

Catarineau & Givens, P.A.

Certified Public Accountants

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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, 2007, 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, 2007, 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.
Miami, Florida 33183
March 4, 2008

Condominium Association of Parker Plaza Estates, Inc.
Balance Sheet
September 30, 2007

<u>ASSETS</u>	<u>OPERATING</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 462,432	\$ 385,813	\$ 848,245
Assessments receivable from members, net of reserves	65,690	11,508	77,198
Due from restricted (due to operating)	32,179	(32,179)	-
Prepaid insurance	531,778	-	531,778
Total Current Assets	<u>1,092,079</u>	<u>365,142</u>	<u>1,457,221</u>
Property and equipment, net of accumulated depreciation (Note 2)	1,208,845	-	1,208,845
OTHER ASSETS			
Closing costs, net of accumulated amortization of \$ 507	5,020	-	5,020
Utility deposits	17,825	-	17,825
Total Other Assets	<u>22,845</u>	<u>-</u>	<u>22,845</u>
TOTAL ASSETS	<u>\$ 2,323,769</u>	<u>\$ 365,142</u>	<u>\$ 2,688,911</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 109,135	\$ 175,874	\$ 285,009
Insurance contract payable	408,393	-	408,393
Current portion of notes payable	139,587	-	139,587
Accrued interest payable	123,224	-	123,224
Accrued payroll	41,416	-	41,416
Escrow rentals	62,255	-	62,255
Prepaid maintenance	117,537	-	117,537
Security deposits (held on apartment rentals)	3,900	-	3,900
Sales tax payable	270	-	270
Total Current Liabilities	<u>1,005,717</u>	<u>175,874</u>	<u>1,181,591</u>
LONG-TERM LIABILITIES			
Notes payable, net of current portion	<u>10,575,510</u>	<u>-</u>	<u>10,575,510</u>
Total Long-term Liabilities	<u>10,575,510</u>	<u>-</u>	<u>10,575,510</u>
TOTAL LIABILITIES	11,581,227	175,874	11,757,101
Commitments and Contingencies (Note 5)			
FUND BALANCE (DEFICIT)	<u>(9,257,458)</u>	<u>189,268</u>	<u>(9,068,190)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,323,769</u>	<u>\$ 365,142</u>	<u>\$ 2,688,911</u>

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 Balances
For the Year Ended September 30, 2007

	<u>OPERATING</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
OPERATING REVENUES			
Member assessments	\$ 4,464,320	\$	\$ 4,464,320
Interest income	30,418	89,474	119,892
Settlement - recovery	112,257	-	112,257
Scrap metal income	-	76,691	76,691
Miscellaneous income	73,168	-	73,168
Rental income	55,310	-	55,310
Laundry income	15,396	-	15,396
Repairs / work orders	11,404	-	11,404
Application fees	6,475	-	6,475
Late fees	2,180	750	2,930
Total Operating Revenues	<u>4,770,928</u>	<u>166,915</u>	<u>4,937,843</u>
OPERATING EXPENSES			
Windows and doors expenses	-	5,811,613	5,811,613
Operations	1,236,113	-	1,236,113
Salaries and related expenses	1,155,779	-	1,155,779
Administrative	1,111,526	-	1,111,526
Interest expense	736,802	-	736,802
Bad debts	57,491	49,564	107,055
Depreciation and amortization	28,596	-	28,596
Hurricane expenses	-	5,668	5,668
Total Operating Expenses	<u>4,326,307</u>	<u>5,866,845</u>	<u>10,193,152</u>
EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES	444,621	(5,699,930)	(5,255,309)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(9,702,079)</u>	<u>5,889,198</u>	<u>(3,812,881)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (9,257,458)</u>	<u>\$ 189,268</u>	<u>\$ (9,068,190)</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, 2007

	<u>OPERATING</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of operating revenues over expenses	\$ 444,621	\$ (5,699,930)	\$ (5,255,309)
Adjustments to reconcile excess of operating revenues over expenses to net cash provided by operating activities:			
Depreciation	28,412	-	28,412
Amortization	184	-	184
Changes in operating assets and liabilities			
Decrease (increase) in:			
Assessments receivable	(35,137)	3,807,989	3,772,852
Other receivables and advances	500	-	500
Prepaid insurance	145,082	-	145,082
Due from Operating	(32,179)	32,179	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(103,050)	175,874	72,824
Accrued interest payable	(1,669)	-	(1,669)
Prepaid maintenance	(66,235)	-	(66,235)
Accrued payroll	3,837	-	3,837
Escrow rentals	33,135	-	33,135
NET CASH PROVIDED BY OPERATING ACTIVITIES	417,501	(1,683,888)	(1,266,387)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of assets	-	-	-
NET CASH USED BY INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net advances and repayments of notes payable	(119,160)	-	(119,160)
Insurance contract payable	(94,158)	-	(94,158)
NET CASH USED BY FINANCING ACTIVITIES	(213,318)	-	(213,318)
NET INCREASE IN CASH	204,183	(1,683,888)	(1,479,705)
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	258,249	2,069,701	2,327,950
CASH & CASH EQUIVALENTS - END OF YEAR	\$ <u>462,432</u>	\$ <u>385,813</u>	\$ <u>848,245</u>

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

Condominium Association of Parker Plaza Estates, Inc.
Notes to Financial Statements
September 30, 2007

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, 2007

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, 2007, assessments receivable were \$184,253, which includes unpaid window and door assessments in the amount of \$61,072. An allowance for doubtful accounts has been established in the amount of \$107,055 as of September 30, 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 Association has elected to be taxed as a homeowner's association.

