

**PARK CITY 3 & 4 APARTMENTS, INC.**

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Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2008 and 2007



Certified Public Accountants

PARK CITY 3 & 4 APARTMENTS, INC.

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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders  
Park City 3 & 4 Apartments, Inc.  
97-07 63rd Road  
Rego Park, NY 11374

We have audited the accompanying balance sheet of Park City 3 & 4 Apartments, Inc. as of December 31, 2008 and 2007, and the related statement of operations (with supporting schedules), changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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. 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 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 Park City 3 & 4 Apartments, Inc. as of December 31, 2008 and 2007, 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.

Park City 3 & 4 Apartments, Inc. has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

*Newman, Newman & Kaufman, LLP*

March 17, 2009

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PARK CITY 3 & 4 APARTMENTS, INC.

BALANCE SHEET

December 31,	2008	2007
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 73,979	\$ 167,118
Repair escrow	-	153,363
Receivables (Note 3)	267,934	217,957
Prepaid expenses (Note 4)	<u>53,363</u>	<u>70,463</u>
Total Current Assets	<u>395,276</u>	<u>608,901</u>
 Reserve fund (Notes 2 and 5)	 <u>334,872</u>	 <u>215,954</u>
 Property and Improvements: (Notes 2 and 6)		
Land	1,150,050	1,150,050
Building	27,342,313	27,342,313
Building improvements	<u>19,869,056</u>	<u>19,680,487</u>
Total	48,361,419	48,172,850
Less: accumulated depreciation	<u>28,871,911</u>	<u>27,380,411</u>
Net Property and Improvements	<u>19,489,508</u>	<u>20,792,439</u>
 Other Assets:		
Cash - security accounts	8,622	10,467
Unamortized mortgage finance costs	<u>247,805</u>	<u>293,195</u>
Total Other Assets	<u>256,427</u>	<u>303,662</u>
Total Assets	<u>\$ 20,476,083</u>	<u>\$ 21,920,956</u>

The accompanying notes are an integral part of these financial statements.

PARK CITY 3 & 4 APARTMENTS, INC.

BALANCE SHEET

December 31,	2008	2007
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 735,848	\$ 900,373
Real estate tax abatements	351,931	390,795
Mortgage payable - current portion	79,502	72,999
Accrued mortgage and line of credit interest	64,664	67,063
Building improvements payable	60,811	236,258
Advance maintenance	<u>11,634</u>	<u>42,468</u>
Total Current Liabilities	<u>1,304,390</u>	<u>1,709,956</u>
Long-Term Liabilities:		
Mortgage payable - net of current portion (Note 7)	12,285,840	12,365,342
Credit line note payable (Note 7)	675,000	675,000
Security deposits payable	<u>8,622</u>	<u>10,917</u>
Total Long-Term Liabilities	<u>12,969,462</u>	<u>13,051,259</u>
Total Liabilities	<u>14,273,852</u>	<u>14,761,215</u>
<b>Stockholders' Equity</b>		
Common stock - \$1.00 par value, 320,000 shares authorized, 302,863 issued and 302,630 outstanding		
	302,863	302,863
Paid-in capital in excess of par value	25,249,952	25,249,952
Additional paid-in capital	6,764,583	6,254,418
Accumulated deficit	<u>( 26,115,167)</u>	<u>( 24,647,492)</u>
Total Stockholders' Equity	<u>6,202,231</u>	<u>7,159,741</u>
Total Liabilities and Stockholders' Equity	<u>\$ 20,476,083</u>	<u>\$ 21,920,956</u>

The accompanying notes are an integral part of these financial statements.

PARK CITY 3 & 4 APARTMENTS, INC.

