

SAMPLE CONDOMINIUM

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

SAMPLE CONDOMINIUM

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A PRACTICE LIMITED TO
COOPERATIVES AND CONDOMINIUMS

INDEPENDENT AUDITORS' REPORT

To the Board of Managers and Unit Owners of
Sample Condominium

We have audited the accompanying balance sheets of Sample Condominium (the "Association") as of December 31, 2010 and 2009, and the related statements of operations and changes in members' equity (with supporting schedules), and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Sample Condominium as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the Association's governing documents do not require that funds be accumulated for future major repairs and replacements. As such, 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 that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.

Greenberg & Brennan, CPA's, P.C.

GREENBERG & BRENNAN, CPA's, P.C.
March 22, 2011

SAMPLE CONDOMINIUM

BALANCE SHEETS

ASSETS

	December 31,	
	2010	2009
CURRENT ASSETS		
Cash and Equivalents (Note 2)		
Cash in Operating Accounts	\$ 369,285	\$ 373,396
Cash in Other Insured Accounts	<u>1,528,935</u>	<u>1,319,702</u>
	<u>1,898,220</u>	<u>1,693,098</u>
Receivables		
Unit Owners (Note 2)	75,138	89,577
Accrued Interest on Investments	2,201	2,822
Miscellaneous	<u>1,595</u>	<u>1,595</u>
	<u>78,934</u>	<u>93,994</u>
Prepaid Expenses		
Insurance	81,758	79,427
Real Estate Taxes	3,469	3,272
Prepaid Service Contracts	<u>2,960</u>	<u>1,580</u>
	<u>88,187</u>	<u>84,279</u>
Security Deposits		
	<u>16,350</u>	<u>11,350</u>
Total Current Assets	<u>2,081,691</u>	<u>1,882,721</u>
LONG TERM ASSETS		
Fixed Assets (Note 2):		
Apartment Owned by Association	142,816	142,816
Building Equipment	<u>25,859</u>	<u>25,859</u>
	168,675	168,675
<i>Less:</i> Accumulated Depreciation	<u>103,495</u>	<u>98,418</u>
Total Long Term Assets	<u>65,180</u>	<u>70,257</u>
TOTAL ASSETS	<u>\$2,146,871</u>	<u>\$1,952,978</u>

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE CONDOMINIUM

BALANCE SHEETS

LIABILITIES AND MEMBERS' EQUITY

	December 31,	
	2010	2009
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 221,561	\$ 187,208
Accrued Expenses	80,526	68,230
Prepaid Common Charges	74,872	66,020
Security Deposits Payable	13,850	10,850
Total Current Liabilities	390,809	332,308
 MEMBERS' EQUITY		
Contributed Capital	525,000	525,000
Accumulated Surplus	1,231,062	1,095,670
Total Members' Equity	1,756,062	1,620,670
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$2,146,871	\$1,952,978

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE CONDOMINIUM

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY

	For the Years Ended December 31,	
	2010	2009
INCOME		
Common Charges <i>(Note 2)</i>	\$3,213,975	\$3,182,156
Laundry Income	54,533	46,421
Common Charge Delinquency Billings	26,321	9,245
Moving Fees	34,000	37,000
Fines	13,500	10,650
Rental Income	22,200	17,350
TOTAL INCOME	<u>3,364,529</u>	<u>3,302,822</u>
COST OF OPERATIONS		
Administrative Expenses – <i>Schedule 1</i>	187,381	223,871
Operating Expenses – <i>Schedule 2</i>	2,239,541	2,149,508
Repairs and Maintenance – <i>Schedule 3</i>	289,643	293,782
Health Club Expenses – <i>Schedule 4</i>	293,155	258,693
Taxes – <i>Schedule 5</i>	12,332	10,526
TOTAL COST OF OPERATIONS	<u>3,022,052</u>	<u>2,936,380</u>
OPERATING SURPLUS	<u>342,477</u>	<u>366,442</u>
NON-OPERATING INCOME		
Investment Income	8,612	14,011
TOTAL NON-OPERATING INCOME	<u>8,612</u>	<u>14,011</u>
NON-OPERATING COSTS		
Façade and Terraces Restoration	–	13,696
Plumbing System Modification	7,081	47,515
Replacement of A/C Units	199,836	–
Health Club Furniture	3,703	3,702
Elevator Room Roof Replacement	–	19,800
TOTAL NON-OPERATING COSTS	<u>210,620</u>	<u>84,713</u>
NON-OPERATING (DEFICIT)	<u>(202,008)</u>	<u>(70,702)</u>
Net Surplus Before Depreciation	140,469	295,740
<i>Less:</i> Depreciation Expense <i>(Note 2)</i>	5,077	5,077
NET SURPLUS FOR THE YEAR	135,392	290,663
MEMBERS' EQUITY – January 1	<u>1,620,670</u>	<u>1,330,007</u>
MEMBERS' EQUITY – December 31	<u>\$1,756,062</u>	<u>\$1,620,670</u>

