438
Security deposits	907	-	-	907
Long term debt - current portion	-	-	4,227	4,227
Taxes payable	<u>151</u>	<u>-</u>	<u>-</u>	<u>151</u>
	<u>21,562</u>	<u>-</u>	<u>4,227</u>	<u>25,789</u>
Long term liabilities:				
Long term debt - net of current portion	<u>-</u>	<u>-</u>	<u>33,667</u>	<u>33,667</u>
FUND BALANCES (DEFICIT)	<u>(3,453)</u>	<u>55,746</u>	<u>4,356</u>	<u>56,649</u>
	<u>\$18,109</u>	<u>\$55,746</u>	<u>\$42,250</u>	<u>\$116,105</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, 2000

REVENUE	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
Association fees	\$203,329	\$13,200	\$ -	\$216,529
Interest	33	1,454	-	1,487
Laundry	4,629	-	-	4,629
Rental income	10,275	-	-	10,275
Capital contribution	481	-	-	481
Insurance claim	7,117	-	-	7,117
Other	<u>3,779</u>	<u>-</u>	<u>-</u>	<u>3,779</u>
	<u>229,643</u>	<u>14,654</u>	<u>-</u>	<u>244,297</u>
 EXPENSE				
Administration	31,267	-	-	31,267
Personnel	47,502	-	-	47,502
Utilities	86,776	-	-	86,776
Maintenance	25,674	-	-	25,674
Contract services	20,268	-	-	20,268
Capital improvements	13,740	3,500	-	17,240
Note and mortgage payments	8,270	-	(3,796)	4,474
Depreciation	-	-	2,800	2,800
Bad debts	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
	<u>233,997</u>	<u>3,500</u>	<u>(996)</u>	<u>236,501</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(4,354)	11,154	996	7,796
FUND BALANCES - BEGINNING OF YEAR	<u>901</u>	<u>44,592</u>	<u>3,360</u>	<u>48,853</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (3,453)</u>	<u>\$55,746</u>	<u>\$ 4,356</u>	<u>\$ 56,649</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Excess of revenue over expense	\$ 7,796
Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities:	
Allowance for uncollectible accounts	500
Depreciation	2,800
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(2,370)
Taxes payable	151
Accounts payable	9,804
Security deposits	(819)
Unit owners fees paid in advance	<u>182</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 18,044

CASH FLOWS FROM FINANCING ACTIVITIES:

Note payments	(1,267)
Payment of mortgage principal	<u>(3,796)</u>

NET CASH USED FOR FINANCING ACTIVITIES (5,063)

NET INCREASE IN CASH 12,981

CASH - BEGINNING OF YEAR 55,959

CASH - END OF YEAR \$68,940

SUPPLEMENTARY INFORMATION ON CASH FLOWS:

Income taxes paid	<u>\$ -</u>
Interest paid	<u><u>\$ 4,474</u></u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

SCHEDULE OF EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2000

	Actual	Budget (Unaudited)
ADMINISTRATION		
Management	\$14,457	\$14,000
Legal and accounting	1,600	2,100
Postage and mailing	117	300
Insurance	13,300	12,500
Printing and copying	644	300
Income tax	151	500
Miscellaneous	<u>998</u>	<u>200</u>
	<u>\$31,267</u>	<u>\$29,900</u>
PERSONNEL		
Payroll	\$33,794	\$34,000
Benefits and processing	11,545	13,500
Workers' compensation	<u>2,163</u>	<u>2,500</u>
	<u>\$47,502</u>	<u>\$50,000</u>
UTILITIES		
Electricity	\$13,784	\$17,000
Water and sewer	8,682	8,000
Gas	49,523	39,000
Oil	13,663	7,000
Telephone	<u>1,124</u>	<u>1,000</u>
	<u>\$86,776</u>	<u>\$72,000</u>
MAINTENANCE		
Elevator	\$ 6,421	\$ 7,000
General	6,360	4,500
Fire protection	4,050	3,500
HVAC	4,060	5,000
Supplies	<u>4,783</u>	<u>3,500</u>
	<u>\$25,674</u>	<u>\$23,500</u>
CONTRACT SERVICES		
Landscaping and fertilization	\$ 6,438	\$ 7,000
Grounds improvements	6,055	8,000
Snow removal	6,500	6,500
Pest control	<u>1,275</u>	<u>1,200</u>
	<u>\$20,268</u>	<u>\$22,700</u>
CAPITAL IMPROVEMENTS		
	<u>\$13,740</u>	<u>\$15,500</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

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, 2000

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 which are more than six months overdue. The declarant, Kingswood-West Associates, Limited Partnership, owns 27 units at December 31, 2000, 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:

2001	\$ 4,716
2002	5,262
2003	5,871
2004	6,550
2005 - 2007	<u>15,495</u>
	<u>\$37,894</u>

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 8 - ASSOCIATION MANAGEMENT

Since February 1998, the association has been managed by 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 fee for the year 2000 was \$13,008, payable in monthly installments of \$1,084 plus tax. The new monthly fee for 2001 is \$1,159, for a total of \$13,908. The contract is in force until terminated by either party.

NOTE 9 - INCOME TAXES

For the year ended December 31, 2000 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 10 - 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 11 - COMMITMENTS

The association has several ongoing contracts extending past December 31, 2000, such as elevator maintenance, landscaping and snow removal.