

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

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DECEMBER 31, 2004

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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, 2004, 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, 2004 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 pages 8-10 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 11 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.

A handwritten signature in black ink that reads "Carney, Roy and Gerrol, P.C." in a cursive script.

Rocky Hill, Connecticut  
February 28, 2005

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**BALANCE SHEET**

DECEMBER 31, 2004

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
<b>ASSETS</b>				
Cash	\$ 5,274	\$ 68,078	\$ -	\$ 73,352
Accounts receivable - unit owners	537	-	-	537
Prepaid expenses	1,576	-	-	1,576
Deferred claim expense	4,902	-	-	4,902
Office equipment	-	-	1,545	1,545
Capitalized unit - #106	-	-	70,000	70,000
Accumulated depreciation	-	-	(39,465)	(39,465)
Due from replacement fund	3,942	-	-	3,942
	<u>\$ 16,231</u>	<u>\$ 68,078</u>	<u>\$ 32,080</u>	<u>\$ 116,389</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,079	\$ 25,763	\$ -	\$ 44,842
Unit owner fees paid in advance	2,495	-	-	2,495
Security deposits	1,018	-	-	1,018
Taxes payable	775	-	-	775
Line of credit	-	69,711	-	69,711
Due to operating fund	-	3,942	-	3,942
	<u>23,367</u>	<u>99,416</u>	<u>-</u>	<u>122,783</u>
<b>FUND BALANCES (DEFICIT)</b>	<u>(7,136)</u>	<u>(31,338)</u>	<u>32,080</u>	<u>(6,394)</u>
	<u>\$ 16,231</u>	<u>\$ 68,078</u>	<u>\$ 32,080</u>	<u>\$ 116,389</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, 2004**

	Operating Fund	Replacement Fund	Fixed Asset Fund	Total
<b>REVENUE</b>				
Association fees	\$ 224,431	\$ 30,740	\$ -	\$ 255,171
Interest	-	270	-	270
Laundry	4,147	-	-	4,147
Rental income	12,000	-	-	12,000
Other	2,890	-	-	2,890
	<u>243,468</u>	<u>31,010</u>	<u>-</u>	<u>274,478</u>
<b>EXPENSE</b>				
Administration	108,264	-	-	108,264
Utilities	98,047	-	-	98,047
Maintenance	36,474	-	-	36,474
Contract services	23,422	-	-	23,422
Capital improvements	4,805	82,440	-	87,245
Computer equipment	1,545	-	(1,545)	-
Depreciation	-	-	3,315	3,315
	<u>272,557</u>	<u>82,440</u>	<u>1,770</u>	<u>356,767</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	(29,089)	(51,430)	(1,770)	(82,289)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,953	40,092	33,850	75,895
<b>TRANSFER FROM THE REPLACEMENT FUND TO THE OPERATING FUND</b>	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ (7,136)</u>	<u>\$ (31,338)</u>	<u>\$ 32,080</u>	<u>\$ (6,394)</u>

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

**CASH FLOWS FROM OPERATING ACTIVITIES**

Excess (deficiency) of revenue over expense \$ (82,289)

Adjustments to reconcile excess (deficiency) of revenue over expense to net cash provided by operating activities:

Depreciation 3,315

Net change in cash resulting from increase (decrease) in assets and liabilities:

Accounts receivable 128

Prepaid expenses (1,173)

Deferred claim expense (4,902)

Accounts payable 35,540

Unit owner fees paid in advance 1,287

Security deposits 8

Taxes payable (77)

**Net cash used for operating activities** (48,163)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of assets (1,545)

**Net cash provided by investing activities** (1,545)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Line of credit 69,711

**Net cash provided by investing activities** 69,711

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 20,003

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 53,349

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 73,352

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Income taxes paid \$ 852

Interest paid \$ 2,217

See accountant's report and accompanying notes.

WESTBURY CONDOMINIUMS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

**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, 2004**

**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 December 31, 2004; 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 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 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 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 \$8,000 per year.

**NOTE 8 – INSURANCE CLAIM**

The association has an active claim for water leaks in a newly replaced building roof. The expenses incurred prior to December 31, 2004 have been deferred until the claim is resolved. The claim estimate is not expected to exceed \$10,000.



**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

**NOTE 9 - INCOME TAXES**

For the year ended December 31, 2004 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 2004 was \$775.

