

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

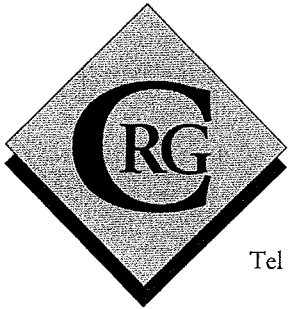
DECEMBER 31, 2002

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

CONTENTS

DECEMBER 31, 2002

| | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Balance Sheet | 2 |
| Statement of Revenue, Expense and Changes in Fund Balances | 3 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5-7 |
| Additional Information: | |
| Schedule of Revenue, Expense, and Budget - Operations | 8, 9 |



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, 2002, 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 U. S. 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.

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, 2002 and the results of its operations and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

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 9, 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, P.C.

Rocky Hill, Connecticut
February 7, 2003

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2002

| | Operating Fund | Replacement Fund | Fixed Asset Fund | Total |
|-----------------------------------|---------------------------|-----------------------------|-----------------------------|------------------|
| ASSETS | | | | |
| Cash | \$ 15,021 | \$ 31,039 | \$ - | \$ 46,060 |
| Investments | - | 10,180 | - | 10,180 |
| Accounts receivable - unit owners | 915 | - | - | 915 |
| Other receivable - rent | 1,125 | - | - | 1,125 |
| Capitalized unit - #106 | - | - | 70,000 | 70,000 |
| Accumulated depreciation | - | - | (33,350) | (33,350) |
| | <u>\$ 17,061</u> | <u>\$ 41,219</u> | <u>\$ 36,650</u> | <u>\$ 94,930</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 12,733 | \$ - | \$ - | \$ 12,733 |
| Unit owner fees paid in advance | 3,496 | - | - | 3,496 |
| Security deposits | 1,013 | - | - | 1,013 |
| | <u>17,242</u> | <u>-</u> | <u>-</u> | <u>17,242</u> |
| FUND BALANCES (DEFICIT) | <u>(181)</u> | <u>41,219</u> | <u>36,650</u> | <u>77,688</u> |
| | <u>\$ 17,061</u> | <u>\$ 41,219</u> | <u>\$ 36,650</u> | <u>\$ 94,930</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, 2002

| | Operating Fund | Replacement Fund | Fixed Asset Fund | Total |
|---|-------------------|---------------------|---------------------|------------------|
| REVENUE | | | | |
| Association fees | \$ 202,347 | \$ 15,500 | \$ - | \$ 217,847 |
| Interest | - | 1,181 | - | 1,181 |
| Laundry | 4,432 | - | - | 4,432 |
| Rental income | 11,450 | - | - | 11,450 |
| Other | 2,607 | - | - | 2,607 |
| | <u>220,836</u> | <u>16,681</u> | <u>-</u> | <u>237,517</u> |
| EXPENSE | | | | |
| Administration | 32,688 | - | - | 32,688 |
| Personnel | 49,181 | - | - | 49,181 |
| Utilities | 84,612 | - | - | 84,612 |
| Maintenance | 25,171 | - | - | 25,171 |
| Contract services | 19,662 | - | - | 19,662 |
| Capital improvements | 9,138 | - | - | 9,138 |
| Mortgage payments | 37,154 | - | (34,032) | 3,122 |
| Depreciation | - | - | 2,800 | 2,800 |
| | <u>257,606</u> | <u>-</u> | <u>(31,232)</u> | <u>226,374</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE | (36,770) | 16,681 | 31,232 | 11,143 |
| FUND BALANCES - BEGINNING OF YEAR | 7,021 | 54,106 | 5,418 | 66,545 |
| Transfer from the replacement fund to the operating fund | 29,568 | (29,568) | - | - |
| FUND BALANCES (DEFICIT) - END OF YEAR | <u>\$ (181)</u> | <u>\$ 41,219</u> | <u>\$ 36,650</u> | <u>\$ 77,688</u> |

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

| | Total |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Excess of revenue over expense | \$ 11,143 |
| Adjustments to reconcile excess 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 | (139) |
| Other receivable | (1,125) |
| Prepaid insurance | 3,625 |
| Taxes payable | (652) |
| Accounts payable | 2,338 |
| Security deposits | 39 |
| Unit owner fees paid in advance | <u>(3,303)</u> |
| Net cash provided by operating activities | <u>14,726</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | <u>(10,180)</u> |
| Net cash used for investing activities | <u>(10,180)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Payment of mortgage principal | <u>(34,032)</u> |
| Net cash used for financing activities | <u>(34,032)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (29,486) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>75,546</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 46,060</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | |
| Income taxes paid | <u>\$ 652</u> |
| Interest paid | <u>\$ 3,122</u> |

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

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. 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 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, 2002

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 16 units at December 31, 2002, 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.

