

TABLE OF CONTENTS

| | Page |
|---|-------|
| Independent Auditor's Report | 1 |
| Balance Sheet | 2 |
| Statement of Revenues, Expenses, and Changes In Fund Balances | 3 |
| Statement of Cash Flows | 4 |
| Notes to Financial Statements | 5-9 |
| Independent Auditor's Report on Supplementary Information | 11 |
| Supplementary Information on Future Major Repairs And Replacements | 12 |
| Schedule of Operating Fund Revenues and Expenses - Actual vs. Budget | 13-15 |



JOE A. CATARINEAU JR., CPA
CONNIE F. CATARINEAU, CPA, CVA

Email: catarineaucpa@bellsouth.net
www.catarineaucpa.com

7780 S.W. 117th AVENUE, SUITE 201 • MIAMI, FLORIDA 33183 • PHONE (305) 596-7883 • FAX (305) 596-4577

Independent Auditor's Report

To the Board of Directors and Unit Owners of
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, 2006, 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.

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 Condominium Association of Parker Plaza Estates, Inc. as of September 30, 2006, 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.

Catarineau & Givens, P.A.

Catarineau & Givens, P.A.
Miami, Florida 33183
January 16, 2007

Condominium Association of Parker Plaza Estates, Inc.

Balance Sheet September 30, 2006

| ASSETS | OPERATING | RESTRICTED | TOTAL |
|--|---------------------|---------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 258,249 | \$ 2,069,701 | \$ 2,327,950 |
| Assessments receivable from members, fully collectible | 30,553 | 3,819,497 | 3,850,050 |
| Other receivables and advances | 500 | - | 500 |
| Prepaid insurance | 676,860 | - | 676,860 |
| Total Current Assets | 966,162 | 5,889,198 | 6,855,360 |
| Property and equipment, net of accumulated depreciation (Note 2) | 1,237,257 | - | 1,237,257 |
| OTHER ASSETS | | | |
| Closing costs, net of accumulated amortization of \$322 | 5,205 | - | 5,205 |
| Utility deposits | 17,825 | - | 17,825 |
| Total Other Assets | 23,030 | - | 23,030 |
| TOTAL ASSETS | \$ 2,226,449 | \$ 5,889,198 | \$ 8,115,647 |
| LIABILITIES AND FUND BALANCES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 212,185 | \$ - | \$ 212,185 |
| Insurance contract payable | 502,552 | - | 502,552 |
| Current portion of notes payable | 124,492 | - | 124,492 |
| Accrued interest payable | 124,893 | - | 124,893 |
| Accrued payroll | 37,579 | - | 37,579 |
| Escrow rentals | 29,120 | - | 29,120 |
| Prepaid maintenance | 183,772 | - | 183,772 |
| Security deposits (held on apartment rentals) | 3,900 | - | 3,900 |
| Sales tax payable | 270 | - | 270 |
| Total Current Liabilities | 1,218,763 | - | 1,218,763 |
| LONG-TERM LIABILITIES | | | |
| Notes payable, net of current portion | 10,709,765 | - | 10,709,765 |
| Total Long-term Liabilities | 10,709,765 | - | 10,709,765 |
| TOTAL LIABILITIES | 11,928,528 | - | 11,928,528 |
| Commitments and Contingencies (Note 5) | | | |
| FUND BALANCE (DEFICIT) | (9,702,079) | 5,889,198 | (3,812,881) |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 2,226,449 | \$ 5,889,198 | \$ 8,115,647 |

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, 2006

| | <u>OPERATING</u> | <u>RESTRICTED</u> | <u>TOTAL</u> |
|---|-----------------------|---------------------|-----------------------|
| OPERATING REVENUES | | | |
| Member assessments | \$ 3,751,360 | \$ | \$ 3,751,360 |
| Special Assessment | 648,520 | 6,746,068 | 7,394,588 |
| Miscellaneous income | 68,621 | - | 68,621 |
| Settlement - recovery of contractor deposit | 100,000 | - | 100,000 |
| Rental income | 59,750 | - | 59,750 |
| Laundry income | 17,726 | - | 17,726 |
| Interest income | 4,585 | 8,672 | 13,257 |
| Application fees | 4,725 | - | 4,725 |
| Late fees | 6,038 | - | 6,038 |
| Repairs / work orders | 3,227 | - | 3,227 |
| Total Operating Revenues | <u>4,664,552</u> | <u>6,754,740</u> | <u>11,419,292</u> |
| OPERATING EXPENSES | | | |
| Salaries and related expenses | 1,103,553 | 52,645 | 1,156,198 |
| Interest expense | 878,491 | - | 878,491 |
| Administrative | 843,277 | - | 843,277 |
| Grounds maintenance | 1,472,008 | - | 1,472,008 |
| Windows and doors expenses | - | 8,000 | 8,000 |
| Hurricane expenses | - | 804,897 | 804,897 |
| Depreciation and amortization | 29,043 | - | 29,043 |
| Total Operating Expenses | <u>4,326,372</u> | <u>865,542</u> | <u>5,191,914</u> |
| EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES | | | |
| | 338,180 | 5,889,198 | 6,227,378 |
| FUND BALANCE (DEFICIT) - BEGINNING OF YEAR | <u>(10,040,259)</u> | <u>-</u> | <u>(10,040,259)</u> |
| FUND BALANCE (DEFICIT) - END OF YEAR | <u>\$ (9,702,079)</u> | <u>\$ 5,889,198</u> | <u>\$ (3,812,881)</u> |

