

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2003

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 December 31, 2003, 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 December 31, 2003 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 page 8 and 9 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 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 replacement 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, PC

Rocky Hill, Connecticut
February 24, 2004

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2003

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
ASSETS				
Cash	\$ 13,257	\$ 40,092	\$ -	\$ 53,349
Accounts receivable - unit owners	665	-	-	665
Prepaid insurance	403	-	-	403
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(36,150)	(36,150)
	<u>\$ 14,325</u>	<u>\$ 40,092</u>	<u>\$ 33,850</u>	<u>\$ 88,267</u>
LIABILITIES				
Accounts payable	\$ 9,302	\$ -	\$ -	\$ 9,302
Unit owner fees paid in advance	1,208	-	-	1,208
Security deposits	1,010	-	-	1,010
Taxes payable	852	-	-	852
	12,372	-	-	12,372
FUND BALANCES	<u>1,953</u>	<u>40,092</u>	<u>33,850</u>	<u>75,895</u>
	<u>\$ 14,325</u>	<u>\$ 40,092</u>	<u>\$ 33,850</u>	<u>\$ 88,267</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, 2003

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
REVENUE				
Association fees	\$ 197,723	\$ 28,840	\$ -	\$ 226,563
Special assessment	7,978	-	-	7,978
Interest	-	339	-	339
Laundry	3,799	-	-	3,799
Rental income	9,633	-	-	9,633
Other	2,436	-	-	2,436
	<u>221,569</u>	<u>29,179</u>	<u>-</u>	<u>250,748</u>
EXPENSE				
Administration	41,695	-	-	41,695
Personnel	58,510	-	-	58,510
Utilities	88,526	-	-	88,526
Maintenance	29,469	-	-	29,469
Contract services	23,534	-	-	23,534
Capital improvements	8,007	-	-	8,007
Mortgage payments	-	-	-	-
Depreciation	-	-	2,800	2,800
	<u>249,741</u>	<u>-</u>	<u>2,800</u>	<u>252,541</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(28,172)	29,179	(2,800)	(1,793)
FUND BALANCES - (DEFICIT) BEGINNING OF YEAR	(181)	41,219	36,650	77,688
TRANSFER FROM THE REPLACEMENT FUND TO THE OPERATING FUND	<u>30,306</u>	<u>(30,306)</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,953</u>	<u>\$ 40,092</u>	<u>\$ 33,850</u>	<u>\$ 75,895</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Excess (deficiency) of revenue over expense	\$ (1,793)
Adjustments to reconcile excess (deficiency) of revenue over expense to net cash provided by operating activities:	
Depreciation	2,800
Net change in cash resulting from increase (decrease) in assets and liabilities:	
Accounts receivable	250
Other receivable	1,125
Prepaid insurance	(403)
Taxes payable	852
Accounts payable	(3,431)
Security deposits	(3)
Unit owner fees paid in advance	<u>(2,288)</u>
Net cash used for operating activities	<u>(2,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption of investments	<u>10,180</u>
Net cash provided by investing activities	<u>10,180</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,289
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>46,060</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 53,349</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Income taxes paid	<u>\$ -</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

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

DECEMBER 31, 2003

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.

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 9 units at December 31, 2003, for which they pay common charges. 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 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. 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. 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 - ASSOCIATION MANAGEMENT

The association was managed by Elite Property Management during 2003. As of January 1, 2004, the association will be 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 2004 is \$1,250 per month, and the maintenance and service fee is \$3,750 per month. Accounting services are provided by an outside contractor at \$8,500 per year.

NOTE 8 – SPECIAL ASSESSMENT

The association was over budget on utility costs, because of an increase in gas prices. The association approved a special assessment of \$7,978, to offset these costs. The assessment was payable on July 1, 2003. The average amount per unit was \$109.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE 9 - INCOME TAXES

For the year ended December 31, 2003 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. The tax liability for 2003 was \$852.

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, 2003, such as elevator maintenance, landscaping and snow removal. The current snow removal contract provides for four monthly payments at \$1,650 per month. The landscaping contract is for eight payments of \$1,500 per month. The contractor providing these services is an affiliate of New England Realty Management.

ADDITIONAL INFORMATION

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Actual	Budget (Unaudited)
REVENUE		
Association fees	\$ 226,563	\$ 226,640
Special assessment	7,978	-
Laundry	3,799	4,500
Rental income	9,633	12,000
Other	<u>2,436</u>	<u>2,000</u>
	<u>250,409</u>	<u>245,140</u>
EXPENSE		
ADMINISTRATION		
Management	14,608	15,400
Legal and accounting	2,113	2,500
Bank charges	26	-
Postage and mailings	420	300
Insurance	18,239	18,000
Printing and copying	1,732	500
Income tax	852	500
Real estate commission	2,000	-
Miscellaneous	<u>1,705</u>	<u>300</u>
	<u>41,695</u>	<u>37,500</u>
PERSONNEL		
Payroll	36,972	34,000
Payroll processing fee	2,259	2,000
Benefits and processing	4,521	-
Employee's insurance	8,476	8,400
Payroll taxes	4,318	3,100
Workers' compensation	<u>1,964</u>	<u>2,000</u>
	<u>58,510</u>	<u>49,500</u>
UTILITIES		
Electricity	13,417	13,500
Water and sewer	6,817	9,000
Gas	54,762	43,000
Oil	12,202	13,000
Telephone	<u>1,328</u>	<u>1,100</u>
	<u>88,526</u>	<u>79,600</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Actual	Budget (Unaudited)
MAINTENANCE		
Elevator	7,016	7,000
General maintenance & repair	9,931	3,000
Fire protection	2,975	3,500
HVAC	2,771	3,000
Supplies	<u>6,776</u>	<u>5,000</u>
	<u>29,469</u>	<u>21,500</u>
CONTRACT SERVICES		
Lawn maintenance and landscaping	5,805	6,000
Fertilization	859	1,200
Grounds improvement	7,272	4,000
Snow removal	8,189	7,200
Pest control	<u>1,409</u>	<u>1,300</u>
	<u>23,534</u>	<u>19,700</u>
CAPITAL IMPROVEMENTS		
Air conditioner repair	5,895	5,000
Capital - lighting	2,112	-
Capital - garbage chute	<u>-</u>	<u>3,500</u>
	<u>8,007</u>	<u>8,500</u>
Total operating expense	249,741	216,300
Contribution to replacement	<u>28,840</u>	<u>28,840</u>
Total expense	<u>278,581</u>	<u>245,140</u>
DEFICIENCY OF REVENUE OVER EXPENSE	<u><u>\$ (28,172)</u></u>	<u><u>\$ -</u></u>

See accountant's report and accompanying notes.