STATEMENT OF OPERATIONS

Year Ended December 31,	2008	2007
<b>Revenues</b>		
Maintenance	\$ 7,161,865	\$ 7,043,995
Less: paid-in capital - mortgage amortization	( 72,999)	( 61,659)
	<u>7,088,866</u>	<u>6,982,336</u>
Garage income	659,319	595,985
Professional and commercial income	252,792	244,343
Other shareholder fees	226,462	226,601
Fuel surcharge	211,796	136,177
Laundry income	160,380	157,046
Day care center	150,180	145,440
Pool income	80,000	80,000
NCB dividend	<u>-</u>	<u>11,710</u>
Total Revenues	<u>8,829,795</u>	<u>8,579,638</u>
<b>Cost of Operations</b>		
Administrative expenses	Schedule 1 212,826	173,583
Operating expenses	Schedule 2 5,049,528	4,918,069
Repairs and maintenance	Schedule 3 633,732	505,839
Real estate tax	2,071,468	2,057,718
Interest expense	773,891	805,888
Corporation tax	<u>24,334</u>	<u>24,495</u>
Total Cost of Operations	<u>8,765,779</u>	<u>8,485,592</u>
<b>Income from operations before other items and depreciation and amortization</b>	64,016	94,046
Interest and dividend income	5,199	8,392
Mortgage prepayment penalty	<u>-</u>	<u>( 571,172)</u>
<b>Income (Loss) Before Depreciation and Amortization</b>	69,215	( 468,734)
Depreciation and amortization	<u>( 1,536,890)</u>	<u>( 1,512,176)</u>
Net Loss For The Year	<u>(\$ 1,467,675)</u>	<u>(\$ 1,980,910)</u>

The accompanying notes are an integral part of these financial statements.

PARK CITY 3 & 4 APARTMENTS, INC.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

Year Ended December 31,	2008	2007
<b>Administrative Expenses:</b>		
	<b>Schedule 1</b>	
Management fee	\$ 100,333	\$ 79,500
Other administrative	62,048	55,082
Professional fees	31,503	17,738
Telephone and communications	<u>18,942</u>	<u>21,263</u>
Total Administrative Expenses	<u>\$ 212,826</u>	<u>\$ 173,583</u>
<b>Operating Expenses:</b>		
	<b>Schedule 2</b>	
Utilities		
Fuel and gas heat	\$ 1,309,065	\$ 1,284,304
Water and sewer	664,845	594,585
Electricity (net of \$706,805 and \$686,785 rebillings)	319,717	341,992
Gas - cooking	<u>90,575</u>	<u>79,411</u>
	<u>2,384,202</u>	<u>2,300,292</u>
Labor		
Wages	1,265,029	1,242,072
Security wages and payroll taxes	592,463	545,735
Union and employee benefits	383,086	357,844
Payroll taxes	101,291	101,541
Workers' compensation and disability insurance	<u>30,874</u>	<u>46,671</u>
	<u>2,372,743</u>	<u>2,293,863</u>
Other		
Insurance	248,480	273,110
Submetering contract	29,919	31,527
Permits and other operating	<u>14,184</u>	<u>19,277</u>
	<u>292,583</u>	<u>323,914</u>
Total Operating Expenses	<u>\$ 5,049,528</u>	<u>\$ 4,918,069</u>
<b>Repairs and Maintenance:</b>		
	<b>Schedule 3</b>	
Supplies	\$ 141,786	\$ 172,824
Plumbing, heating and boiler repairs	103,414	84,099
Elevator contract and repairs	58,578	64,315
Exterior repairs	49,694	-
Painting, plastering and flooring	42,649	38,208
Equipment repairs and other	37,103	51,372
Electrical and intercom repairs	31,058	24,327
Consultants	25,188	6,750
Compactor maintenance	20,669	13,470
Grounds and plant maintenance	14,618	15,172
Exterminating	14,089	14,631
Uniforms	12,738	8,357
Doors, locks and windows	9,022	12,314
Special repair - environmental remediation	<u>73,126</u>	<u>-</u>
Total Repairs and Maintenance	<u>\$ 633,732</u>	<u>\$ 505,839</u>

The accompanying notes are an integral part of these financial statements.

