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WESTBURY CONDOMINIUMS ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

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SEPTEMBER 30, 2013

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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 financial statements of Westbury Condominiums Association, Inc., which comprise the balance sheet as of September 30, 2013, and the related statements of revenue, expense and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue, expense and budget – operations on pages 10-11 and the schedule of revenue and expense – replacements on page 12, which are the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the budget marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Rocky Hill, Connecticut
January 21, 2014

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

BALANCE SHEET

SEPTEMBER 30, 2013

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	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
ASSETS				
Cash	\$ 67,553	\$ 379,380	\$ -	\$ 446,933
Accounts receivable – unit owners, net of allowance of \$2,000	4,829	-	-	4,829
Prepaid expenses	3,987	-	-	3,987
Equipment and furnishings	-	-	6,442	6,442
Capitalized unit – #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(67,858)	(67,858)
Due from operating fund	(9,488)	9,488	-	-
	<u>\$ 66,881</u>	<u>\$ 388,868</u>	<u>\$ 8,584</u>	<u>\$ 464,333</u>
LIABILITIES				
Accounts payable	\$ 13,192	\$ -	\$ -	\$ 13,192
Unit owner fees paid in advance – current	2,375	9,897	-	12,272
Accrued expenses	4,351	-	-	4,351
Security deposits	1,675	-	-	1,675
Taxes payable	3,539	-	-	3,539
Notes payable – current	-	30,230	-	30,230
Total current liabilities	25,132	40,127	-	65,259
Unit owner fees paid in advance – long-term	-	31,056	-	31,056
Notes payable – long-term	-	102,333	-	102,333
Total liabilities	25,132	173,516	-	198,648
FUND BALANCES	<u>41,749</u>	<u>215,352</u>	<u>8,584</u>	<u>265,685</u>
	<u>\$ 66,881</u>	<u>\$ 388,868</u>	<u>\$ 8,584</u>	<u>\$ 464,333</u>

See independent auditor's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

SCHEDULE OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
REVENUE				
Association fees	\$ 205,531	\$ 149,017	\$ -	\$ 354,548
Interest	-	533	-	533
Laundry	4,346	-	-	4,346
Rental income	15,138	-	-	15,138
Other	9,842	-	-	9,842
	<u>234,857</u>	<u>149,550</u>	<u>-</u>	<u>384,407</u>
EXPENSE				
Administration	59,062	17	-	59,079
Utilities	74,223	-	-	74,223
Maintenance	87,685	-	-	87,685
Contract services	27,134	-	-	27,134
Interest expense	-	11,663	-	11,663
Capital improvements	2,340	36,357	-	38,697
Depreciation	-	-	3,410	3,410
	<u>250,444</u>	<u>48,037</u>	<u>3,410</u>	<u>301,891</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(15,587)	101,513	(3,410)	82,516
FUND BALANCES – BEGINNING OF YEAR	77,836	93,839	11,494	183,169
NET INTERFUND TRANSFERS	<u>(20,500)</u>	<u>20,000</u>	<u>500</u>	<u>-</u>
FUND BALANCES – END OF YEAR	<u>\$ 41,749</u>	<u>\$ 215,352</u>	<u>\$ 8,584</u>	<u>\$ 265,685</u>

See independent auditor's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over expense	\$ 82,516
Adjustments to reconcile excess of revenue over expense to net cash provided by operating activities:	
Depreciation	3,410
(Increase) decrease in operating assets:	
Accounts receivable	3,861
Interest receivable	9,444
Prepaid expenses	(55)
Increase (decrease) in operating liabilities:	
Accounts payable	(7,812)
Unit owner fees paid in advance	2,266
Accrued expenses	(762)
Security deposits	325
Taxes payable	3,097
	<u>96,290</u>
Net cash provided by operating activities	

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(500)</u>
Net cash used for investing activities	<u>(500)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on notes payable	<u>(36,010)</u>
Net cash used for financing activities	<u>(36,010)</u>

NET INCREASE IN CASH

59,780

CASH – BEGINNING OF YEAR

387,153

CASH – END OF YEAR

\$ 446,933

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for income taxes	\$ 442
Cash paid for interest	9,273

See independent auditor's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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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 to govern Westbury Condominiums, which consists of 72 residential units located in three buildings and a single-family house situated on 3.5 acres of land in the Town of West Hartford, Connecticut. The Association is responsible for the operation and maintenance of the common property of Westbury Condominiums. The Association's operations are funded primarily by common fees and assessments from unit owners. Approximately 72% 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 at cost and depreciated using the straight-line method over the expected useful life. 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, 2013

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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 original maturities of three months or less, if any. Investments are certificates of deposit or other instruments with original maturities greater than three months, if any. At September 30, 2013, the Association had deposits with First Niagara Bank which exceeded the Federal Deposit Insurance Corporation insurance limit by approximately \$12,187.