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 has an annual contract with 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 annual contract for the years 2002 and 2003 is \$14,314, payable in monthly installments of \$1,193 plus tax. The manager also provides additional services to administer insurance claims or other special projects.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

NOTE 8 - INCOME TAXES

For the year ended December 31, 2002 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 9 - 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 10 - COMMITMENTS

The association has several ongoing contracts extending past December 31, 2002, such as elevator maintenance, landscaping and snow removal. The current snow removal contract continues through March 2003 at a rate of \$1,700 per month. The 2003 landscape contract has a contract price of \$6,100.

ADDITIONAL INFORMATION

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE AND BUDGET - OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

| | Actual | Budget (Unaudited) |
|------------------------|----------------|-------------------------------|
| REVENUE | | |
| Association fees | \$ 217,847 | \$ 218,000 |
| Laundry | 4,432 | 4,500 |
| Rental income | 11,450 | 11,400 |
| Other | <u>2,607</u> | <u>2,500</u> |
| | <u>236,336</u> | <u>236,400</u> |
| EXPENSE | | |
| ADMINISTRATION | | |
| Management | 14,636 | 15,400 |
| Legal and accounting | 2,000 | 2,200 |
| Postage and mailings | 316 | 300 |
| Insurance | 14,499 | 13,700 |
| Printing and copying | 682 | 500 |
| Income tax | - | 200 |
| Miscellaneous | <u>555</u> | <u>400</u> |
| | <u>32,688</u> | <u>32,700</u> |
| PERSONNEL | | |
| Payroll | 34,310 | 34,000 |
| Payroll processing fee | 1,908 | 2,000 |
| Employee's insurance | 7,612 | 7,700 |
| Payroll taxes | 3,197 | 3,500 |
| Workers' compensation | <u>2,154</u> | <u>2,500</u> |
| | <u>49,181</u> | <u>49,700</u> |
| UTILITIES | | |
| Electricity | 13,763 | 14,000 |
| Water and sewer | 9,662 | 9,000 |
| Gas | 48,036 | 43,000 |
| Oil | 11,945 | 13,000 |
| Telephone | <u>1,206</u> | <u>1,100</u> |
| | <u>84,612</u> | <u>80,100</u> |

2004

~~16,249.80~~
~~15,000.00~~
 16,249.80

\$45,050

- 9,050 - 4,650

54,000

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE AND BUDGET - OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

| | Actual | Budget (Unaudited) |
|--|--------------------|-------------------------------|
| MAINTENANCE | | |
| Elevator | 6,509 | 7,000 |
| General maintenance & repair | 7,567 | 2,000 |
| Fire protection | 3,150 | 3,500 |
| HVAC | 1,545 | 5,000 |
| Supplies | <u>6,400</u> | <u>5,000</u> |
| | <u>25,171</u> | <u>22,500</u> |
| CONTRACT SERVICES | | |
| Lawn maintenance and landscaping | 5,803 | 5,800 |
| Fertilization | 822 | 1,200 |
| Grounds improvement | 4,841 | 4,000 |
| Snow removal | 6,800 | 7,000 |
| Pest control | <u>1,396</u> | <u>1,200</u> |
| | <u>19,662</u> | <u>19,200</u> |
| CAPITAL IMPROVEMENTS | | |
| Air conditioner repair | 5,295 | 5,000 |
| Trash chute | - | 3,500 |
| Mailboxes | 1,420 | - |
| Paving | <u>2,423</u> | <u>-</u> |
| | <u>9,138</u> | <u>8,500</u> |
| Total operating expense | 220,452 | 212,700 |
| Mortgage payments | 37,154 | 8,200 |
| Budgeted contributions to replacement fund | <u>15,500</u> | <u>15,500</u> |
| Total expense | <u>273,106</u> | <u>236,400</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE | <u>\$ (36,770)</u> | <u>\$ -</u> |

12,000
6,500
1,000

18,500

19,475

See accountant's report and accompanying notes.