PARK CITY 3 & 4 APARTMENTS, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31,	2008	2007
<b>Common Stock</b>		
Balance - January 1,	\$ 302,863	\$ 302,863
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 302,863</u>	<u>\$ 302,863</u>
<b>Paid-In Capital in Excess of Par Value</b>		
Balance - January 1,	\$ 25,249,952	\$ 25,249,952
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 25,249,952</u>	<u>\$ 25,249,952</u>
<b>Additional Paid-In Capital</b>		
Balance - January 1,	\$ 6,254,418	\$ 5,585,385
Capital assessments	271,526	378,288
Capital fund contributions from transfer fees	165,640	229,086
Mortgage amortization for the year	<u>72,999</u>	<u>61,659</u>
Balance - December 31,	<u>\$ 6,764,583</u>	<u>\$ 6,254,418</u>
<b>Accumulated Deficit</b>		
Balance - January 1,	(\$ 24,647,492)	(\$ 22,666,582)
Net loss for the year	<u>( 1,467,675)</u>	<u>( 1,980,910)</u>
Balance - December 31,	<u>(\$ 26,115,167)</u>	<u>(\$ 24,647,492)</u>

The accompanying notes are an integral part of these financial statements.



**PARK CITY 3 & 4 APARTMENTS, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31,	2008	2007
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	(\$ 1,467,675)	(\$ 1,980,910)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	1,491,500	1,466,786
Amortization	45,390	45,390
Other changes in operating assets and liabilities that provided (used) cash:		
Repair escrow	153,363	( 153,363)
Receivables	( 49,977)	68,787
Prepaid expenses	17,100	892
Security deposit account	1,845	( 42)
Accounts payable	( 164,525)	( 62,994)
Other current liabilities	( 72,097)	( 148,461)
Security deposits payable	( 2,295)	( 458)
Total Adjustments	<u>1,420,304</u>	<u>1,216,537</u>
Cash Used In Operating Activities	( 47,371)	( 764,373)
<b>Cash Flows From Investing Activities</b>		
Increase in reserve fund	( 118,918)	( 90,778)
Increase in building improvements	( 188,569)	( 592,657)
Decrease in building improvements payable	( 175,447)	( 178,837)
Cash Used In Investing Activities	( 482,934)	( 862,272)
<b>Cash Flows From Financing Activities</b>		
Amortization of mortgage principal	( 72,999)	( 61,659)
Paid-in capital - mortgage amortization	72,999	61,659
Capital assessment proceeds	271,526	378,288
Capital fund contributions from transfer fees	165,640	229,086
Good faith deposit refunded	-	375,000
Increase in unamortized mortgage costs	-	( 156,069)
Proceeds from refinanced mortgage	-	12,500,000
Repayment of mortgage payable	-	( 11,423,445)
Proceeds from line of credit	-	925,000
Repayment of line of credit	-	( 1,097,783)
Cash Provided By Financing Activities	<u>437,166</u>	<u>1,730,077</u>
Net change in cash and cash equivalents	( 93,139)	103,432
Cash and cash equivalents at beginning of year	<u>167,118</u>	<u>63,686</u>
Cash and cash equivalents at end of year	<u>\$ 73,979</u>	<u>\$ 167,118</u>
<b>Supplemental Disclosures</b>		
Interest paid (includes prepayment penalty in 2007)	\$ 776,290	\$ 1,391,783
Income taxes paid	\$ 25,555	\$ 22,592

The accompanying notes are an integral part of these financial statements.

## PARK CITY 3 & 4 APARTMENTS, INC.

### Notes to Financial Statements

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#### Note 1. ORGANIZATION

Park City 3 & 4 Apartments, Inc. (the "Corporation") was formed in June 1980 in order to acquire the property at 97-07 63rd Road, Rego Park, New York. It is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code. The primary purpose of the Corporation is to manage the operations and maintenance of the common facilities of six 14-story buildings consisting of 1,107 apartments, two garages, recreational and other facilities.

#### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Presentation and Use of Estimates**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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.

##### **Investment Carrying Values**

The investment in money funds are carried at cost which approximate fair value.