NOTE 5 – MEMBER ASSESSMENTS

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 assessments appear as a liability. The Association has statutory liens on each unit, which have priority over all other liens except real estate tax and other governmental liens, equal to nine months' common charges. The Association's policy is to make a provision for the possible uncollectibility of common fees and other charges which are more than nine months overdue at the balance sheet date. Any uncollected balances remaining when ownership of a unit is transferred are removed from the Association's accounts. The allowance for uncollectible accounts was \$2,000 at September 30, 2013.

D.R. Outlook Associates owns 6 units at September 30, 2013. Common charges for these units are approximately 9% of total common charges.

NOTE 6 – PROPERTY AND EQUIPMENT

Capitalized property and equipment consists of office equipment, a unit at 869 Farmington Avenue (originally a superintendent's apartment) and furnishings for the unit. Due to a lack of historical data, the unit was originally capitalized at a value of \$100,000, which 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 out by the Association. The current lease is through August 14, 2014 at a monthly rent of \$1,375.

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, 2013, 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 \$3,539 for the year ended September 30, 2013.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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NOTE 7 – INCOME TAXES (continued)

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 2009 through 2012 remain open for audit under the various statutes of limitations.

NOTE 8 – ASSOCIATION MANAGEMENT

The Association has a contract with Imagineers LLC through April 30, 2014 to provide supervision and maintenance for the Association, in accordance with the budget or as requested by the Board of Directors, for a monthly fee of \$1,070 plus applicable sales tax. For the year ended September 30, 2013, Imagineers, LLC provided approximately \$43,000 of maintenance services to the Association.

Accounting services are provided by ARC Strategic Solutions through December 31, 2014 for an annual fee of \$10,500.

NOTE 9 – LONG-TERM LIABILITIES

The Association has a note payable to First Niagara Bank bearing interest at 6.18% and payable in monthly installments of \$3,129 through September 2017. The note is collateralized by all future income of the Association. Interest expense on the note for the year ended September 30, 2013 totaled \$9,273.

The Association provides for the monthly debt service payments on the note as a component of the annual budget. In 2008, the Association provided unit owners with the opportunity to prepay their portion of the future annual increase in association fees at a discount representing their respective shares of future interest on note. The outstanding balances of the original unit owner prepayments are being amortized using the current rate of the note payable of 6.18%, and the amortized principal and interest are applied against current year association fees. Subsequent unit owner prepayments are not provided a discount, and are being amortized using the straight-line method at amounts determined by the annual budget. Interest expense on unit owner fees paid in advance for the year ended September 30, 2013 totaled \$2,390.

Aggregate future annual maturities of long-term liabilities for the years ending September 30 are as follows:

2014	\$ 40,127
2015	41,789
2016	44,568
2017	46,804
2018	228
	<u>\$ 173,516</u>

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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NOTE 10 – 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 Association also obtained a professional engineer's report on paving and drainage and has incorporated this information into the capital reserve analysis. This plan was expanded and updated during 2012-2013 and the Association intends to revisit and update the study on an annual basis. Estimated future replacement costs are based on estimates of current replacement costs and estimated annual inflation of 2.50%. 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, 2013, the Association budgeted \$137,560 as contributions from the operating fund to the replacement fund.

During the year ended September 30, 2013, the Association transferred \$20,000 from the operating fund to the replacement fund, representing the excess of revenue over expense in the operating fund for the year ended September 30, 2012.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Association has several ongoing contracts extending past September 30, 2013, 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 2015.

The Association has approved an interior design contract for \$19,500. The work completed as of September 30, 2013, is \$4,125. The rest of the work is expected to be completed during the year ended September 30, 2014.

NOTE 12 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through January 21, 2014, which is the date the financial statements were available to be issued. There are no material subsequent events which require recognition or disclosure.

