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# Catarineau & Givens, P.A.

Certified Public Accountants

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7780 SW 117<sup>th</sup> Avenue, Suite 201    Miami, Florida 33183    Phone (305) 596-7883    Fax (305) 596-4577

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Joe A. Catarineau Jr., CPA

Connie F. Catarineau, CPA, CVA

## Independent Auditor's Report

To the Board of Directors and Unit Owners  
Condominium Association of Parker Plaza Estates, Inc.  
Hallandale, Florida

We have audited the accompanying balance sheet of Condominium Association of Parker Plaza Estates, Inc. as of September 30, 2005, and the related statement of revenues, expenses and changes in fund balances and 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.

Except as explained in the following paragraph, 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.

We were unable to locate sufficient documentation and contracts to satisfy our expense testing regarding the disbursements for building renovations. The Association's records did not include appropriate contracts or invoices for all expenditures. Since the accounting records were incomplete, we were unable to assure that the building renovation expenditures were valid and authorized.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the results of operations and cash flows for the year ended September 30, 2005.

In our opinion, the balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of Condominium Association of Parker Plaza Estates, Inc. as of September 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

*Catarineau & Givens, P.A.*

Catarineau & Givens, P.A.

Miami, Florida 33183

May 31, 2006

# Condominium Association of Parker Plaza Estates, Inc.

## Balance Sheet September 30, 2005

### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$	49,968
Assessments receivable from members, deemed fully collectible		1,581
Other receivables and advances		8,063
Prepaid insurance		381,665
Other prepaid assets		222
Total Current Assets		<u>441,499</u>

Property and equipment, net of accumulated depreciation (Note 2)		1,264,171
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#### OTHER ASSETS

Closing costs, net of accumulated amortization of \$430		5,972
Security deposits (utilities deposits, etc.)		18,200
Total Other Assets		<u>24,172</u>

TOTAL ASSETS	\$	<u>1,729,842</u>
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### LIABILITIES AND FUND BALANCES

#### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	218,102
Insurance contract payable		546,989
Current portion of notes payable		122,097
Accrued interest payable		21,286
Escrow rentals		19,620
Prepaid maintenance		10,771
Security deposits (held on apartment rentals)		7,650
Sales tax payable		317
Total Current Liabilities		<u>946,832</u>

#### LONG-TERM LIABILITIES

Notes payable, net of current portion		<u>10,823,269</u>
Total Long-term Liabilities		<u>10,823,269</u>

TOTAL LIABILITIES		11,770,101
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Commitments and Contingencies ( Note 5)

FUND BALANCE (DEFICIT)		<u>(10,040,259)</u>
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TOTAL LIABILITIES AND FUND BALANCES	\$	<u>1,729,842</u>
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See independent auditor's report  
and accompanying notes to financial statements

**Condominium Association of Parker Plaza Estates, Inc.**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Balance**  
**For the Year Ended September 30 , 2005**

OPERATING REVENUES	
Member assessments	\$ 3,417,817
Miscellaneous income	82,470
Regency spa settlement	38,000
Rental income	25,000
Laundry income	15,263
Interest income	12,239
Application fees	5,269
Late fees	2,565
Repairs / work orders	2,148
Total Operating Revenues	<u>3,600,771</u>
OPERATING EXPENSES	
Building renovations	4,697,405
Salaries and related expenses	1,312,121
Utilities	969,013
Interest expense	524,859
Insurance expense	456,573
Building maintenance	209,300
Administrative	185,536
Grounds maintenance	38,206
Depreciation and amortization	28,381
Total Operating Expenses	<u>8,421,394</u>
EXCESS OF OPERATING EXPENSES OVER OPERATING REVENUES	(4,820,623)
FUND DEFICIT - BEGINNING OF YEAR	(5,525,966)
PRIOR PERIOD ADJUSTMENT (Note 8)	<u>306,330</u>
FUND DEFICIT - END OF YEAR	<u>\$ (10,040,259)</u>