##### **Property and Improvements**

Property and improvements are stated at cost. The building is depreciated on the straight-line method over an estimated life of thirty-five years. Building improvements and equipment are depreciated on the straight-line method over estimated lives which range from five to twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

##### **Additional Paid-in Capital**

The portion of maintenance charges used for amortization of the mortgage is treated as additional paid-in capital.

##### **Deferred Mortgage Financing Costs**

Mortgage financing costs incurred as part of refinancing transactions have been deferred and are being amortized over the original life of the respective loan.

##### **Revenue Recognition**

Shareholder maintenance is based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

##### **Transfer Fees**

A transfer fee equal to 1% of the purchase price is charged to each of the purchaser and seller upon the transfer (sale) of their respective shares. These amounts are considered capital contributions and are classified as additional paid-in capital for both financial reporting and tax purposes. During the years ended December 31, 2008 and 2007, transfer fees of \$165,640 and \$229,086, respectively, were recorded.

##### **Corporation Taxes**

At December 31, 2008, the Corporation had approximately \$16,697,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2028. Since the Corporation does not anticipate significant taxable income, no related deferred tax asset accounts have been reflected in the accompanying financial statements.

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

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Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Corporation Taxes** (continued)

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources, such as interest and commercial rents, in excess of expenses properly attributable thereto may be subject to tax. The Corporation believes that all of its income is effectively patronage sourced and/or expenses allocable to potential non-patronage sourced income would equal or exceed such income. Accordingly, no provision for taxes, if any, that could result from the application of Subchapter T to the Corporation's income has been reflected in the accompanying financial statements. New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the Corporation's capital base.

**Statement of Cash Flows**

Cash and cash equivalents are stated at cost which approximate market. The Corporation considers all highly liquid investments (not allocated to the reserve fund) with a maturity of three months or less at date of purchase to be cash equivalents.

**Concentration of Credit Risk**

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

**Future Major Repairs and Replacements**

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building but periodically estimates the costs of major repairs and replacements that may be required. Therefore, it is not possible to determine at this time whether amounts maintained as a reserve fund will be adequate to meet future needs. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance and/or impose assessments, or delay repairs and replacements until funds are available.

Note 3. **RECEIVABLES**

	<u>2008</u>	<u>2007</u>
Shareholders' arrears	\$ 121,594	\$ 104,572
Electric submetering	105,435	104,285
Commercial rent	31,205	4,500
Sundry	<u>9,700</u>	<u>4,600</u>
Total	<u>\$ 267,934</u>	<u>\$ 217,957</u>

Note 4. **PREPAID EXPENSES**

	<u>2008</u>	<u>2007</u>
Insurance	\$ 35,375	\$ 39,462
Fuel	16,072	30,306
Corporation taxes	<u>1,916</u>	<u>695</u>
Total	<u>\$ 53,363</u>	<u>\$ 70,463</u>

**PARK CITY 3 & 4 APARTMENTS, INC.**

**Notes to Financial Statements**

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**Note 5. RESERVE FUND**

The reserve fund is invested as follows:	<u>2008</u>	<u>2007</u>
Merrill Lynch CMA Money Fund	\$ 234,771	\$ 215,954
HSBC Money Market Account	<u>100,101</u>	<u>-</u>
Total	<u>\$ 334,872</u>	<u>\$ 215,954</u>

**Note 6. PROPERTY AND IMPROVEMENTS**

Building improvements were capitalized as follows:	<u>2008</u>	<u>2007</u>
Lobby renovation	\$ 135,341	\$ 3,750
Plumbing upgrades	84,180	58,468
Exterior restoration (contract adjustment)	( 30,952)	425,566
Roof restoration	-	92,860
Equipment upgrades	<u>-</u>	<u>12,013</u>
Total	<u>\$ 188,569</u>	<u>\$ 592,657</u>

**Contract Commitment**

In addition to building improvements payable of \$60,811, the Corporation is committed to completing a lobby renovation contract in the amount of \$268,225. Such projects are subject to change orders and professional fees as work progresses. The Corporation expects to utilize available reserves and/or its credit facility to pay for the restoration project.