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ADDITIONAL AND SUPPLEMENTARY INFORMATION

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE AND BUDGET – OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	Actual	Budget (Unaudited)
REVENUE		
Association fees	\$ 343,091	\$ 344,700
Laundry	4,346	4,500
Rental income	15,138	13,620
Other	9,842	6,700
	372,417	369,520
 EXPENSE		
ADMINISTRATION		
Insurance	24,309	21,000
Bookkeeping	10,500	11,000
Property manager fees	13,067	13,500
Rental management fee	1,375	-
Accounting	4,100	3,800
Income tax	3,539	2,400
General administration	991	1,500
Legal fees	731	1,500
Postage	272	375
Printing & copying	178	600
	59,062	55,675
 UTILITIES		
Gas	41,628	50,000
Electricity	17,353	17,850
Water & sewer	12,818	11,200
Telephone	2,424	2,250
	74,223	81,300
 MAINTENANCE		
General repairs	14,542	8,000
Cleaning & maintenance	40,720	47,200
Elevator	11,698	12,000
HVAC	19,525	8,500
Fire protection	904	3,500
Maintenace supplies	296	2,500
	87,685	81,700

See independent auditor's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE, EXPENSE AND BUDGET – OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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	Actual	Budget (Unaudited)
CONTRACT SERVICES		
Lawn maintenance & landscaping	\$ 24,873	\$ 21,000
Fertilization	1,652	1,900
Pest control	580	1,500
Grounds improvement	29	-
	27,134	24,400
 CAPITAL IMPROVEMENTS		
Operating projects	2,340	8,000
	2,340	8,000
 Total operating expense	 250,444	 251,075
Contribution to replacement	137,560	137,560
 Total expense	 388,004	 388,635
 EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	 <u>\$ (15,587)</u>	 <u>\$ (19,115)</u>

See independent auditor's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.
SCHEDULE OF REVENUE AND EXPENSE – REPLACEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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REVENUE

Association fees	\$ 149,017
Interest	<u>533</u>
	<u>149,550</u>

EXPENSE

Garage roofs	14,675
Elevators	11,007
Interest expense	11,663
Garage roof trim	5,752
Hallway renovations - design	4,125
Front stairs	798
Bank fees	<u>17</u>
	<u>48,037</u>

EXCESS OF REVENUE OVER EXPENSE

\$ 101,513

See independent auditor's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS

SEPTEMBER 30, 2013

(UNAUDITED)

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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 10. 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.

BUILDING	COMPONENT	ESTIMATED FUTURE REPLACEMENT COSTS	ESTIMATED REMAINING USEFUL LIFE	PLAN YEAR SCHEDULED FOR FIRST REPLACEMENT
20 Outlook Avenue	Air Conditioners	\$ 173,796	14	2027
30 Outlook Avenue	Air Conditioners	80,816	20 ⁽¹⁾	2013 ⁽²⁾
869 Farmington Avenue	Air Conditioners	173,796	14	2027
20 Outlook Avenue	Boiler Replacements	39,020	11	2024
30 Outlook Avenue	Boiler Replacements	39,020	11	2024
869 Farmington Avenue	Boiler Replacements	39,020	11	2024
20 Outlook Avenue	Brick Repointing	6,150	1	2014
30 Outlook Avenue	Brick Repointing	6,150	2	2015
869 Farmington Avenue	Brick Repointing	5,854	1	2014
20 Outlook Avenue	Common Areas	61,437	0	2013
30 Outlook Avenue	Common Areas	51,045	0	2013
869 Farmington Avenue	Common Areas	61,437	0	2013
20 Outlook Avenue	Front Entranceways	13,737	8	2021
30 Outlook Avenue	Front Entranceways	13,737	8	2021
869 Farmington Avenue	Front Entranceways	13,737	8	2021
20 Outlook Avenue	Roof	213,027	16	2029
30 Outlook Avenue	Roof	97,562	7	2020
869 Farmington Avenue	Roof	213,027	16	2029
20 Outlook Avenue	Windows	-	33	- ⁽³⁾
30 Outlook Avenue	Windows	-	33	- ⁽³⁾
869 Farmington Avenue	Windows	-	33	- ⁽³⁾
	Roofs (Garage)	80,816	0	2012
	Paving/Drainage	295,150	8 ⁽⁴⁾	2021
	All Other	37,444	- ⁽⁵⁾	2012
		<u>\$ 1,715,778</u>		

(1) Air conditioning units in building 30 are replaced at a rate of 3 per year through 2016 then again beginning in 2032.

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

(3) No window replacements are scheduled within the next 20 years.

(4) Drainage work totaling \$16,593 is scheduled for 2013-2014. Repaving of the parking lot estimated at \$118,642 is scheduled for 2021.

(5) Other projects are scheduled totaling \$15,740 in 2012, \$3,890 in 2018, and \$17,814 in 2028.

See independent auditor's report and accompanying notes.