**NOTE 10 - LINE OF CREDIT, NOTE PAYABLE**

The association obtained a line of credit from Community Association Bank (First National Bank of Arizona) for \$150,000 to replace a building roof, 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%. At January 27, 2008, the rate may change.

**NOTE 11 - SPECIAL ASSESSMENT**

The association approved a special assessment of approximately \$78,000 to pay the interest and principal on the converted line of credit. The assessment is payable either in full or in monthly payments. The assessment was not charged to owners until 2005, and has not been included in these financial statements.

**NOTE 12 - 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 11.

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 13 - COMMITMENTS**

The association has several ongoing contracts extending past December 31, 2004, such as elevator maintenance, landscaping and snow removal. The contractor providing the landscaping and snow removal is an affiliate of New England Realty Management.

**ADDITIONAL AND SUPPLEMENTARY INFORMATION**

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUE, EXPENSE, AND BUDGET - OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Actual</b>	<b>Budget (Unaudited)</b>
<b>REVENUE</b>		
Association fees	\$ 255,171	\$ 256,640
Laundry	4,147	4,000
Rental income	12,000	12,000
Other	<u>2,890</u>	<u>1,500</u>
	<u>274,208</u>	<u>274,140</u>
<b>EXPENSE</b>		
<b>ADMINISTRATION</b>		
Management	72,045	67,100
Legal and accounting	2,100	2,000
Legal fees	-	500
Postage and mailings	-	300
Insurance	22,365	23,000
Printing and copying	525	800
Income tax	775	100
Miscellaneous	-	1,200
General administration	<u>10,454</u>	<u>3,000</u>
	<u>108,264</u>	<u>98,000</u>
<b>UTILITIES</b>		
Electricity	14,384	13,500
Water and sewer	6,758	8,000
Gas	57,079	51,000
Oil	17,867	18,000
Telephone	<u>1,959</u>	<u>1,100</u>
	<u>98,047</u>	<u>91,600</u>
<b>MAINTENANCE</b>		
General maintenance & repairs	11,779	7,000
Elevator	7,011	7,500
Fire protection	3,584	3,500
HVAC	12,153	3,000
Supplies	<u>1,947</u>	<u>5,000</u>
	<u>36,474</u>	<u>26,000</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, 2004**

	<b>Actual</b>	<b>Budget (Unaudited)</b>
<b>CONTRACT SERVICES</b>		
Lawn maintenance and landscaping	14,183	-
Fertilization	318	-
Grounds improvement	-	20,500
Snow removal	7,261	-
Pest control	<u>1,660</u>	<u>1,300</u>
	<u>23,422</u>	<u>21,800</u>
<b>CAPITAL IMPROVEMENTS</b>		
Capital - garage doors	<u>4,805</u>	<u>6,000</u>
<b>COMPUTER EQUIPMENT</b>		
Computer purchase	<u>1,545</u>	<u>-</u>
<b>Total operating expense</b>	<u>272,557</u>	<u>243,400</u>
Contribution to replacement	<u>30,740</u>	<u>30,740</u>
<b>Total expense</b>	<u>303,297</u>	<u>274,140</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<u>\$ (29,089)</u>	<u>\$ -</u>

See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUE AND EXPENSE - REPLACEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**REVENUE**

Monthly contributions	\$ 30,740
Interest	<u>270</u>

31,010

**EXPENSE**

Roof - building 30	72,762
Engineering	4,200
Interest	2,217
Legal	2,895
Other	<u>366</u>

82,440

<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE</b>	<b><u>\$ (51,430)</u></b>
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See accountant's report and accompanying notes.

**WESTBURY CONDOMINIUMS ASSOCIATION, INC.**

SUPPLEMENTARY INFORMATION  
ON MAJOR REPAIRS AND REPLACEMENTS

FOR YEAR ENDED DECEMBER 31, 2004

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.

	<u>Estimated Life (years)</u>	<u>Estimated Remaining Life (years)</u>	<u>Estimated Replacement Cost</u>
<b>Architectural</b>			
Brick pointing	30	5-25	\$186,030
Roofing	20	9-25	253,000
<b>Electrical</b>			
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
<b>Mechanical</b>			
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
<b>Site</b>			
Paving	15	1-5	17,550
Sidewalks and signage	20-30	10	30,981
<b>Other</b>			
Carpeting	12	2-7	25,542
Wallpaper	15	10	<u>33,543</u>
			<u>\$978,623</u>

See accountant's report and accompanying notes.