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, 2007

NOTE 2 - Property and Equipment

Property and equipment as of September 30, 2007 were as follows:

Recreational facility	\$ 975,000
Recreational facility (Land)	975,000
Equipment	<u>72,551</u>
	2,022,551
Less accumulated depreciation	<u>813,706</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 1,208,845</u></u>

Depreciation expense for the year ended September 30, 2007 was \$28,412.

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.

	\$ 10,715,097
Less: Current maturities of note payable	<u>139,587</u>
Long-term note payable	<u><u>\$ 10,575,510</u></u>

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

For the year ending September 30,		
	2008	\$ 139,587
	2009	149,250
	2010	159,583
	2011	170,630
	2012 and thereafter	<u>10,096,047</u>
		<u><u>\$ 10,715,097</u></u>

Interest expense for the year ended September 30, 2007 was \$736,802.

Condominium Association of Parker Plaza Estates, Inc.
Notes to Financial Statements
September 30, 2007

NOTE 4 - Lease Commitments

The Association also leases equipment under several non-cancelable operating leases with unrelated parties which expire in October, 2009. The lease expense for the year ended September 30, 2007 was \$6,172.

The following is a schedule of future minimum rental payments required under the above non-cancelable operating leases:

For the Year Ending September 30,	
2007	\$ 5,087
2008	5,087
2009	5,087
2010	<u>424</u>
Total	<u><u>\$ 15,685</u></u>

NOTE 5 - Commitments and Contingencies

The Association is subject to legal matters, which may arise, primarily in the ordinary course of business. The Association does not anticipate any losses with respect to such existing or pending matters at September 30, 2007.

Insurance Risk - the Association carries deductible on windstorm and hail coverage on its property insurance.

NOTE 6 - Supplemental Disclosures of Cash Flow Information

During the year ending September 30, 2007, the Association paid interest and taxes as follows:

Interest	\$ <u><u>1,236,113</u></u>
Income taxes	\$ <u><u>0</u></u>

Condominium Association of Parker Plaza Estates, Inc.
Notes to Financial Statements
September 30, 2007

NOTE 7 - Future Major Repairs and Replacements

At a duly constituted meeting, the Association elected to waive budgeted reserve funding for the year ended September 30, 2007, as they have in all prior years, and accordingly no reserves are shown on the financial statements. If funds are needed as major repairs and replacements occur, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments or it may delay major repairs and replacements until funds are available.

Under Chapter 718.112 of the Florida Statutes, these reserves are for, but not limited to, roof replacement, painting of the building, and pavement resurfacing. When the funds are required for major repairs and replacements, the Association plans to borrow, assess special assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE 8 - Special Assessments

During the year ending September 30, 2006, the Association passed a window & door special assessment. This assessment is to provide for impact windows and doors throughout the entire building. The Association allowed unit owners to pay the Window & Door Assessment in installments. The special assessment were to be paid in full by February 28, 2007. The special assessment balance was \$61,072 as of September 30, 2007, and have reserved \$49,564 as an allowance for doubtful accounts.

NOTE 9 - Litigation

During the recent year, the prior Board had entered into contracts with various companies to perform repairs and replacements for the Association. In some cases, deposits were paid at the time the contracts were signed. In cases where the work had not been performed, the current board is seeking settlements for the recovery of the deposits paid.

NOTE 10 - Subsequent Event

On October 26, 2007, the Courts awarded title of Unit 709 to the Association. The value of this unit is reported as \$306,000 on the county records.

Supplementary Information

Catarineau & Givens, P.A.

Certified Public Accountants

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

*Joe A. Catarineau Jr., CPA
Connie F. Catarineau, CPA, CVA*

Independent Auditor's Report On Supplementary Information

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

Our report on the audit of the basic financial statements of the Condominium Association of Parker Plaza Estates, Inc. for September 30, 2007 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on future major repairs and replacements on page 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally 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.

The information included the statement of revenues and expenses - actual vs. budget, statement of detailed operating expenses - actual vs. budget, and supplementary information on future major repairs and replacements on pages 12 - 15 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 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.