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE CONDOMINIUM
STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Surplus	\$ 135,392	\$ 290,663
Adjustments to Reconcile Net Surplus to Net Cash Provided by Operating Activities:		
Depreciation	5,077	5,077
Non-Operating Activities	202,008	70,702
(Increase) Decrease in Receivables	15,060	(32,313)
(Increase) Decrease in Prepaid Expenses	(3,908)	(4,427)
(Increase) Decrease in Security Deposits	(5,000)	6,550
Increase (Decrease) in Accounts Payable	34,353	(16,986)
Increase (Decrease) in Accrued Expenses	12,296	4,255
Increase (Decrease) in Prepaid Common Charges	8,852	27,845
Increase (Decrease) in Security Deposits Payable	<u>3,000</u>	<u>(9,050)</u>
Total Adjustments	<u>271,738</u>	<u>51,653</u>
Net Cash Provided by Operating Activities	<u>407,130</u>	<u>342,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Income	8,612	14,011
Improvements to Common Area Elements	<u>(210,620)</u>	<u>(84,713)</u>
Net Cash (Used) by Investing Activities	<u>(202,008)</u>	<u>(70,702)</u>
Net Increase in Cash and Equivalents	205,122	271,614
Cash and Equivalents, Beginning of Year	<u>1,693,098</u>	<u>1,421,484</u>
Cash and Equivalents, End of Year	<u>\$ 1,898,220</u>	<u>\$ 1,693,098</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year:		
Association Taxes	\$ 3,502	\$ 4,434
Interest	\$ –	\$ –

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 1 – THE ASSOCIATION

Sample Condominium (The “Association”) is a statutory condominium organization organized as an unincorporated association for the purposes of maintaining and preserving the premises located at ### Street, New York, New York. Operations commenced during November 1986. The Condominium contains 361 residential units, a health club for the exclusive use of the residents and a commercial unit which includes a garage and two retail stores.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis, in which income is recognized when earned and expenses are recognized when incurred.

Cash and Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with maturity of approximately three months or less to be cash equivalents.

Investment Policy

The Association has adopted a policy whereby its reserve funds shall be invested in highly liquid instruments such as United States Treasury obligations, certificates of deposit and FDIC insured deposit accounts, each not in excess of \$250,000 and maintained at different banks.

It also maintains its cash in money market funds, which do not have federal deposit insurance. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and equivalents.

The Association’s policy is to classify debt securities as held-to-maturity and record them at cost adjusted for amortization of premiums or discounts.

The Association’s policy is to classify equity securities as available for sale securities and record them at current market prices with any unrealized gains and losses reported as a component of members’ equity. Realized gains and losses are reported as income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Assets

Real property and common areas acquired from the Sponsor and subsequent major repairs or improvements to such property are not recorded in the Association’s Balance Sheet because those properties are owned by the individual unit owners in common and not by the Association. Personal property assets are recorded at cost and are depreciated over a fixed life using the straight-line method.

SAMPLE CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

In August 1995, the Association acquired Unit 2F. It is recorded at acquisition cost inclusive of closing and renovation expenses. The property is depreciated on the straight-line method over twenty-seven and one-half years.

Common Charges/Accounts Receivable

Unit owners are subject to monthly common charges to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess common charges at year end are retained by the Association for use in future years. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and in some instances place liens on the units of members whose common charges are unreasonably delinquent.

The Association considers all unit owners' receivables at December 31, 2010 to be collectible. Accordingly, no allowance for doubtful accounts is required. If any receivables become uncollectible, they will be charged to operations when that determination is made.

Association Taxes

Residential condominium associations may, annually, elect to be taxed either as a homeowners' association or as a regular corporation. By filing as a homeowners' association, net non-membership income would be subject to a flat tax rate of 30%. Tax rates begin at 15% on the net income of a regular corporation. For the year ended December 31, 2010, the Association elected taxation as a homeowners' association.

The Association is also subject to New York State and City taxes, which are based upon either net income or capital. For 2010, taxes will be paid on the capital base of the Association.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – UNIT OWNERS' COST BASIS

Unit owners in a condominium may add to the cost basis of their units when the Board of Managers levies a special assessment for the completion of major repairs and replacements. This has occurred in the past as follows:

<u>Year</u>	<u>Assessment</u>
2003	\$ 562,657
2006	334,073

SAMPLE CONDOMINIUM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

2007	<u>208,531</u>
Total	<u>\$ 1,105,261</u>

In calculating for a basis adjustment, unit owners must multiply their common area percentage by the amount of the assessments above based on the length of time of their ownership during the year in which they took possession of the unit and when they sold.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. The Association has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Association has the option to utilize available cash reserves, increase member common charge assessments, impose special assessments or delay repairs and replacements until funds are available.