**Note 7. MORTGAGE PAYABLE**

The mortgage is held by National Cooperative Bank ("NCB"), in the original principal amount of \$12,500,000. Terms require equal monthly installments of \$67,042 applied first to interest at 5.80% per annum and the balance as a reduction of principal based on a forty year amortization schedule. The mortgage matures on February 1, 2017 at which time the unpaid principal balance will be extended, refinanced or retired.

Following are required principal payments of the mortgage for each of the next five years:

2009	\$ 79,502
2010	84,306
2011	89,399
2012	92,763
2013	100,405

**Credit Line Note Payable**

The Corporation maintains a credit line note payable of \$5,000,000. Terms of the credit line require payments of interest only (on funds drawn from the credit line) at the rate of 1% above the NCB Base Rate. Interest only payments shall be paid on the first day of the calendar month during the first five years of the loan term. Thereafter, monthly payments of principal in the minimum amount of \$100 plus interest shall be required. The loan matures on the earlier of February 1, 2017 or refinancing or prepayment of the first mortgage. As of the balance sheet date, \$675,000 had been drawn and the interest rate at December 31, 2008 was 5%.

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

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Note 8. **PROFESSIONAL/COMMERCIAL LEASES**

The Corporation as lessor under various professional leases and a recreational facility consisting of a day school and pool will receive minimum base rents over each of the next five years as follows:

	<u>Rental Income</u>	<u>Pool Income</u>
2009	\$ 249,847	\$ 80,000
2010	340,770	80,000
2011	321,682	80,000
2012	307,725	-
2013	300,114	-

Some tenants have an option to extend their lease agreements which will expire during the above five year period. Rents from such extensions are not included in the minimum base rents stated above.

Note 9. **REAL ESTATE TAX**

New York City real estate taxes have been assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>	<u>J-51 Abatement</u>	<u>Net Tax</u>
2006/07	\$ 18,990,000	12.7370	\$ 2,418,756	(\$ 244,383)	\$ 2,174,373
2007/08	18,315,000	11.9280	2,184,613	( 243,549)	1,941,064
2008/09 1H	19,035,000	12.1390	2,310,659	( 108,786)	2,201,873
2008/09 2H	19,035,000	13.0530	2,484,639	( 108,786)	2,375,853

The Corporation is the recipient of four real estate tax abatements under the New York City Tax Incentive and Abatement Program (referred to as J-51 Program). Benefits to be offset against real estate taxes over the next three years are as follows:

2009	\$ 101,568
2010	66,615
2011	18,220

Note 10. **LEGAL MATTERS**

The Corporation is involved in various matters of litigation arising in the ordinary course of business. When appropriate, claims are submitted to the Corporation's insurance carrier. The Corporation is unable to predict the ultimate outcome of these matters and has not provided for any liabilities which may arise from these claims.

**SUPPLEMENTARY AND PROSPECTIVE INFORMATION**



Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To The Board of Directors and Shareholders  
Park City 3 & 4 Apartments, Inc.  
97-07 63rd Road  
Rego Park, NY 11374

Our report on our audits of the basic financial statements of Park City 3 & 4 Apartments, Inc. for the years ended December 31, 2008 and 2007 appears on Page 1 and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Comparative Schedule of Revenues and Expenses - Budget, Historical and Budget Forecast is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we expressed 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.

We also have compiled the accompanying budget forecast of Park City 3 & 4 Apartments, Inc. for the year ending December 31, 2009, in accordance with guidelines established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the presentation. We have not examined the presentation and, accordingly, do not express an opinion or any other form of assurance in the accompanying presentation or assumptions. Furthermore, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Newman, Newman & Kaufman, LLP*

March 17, 2009 for Historical Statements  
November 19, 2008 for Budget Forecast

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PARK CITY 3 & 4 APARTMENTS, INC.