Catarineau & Givens, P.A.
Miami, Florida 33183
March 4, 2008

Condominium Association of Parker Plaza Estates, Inc.
Supplementary Information on
Future Major Repairs and Replacements
September 30, 2007

The Association's board of directors had estimated the remaining useful lives and the replacement costs of the components of common property. Actual expenditures may vary from these estimated amounts and the variance may be material. As repairs and replacements are necessary, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The schedule below presents significant information based on the Association's board of directors estimates about the components of common property:

Components	Estimated Remaining Useful Lives (Yrs)	Estimated Replacement Cost	Reserves Held for Future Replacement Costs
Exterior painting	6	\$ 650,000	\$ 0
Roof	0	750,000	0
Emergency generator	0	200,000	0
A/C tower	4	750,000	0
A/C chillers	3	1,250,000	0
Compactors	1	150,000	0
Elevators	8	1,500,000	0
Carpets	6	350,000	0
Paving	0	<u>500,000</u>	<u>0</u>
		<u>\$ 6,100,000</u>	<u>\$ 0</u>

Condominium Association of Parker Plaza Estates, Inc.
Statement of Revenues and Expenses
Actual vs. Budget
For the Year Ended September 30, 2007

	Actual	Budget (Unaudited)	Variance
Operating Revenues			
Maintenance fees	\$ 4,464,320	\$ 4,474,120	\$ (9,800)
Miscellaneous income	76,266	39,500	36,766
Recovered income	139,577	-	139,577
Rentals	55,310	54,000	1,310
Laundry room	15,396	17,000	(1,604)
Repairs / work orders	11,404	10,000	1,404
Application fees	6,475	4,000	2,475
Late fees	2,180	3,000	(820)
Total Operating Revenues	4,770,928	4,601,620	169,308
Operating Expenses			
Building Operations	1,236,113	1,497,620	(261,507)
Salaries and related expenses	1,155,779	1,142,500	13,279
Administration expenses	1,111,526	1,103,500	8,026
Loan interest	736,802	858,000	(121,198)
Bad debts	57,491	-	57,491
Depreciation and amortization	28,596	-	28,596
Total Operating Expenses	4,326,307	4,601,620	(275,313)
Excess of Operating Revenues over Operating Expenses	\$ 444,621	\$ -	444,621

Condominium Association of Parker Plaza Estates, Inc.
Statement of Detailed Operating Expenses
Actual vs. Budget
For the Year Ended September 30 , 2007

	Actual	Budget (Unaudited)	Variance
	<u> </u>	<u> </u>	<u> </u>
Administrative			
Accounting	\$ 17,053	\$ 8,000	\$ 9,053
Insurance - all risk	898,103	977,000	(78,897)
Insurance - claims deductible	-	2,500	(2,500)
Insurance - workers compensation	56,243	57,000	(757)
Professional fees	92,611	24,000	68,611
Misc administrative	6,807	-	6,807
Licenses	5,166	3,000	2,166
Office	26,484	20,000	6,484
Postage	3,351	6,000	(2,649)
Telephones	5,708	6,000	(292)
	<u> </u>	<u> </u>	<u> </u>
Total Administrative Expenses	1,111,526	1,103,500	8,026
Building Operations			
A/C mechanical equipment	26,936	31,000	(4,064)
Cable	136,412	132,000	4,412
Chillers	17,937	20,200	(2,263)
Cleaning supplies	12,707	8,000	4,707
Compactors	2,120	500	1,620
Electricity	407,955	504,000	(96,045)
Elevators	25,440	30,000	(4,560)
Gas	99,226	174,000	(74,774)
Indoor plants	801	2,000	(1,199)
Labor contractors	54,223	100,000	(45,777)
Landscaping	19,598	14,400	5,198
Parts and supplies	75,424	60,000	15,424
Pest control	5,531	6,000	(469)
Pool maintenance	26,265	14,000	12,265
Radios/walkie talkies	-	720	(720)
Uniforms	10,738	12,000	(1,262)
Waste removal	66,851	72,000	(5,149)
Water and sewer	245,999	312,000	(66,001)
Water treatment	1,950	4,800	(2,850)
	<u> </u>	<u> </u>	<u> </u>
Total Building Operations	1,236,113	1,497,620	(261,507)

Condominium Association of Parker Plaza Estates, Inc.
Statement of Detailed Operating Expenses
Actual vs. Budget
For the Year Ended September 30 , 2007

	Actual	Budget (Unaudited)	Variance
	<u> </u>	<u> </u>	<u> </u>
Salaries and Payroll Costs			
Payroll - Maintenance	320,803	260,000	60,803
Payroll - Housekeeping	169,779	178,000	(8,221)
Payroll - Administration	111,881	168,000	(56,119)
Payroll - Pool	37,035	41,000	(3,965)
Payroll - Security	247,220	250,000	(2,780)
Payroll - Valet	119,705	100,000	19,705
Payroll taxes	96,595	87,500	9,095
Employee health insurance	47,140	46,000	1,140
Holiday fund	5,621	12,000	(6,379)
	<u> </u>	<u> </u>	<u> </u>
Total Salaries and Payroll Costs	1,155,779	1,142,500	13,279
Bad debt	57,491	-	57,491
Loan Interest	736,802	858,000	(121,198)
Depreciation & Amortization	28,596	-	28,596
	<u> </u>	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	4,326,307	4,601,620	(275,313)