NOTE 5 – MULTI-EMPLOYER PLAN

In connection with its collective bargaining agreement with Local 32B-32J, the Association participates in a multi-employer defined benefit pension plan. The plan covers all of the Association's employees who are members of the Building Service Employees International Union. Information as to the Association's portion of accumulated plan benefits and plan assets is not available. Under the Employee Retirement Income Security Act of 1974, as amended, an employer, upon withdrawal from a multi-employer plan, is required to continue to pay its proportionate share of the plan's unfunded vested benefits. The Association has no current intention of withdrawing from the plan.

NOTE 6 – SUBSEQUENT EVENTS

The Association has evaluated its subsequent events through the date that the accompanying financial statements were issued. The Association had no material subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY DATA

To the Board of Managers and Unit Owners of
Sample Condominium

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Sample Condominium for the years ended December 31, 2010 and 2009. The supplementary data contained on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit 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.

Greenberg & Brennan, CPA's, P.C.

GREENBERG & BRENNAN, CPA's, P.C.
March 22, 2011

SAMPLE CONDOMINIUM

SUPPORTING SCHEDULES – STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2010	2009
SCHEDULE 1		
ADMINISTRATIVE EXPENSES		
Management Fees	\$ 116,268	\$ 112,509
Legal Fees	16,216	63,816
Other Professional Fees	1,629	397
Auditing Fees	12,000	11,500
Telephone	3,828	4,178
Unit Owners Functions	14,301	8,283
Other Administrative	23,139	23,188
TOTAL ADMINISTRATIVE EXPENSES	\$ 187,381	\$ 223,871
 SCHEDULE 2		
OPERATING EXPENSES		
Utilities		
Steam Heat	\$ 528,965	\$ 519,098
Electricity and Gas	211,607	214,473
Metered Water and Sewer Charges (Net of Reimbursements)	201,221	182,261
	941,793	915,832
Payroll and Related Expenses		
Wages	824,206	780,526
Payroll Taxes	65,673	62,432
Workers Compensation and Disability	17,855	15,086
Union Benefits (Note 5)	255,547	233,808
Uniform Cleaning and Replacement	11,792	13,609
Other Payroll Costs	624	450
	1,175,697	1,105,911
Other		
Building Insurance	109,374	116,583
Miscellaneous Operating	12,677	11,182
	122,051	127,765
TOTAL OPERATING EXPENSES	\$2,239,541	\$2,149,508

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE CONDOMINIUM

SUPPORTING SCHEDULES – STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	<u>2010</u>	<u>2009</u>
SCHEDULE 3		
REPAIRS AND MAINTENANCE		
Elevator Contract and Repairs	\$ 36,874	\$ 26,933
Materials and Supplies	51,141	45,043
Windows Cleaning and Repairs	38,770	54,013
Marble Cleaning and Brightwork	35,412	38,693
Landscaping and Lobby Arrangements	29,034	16,866
Painting and Decorating Common Areas	10,194	–
HVAC Contract and Repairs	22,394	33,259
Door and Floor Repairs	2,782	3,875
Sprinkler System and Fire Alarm Service	5,035	1,377
Plumbing Repairs	22,967	43,779
Intercom and Security System Maintenance	7,367	7,103
Electrical Repairs	10,463	3,452
Filtration System Contract	1,207	1,570
Exterminating	7,753	6,612
Compactor Repairs	5,874	–
Miscellaneous Interior Repairs	2,376	2,822
Miscellaneous Exterior Repairs	–	8,385
	<u>–</u>	<u>8,385</u>
TOTAL REPAIRS AND MAINTENANCE	<u>\$ 289,643</u>	<u>\$ 293,782</u>
SCHEDULE 4		
HEALTH CLUB EXPENSES		
Contract Wages	\$ 112,492	\$ 112,304
Management Fees	30,270	29,979
Electricity	67,244	64,516
Repairs, Maintenance and Supplies	80,664	49,538
Cable	1,094	983
Telephone	1,391	1,373
	<u>1,391</u>	<u>1,373</u>
TOTAL HEALTH CLUB EXPENSES	<u>\$ 293,155</u>	<u>\$ 258,693</u>
SCHEDULE 5		
TAXES		
NYS Franchise Taxes (Note 2)	\$ 2,911	\$ 2,926
NYC General Corporate Tax (Note 2)	2,727	1,254
NYC Real Estate Taxes	6,694	6,346
	<u>6,694</u>	<u>6,346</u>
TOTAL TAXES	<u>\$ 12,332</u>	<u>\$ 10,526</u>

See Independent Auditors' Report and Notes to Financial Statements.