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

Condominium Association of Parker Plaza Estates, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2006

| | <u>OPERATING</u> | <u>RESTRICTED</u> | <u>TOTAL</u> |
|---|-------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Excess of operating revenues over expenses | \$ 338,180 | \$ 5,889,198 | \$ 6,227,378 |
| Adjustments to reconcile excess of operating revenues over expenses to net cash provided by operating activities: | | | |
| Depreciation | 28,276 | - | 28,276 |
| Amortization | 767 | - | 767 |
| Changes in operating assets and liabilities | | | |
| Decrease (increase) in: | | | |
| Assessments receivable | (28,972) | (3,819,497) | (3,848,469) |
| Other receivables and advances | 7,563 | - | 7,563 |
| Prepaid insurance | (295,195) | - | (295,195) |
| Other prepaid assets | 597 | - | 597 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | 31,662 | - | 31,662 |
| Accrued interest payable | 103,607 | - | 103,607 |
| Prepaid maintenance | 173,001 | - | 173,001 |
| Security deposits (held on apartment rentals) | (3,750) | - | (3,750) |
| Sales tax payable | (47) | - | (47) |
| Escrow rentals | 9,500 | - | 9,500 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 365,189 | 2,069,701 | 2,434,890 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of assets | (1,362) | - | (1,362) |
| NET CASH USED BY INVESTING ACTIVITIES | (1,362) | - | (1,362) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net advances and repayments of notes payable | (111,109) | - | (111,109) |
| Insurance contract payable | (44,437) | - | (44,437) |
| NET CASH USED BY FINANCING ACTIVITIES | (155,546) | - | (155,546) |
| NET INCREASE IN CASH | 208,281 | 2,069,701 | 2,277,982 |
| CASH & CASH EQUIVALENTS - BEGINNING OF YEAR | 49,968 | - | 49,968 |
| CASH & CASH EQUIVALENTS - END OF YEAR | \$ 258,249 | \$ 2,069,701 | \$ 2,327,950 |

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

Condominium Association of Parker Plaza Estates, Inc.
Notes to Financial Statements
September 30, 2006

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.

Restricted Fund: This fund is used to accumulate monies from special assessments designated for specific purposes. The restricted fund includes assessments for hurricane repairs and impact glass window & door assessments.

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 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, 2006

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, 2006, assessments receivable were \$30,553. An allowance for doubtful accounts has not been established as the Board has deemed them fully collectible. At September 30, 2006, special assessments receivable were \$3,819,497, which are payable by installments through February 15, 2007.

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, 2006

Note 2 - Property and Equipment

Property and equipment as of September 30, 2006 were as follows:

| | |
|---|----------------------------|
| Recreational facility | \$ 975,000 |
| Recreational facility (Land) | 975,000 |
| Equipment | <u>72,551</u> |
| | 2,022,551 |
| Less accumulated depreciation | <u>(785,294)</u> |
| Property and equipment, net of accumulated depreciation | <u><u>\$ 1,237,257</u></u> |

Depreciation expense for the year ended September 30, 2006 was \$28,276.

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.

| | |
|--|-----------------------------|
| | \$ 10,834,257 |
| Less: Current maturities of note payable | <u>124,492</u> |
| Long-term note payable | <u><u>\$ 10,709,765</u></u> |

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

| | |
|-----------------------------------|-----------------------------|
| For the year ending September 30, | |
| 2007 | \$ 124,492 |
| 2008 | 134,722 |
| 2009 | 149,250 |
| 2010 | 159,583 |
| 2011 and thereafter | <u>10,141,718</u> |
| | <u><u>\$ 10,709,765</u></u> |

Interest expense for the year ended September 30, 2006 was \$878,491.