# Condominium Association of Parker Plaza Estates, Inc.

## Statement of Cash Flows

For the Year Ended September 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of operating expenses over revenues	\$ (4,820,623)
Adjustments to reconcile excess of operating revenues over expenses to net cash provided by operating activities:	
Depreciation	27,951
Amortization	430
Changes in operating assets and liabilities	
Decrease (increase) in:	
Assessments receivable	8,035
Other receivables and advances	(5,166)
Prepaid contractor services	590,665
Prepaid insurance	(62,866)
Other prepaid assets	9,473
Increase (decrease) in:	
Accounts payable and accrued expenses	(222,932)
Accrued interest payable	(28,119)
Prepaid maintenance	(11,343)
Security deposits (held on apartment rentals)	(7,200)
Sales tax payable	317
Escrow rentals	19,620
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NET CASH USED BY OPERATING ACTIVITIES	(4,501,758)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of assets	<hr/> (1,788)
NET CASH USED BY INVESTING ACTIVITIES	(1,788)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net advances and repayments of notes payable	4,013,065
Closing costs	(6,402)
Insurance contract payable	192,393
Prior period adjustment	306,330
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NET CASH PROVIDED FROM FINANCING ACTIVITIES	4,505,386
NET INCREASE IN CASH	1,840
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	<hr/> 48,128
CASH & CASH EQUIVALENTS - END OF YEAR	\$ <hr/> <hr/> 49,968

See independent auditor's report  
and accompanying notes to financial statements

**Condominium Association of Parker Plaza Estates, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005**

***NOTE 1 - Nature of Activities and Significant Accounting Policies***

**Nature of the Organization**

Condominium Association of Parker Plaza Estates, Inc., "the Association", is a statutory association incorporated in the State of Florida in 1970. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 520 residential units located in Hallandale, Florida.

**Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. Financial resources are classified for 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 accumulate financial resources designated for future major repairs and replacements. This fund has not been reserved.

**Basis of Presentation**

The Association's financial statements are presented utilizing the accrual method of accounting. Under this accounting method, assessments are recorded as revenue when billed, and expenses are recorded when they are incurred.

**Property and Equipment**

Real property and common areas are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title at cost. Real property not directly associated with unit owners is recognized as assets by the Association when it has title to the property or generates significant cash flows from members or nonmembers on the basis of usage.

**Depreciation**

Depreciation is computed utilizing the straight-line method over the following estimated useful lives of the assets:

Recreational Facility	39 years
Property and equipment	5-7 years

**Condominium Association of Parker Plaza Estates, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005**

*NOTE 1 - Nature of Activities and Significant Accounting Policies (Continued)*

**Member Assessments**

Assessments are levied against the unit owners for their proportionate share of the common expenses and reserves for capital replacements and deferred maintenance as determined by the budget established by the Board of Directors. Assessments are payable quarterly. Assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

At September 30, 2005, assessments receivable were \$1,581. An allowance for doubtful accounts has not been established as the Board has deemed them fully collectible.

**Income Taxes**

The Association is subject to filing federal and state income tax returns. A homeowners' association may elect to be taxed as a regular corporation or as a homeowners' association, depending upon which method results in the lower tax. If the Association elects to be taxed as a regular corporation, the excess of revenues from members over related expenditures is subject to taxation, unless such excess is returned to the unit owners or is applied to the following year's assessments. If the Association elects to be taxed as a homeowners' association, it is generally taxed only on non-membership income, such as interest income. Membership income is exempt from taxation if certain elections are made. The estimated income tax expense is not material to the financial statements. The Association has elected to be taxed as a regular corporation.

**Cash and Cash Equivalents**

The Association's cash and cash equivalents include demand deposits and money market instruments. The Association's cash in bank accounts at times exceeded federally insured limits of \$100,000.

**Management 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 and 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.

**Condominium Association of Parker Plaza Estates, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005**

*Note 2 - Property and Equipment*

Property and equipment as of September 30, 2005 were as follows:

Recreational facility	\$ 975,000
Recreational facility (Land)	975,000
Equipment	<u>71,188</u>
	2,021,188
Less accumulated depreciation	<u>(757,017)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 1,264,171</u></u>

Depreciation expense for the year ended September 30, 2005 was \$27,951.

*Note 3 - Note Payable - Long Term*

The note is payable in quarterly installments of \$214,407.73 including interest. The interest rate is fixed for the first five years and is determined by adding the margin (265 basis points) to the index (5 Year US SWAP) and rounding to the next highest eighth percent, then to adjust every five years, until paid in full. The loan is collateralized by first position assignment and pledge to the Bank of the Association's future income including its right to receive general and any special assessments associated with capital projects.

general and any special assessments associated with capital projects.	\$ 10,945,366
Less: Current maturities of note payable	<u>122,097</u>
Long-term note payable	<u><u>\$ 10,823,269</u></u>

Principal maturities of the mortgage note for each of the next five years are as follows:

For the year ending December 31,	
2005	\$ 122,097
2006	130,549
2007	139,587
2008	149,250
2009 and thereafter	<u>10,403,883</u>
	<u><u>\$ 10,945,366</u></u>

Interest expense for the year ended September 30, 2005 was \$524,859.