Comparative Schedule of Revenues and Expenses - Budget, Historical and Budget Forecast

	For The Year		Prior Year	Next Year
	January 1, 2008 - December 31, 2008		January 1, 2007 -	January 1, 2009 -
	Budget	Actual	December 31, 2007	December 31, 2009
	(Unaudited)		Actual	Budget Forecast
				(Unaudited)
<b>REVENUES</b>				
Maintenance	\$ 7,114,400	\$ 7,161,865	\$ 7,043,995	\$ 7,256,700
Garage income	644,400	659,319	595,985	668,400
Professional, commercial & day care center rents	439,000	402,972	389,783	477,500
Other shareholder fees	209,000	226,462	226,601	206,000
Fuel surcharge	180,000	211,796	136,177	317,700
Laundry income	159,000	160,380	157,046	162,000
Pool income	80,000	80,000	80,000	80,000
NCB dividend	5,000	-	11,710	-
<b>TOTAL REVENUES</b>	<u>8,830,800</u>	<u>8,902,794</u>	<u>8,641,297</u>	<u>9,168,300</u>
<b>EXPENSES</b>				
Management fee	79,500	100,333	79,500	102,000
Other administrative	63,000	62,048	55,082	53,000
Professional fees	45,900	31,503	17,738	45,900
Telephone and communications	23,000	18,942	21,263	21,000
Fuel and gas heat	1,345,900	1,309,065	1,284,304	1,402,900
Water and sewer	659,200	664,845	594,585	712,000
Electricity and gas	466,100	410,292	421,403	387,300
Wages	1,254,300	1,265,029	1,242,072	1,273,300
Security wages and payroll taxes	587,000	592,463	545,735	601,500
Union and employee benefits	384,900	383,086	357,844	394,800
Payroll taxes	105,400	101,291	101,541	105,000
Workers' compensation & disability insurance	45,700	30,874	46,671	46,200
Insurance	272,700	248,480	273,110	238,500
Permits and other operating	47,200	44,103	50,804	49,000
Repairs and maintenance	486,700	633,732	505,839	402,000
Real estate tax	2,074,800	2,071,468	2,057,718	2,434,800
Mortgage interest and amortization	804,500	804,140	801,317	804,500
Line of credit interest	48,100	42,750	66,230	40,500
Corporation taxes	28,000	24,334	24,495	28,000
<b>TOTAL EXPENSES</b>	<u>8,821,900</u>	<u>8,838,778</u>	<u>8,547,251</u>	<u>9,142,200</u>
Budgeted Surplus	8,900			26,100
<b>INCOME FROM OPERATIONS</b>		64,016	94,046	
Interest and dividend income	5,000	5,199	8,392	5,000
Mortgage prepayment penalty	-	-	( 571,172)	-
<b>INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>\$ 13,900</u>	<u>\$ 69,215</u>	<u>(\$ 468,734)</u>	<u>\$ 31,100</u>

See Independent Auditors' Report and Summary of Significant Accounting Policies and Budget Forecast Assumptions.



## PARK CITY 3 & 4 APARTMENTS, INC.

### **Summary of Significant Accounting Policies and Budget Forecast Assumptions Year Ending December 31, 2009**

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This financial budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the budget forecast period. Accordingly, the budget forecast reflects management's judgment, as of the date of this budget forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the budget forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The comparative historical information for 2008 and 2007 is extracted from the Corporation's financial statements for those years. Those financial statements should be read for additional information.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The budget forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

#### **FORECAST ASSUMPTIONS**

##### **Revenues**

Maintenance charges have been computed based on approximately \$1.99 per share per month which remains unchanged from the previous level. Professional and commercial income is based upon continuation of existing leases.

##### **Expenses**

##### **Utilities**

Reflect increases, if any, based upon industry consensus and rates set by appropriate regulatory agencies.

##### **Labor and Union Benefits**

The Corporation's labor union contract with Local 32B-32J covers substantially all building employees. Labor costs and union benefits are forecasted based upon the current contract rates.

##### **Repairs and Maintenance**

Based upon historical experience and expected maintenance requirements.

##### **Real Estate Tax**

Based upon the tax rate of 13% for the first half of the year and an estimated tax rate of 13% for the second half applied to the 2008/09 assessed value increased by 5%.