

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

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Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2009 and 2008



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, 2009 and 2008, 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, 2009 and 2008, 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 11, 2010

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

**BALANCE SHEET**

December 31,	2009	2008
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 23,623	\$ 73,979
Receivables (Note 3)	264,070	267,934
Prepaid expenses (Note 4)	<u>77,023</u>	<u>53,363</u>
Total Current Assets	<u>364,716</u>	<u>395,276</u>
 Reserve fund (Notes 2 and 5)	 <u>215,392</u>	 <u>334,872</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>20,825,768</u>	<u>19,869,056</u>
Total	49,318,131	48,361,419
Less: accumulated depreciation	<u>30,371,640</u>	<u>28,871,911</u>
Net Property and Improvements	<u>18,946,491</u>	<u>19,489,508</u>
 Other Assets:		
Cash - security accounts	4,962	8,622
Unamortized mortgage finance costs	<u>202,415</u>	<u>247,805</u>
Total Other Assets	<u>207,377</u>	<u>256,427</u>
Total Assets	<u>\$ 19,733,976</u>	<u>\$ 20,476,083</u>

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

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

**BALANCE SHEET**

December 31,	2009	2008
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 918,530	\$ 735,848
Real estate tax abatements	409,472	351,931
Advance maintenance and commercial income	96,676	11,634
Mortgage payable - current portion	84,306	79,502
Building improvements payable	68,649	60,811
Accrued mortgage and line of credit interest	<u>63,831</u>	<u>64,664</u>
Total Current Liabilities	<u>1,641,464</u>	<u>1,304,390</u>
Long-Term Liabilities:		
Mortgage payable - net of current portion (Note 7)	12,201,534	12,285,840
Credit line note payable (Note 7)	675,000	675,000
Security deposits payable	<u>4,962</u>	<u>8,622</u>
Total Long-Term Liabilities	<u>12,881,496</u>	<u>12,969,462</u>
Total Liabilities	<u>14,522,960</u>	<u>14,273,852</u>
<b>Stockholders' Equity</b>		
Common stock - \$1.00 par value, 320,000 shares authorized, 302,863 issued and outstanding	302,863	302,863
Paid-in capital in excess of par value	25,249,952	25,249,952
Additional paid-in capital	7,453,063	6,764,583
Accumulated deficit	<u>( 27,794,862)</u>	<u>( 26,115,167)</u>
Total Stockholders' Equity	<u>5,211,016</u>	<u>6,202,231</u>
Total Liabilities and Stockholders' Equity	<u>\$ 19,733,976</u>	<u>\$ 20,476,083</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,	2009	2008
<b>Revenues</b>		
Maintenance	\$ 7,255,134	\$ 7,161,865
Less: paid-in capital - mortgage amortization	( 79,502)	( 72,999)
	<u>7,175,632</u>	<u>7,088,866</u>
Garage income	656,624	659,319
Professional and commercial income	273,153	252,792
Other shareholder fees	200,157	226,462
Laundry income	156,000	160,380
Day care center	103,840	150,180
Pool income	80,000	80,000
Fuel surcharge	<u>-</u>	<u>211,796</u>
Total Revenues	<u>8,645,406</u>	<u>8,829,795</u>
<b>Cost of Operations</b>		
Administrative expenses	Schedule 1 211,173	212,826
Operating expenses	Schedule 2 4,802,666	5,049,528
Repairs and maintenance	Schedule 3 550,443	633,732
Real estate tax	2,436,782	2,071,468
Interest expense	753,691	773,891
Corporation tax	<u>25,801</u>	<u>24,334</u>
Total Cost of Operations	<u>8,780,556</u>	<u>8,765,779</u>
<b>(Loss) income from operations before other item and depreciation and amortization</b>	( 135,150)	64,016
Interest and dividend income	<u>574</u>	<u>5,199</u>
<b>(Loss) Income Before Depreciation and Amortization</b>	( 134,576)	69,215
Depreciation and amortization	<u>( 1,545,119)</u>	<u>( 1,536,890)</u>
Net Loss For The Year	<u>(\$ 1,679,695)</u>	<u>(\$ 1,467,675)</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,	2009	2008
<b>Administrative Expenses:</b>		
	<b>Schedule 1</b>	
Management fee	\$ 102,000	\$ 100,333
Other administrative	64,701	62,048
Professional fees	25,770	31,503
Telephone and communications	<u>18,702</u>	<u>18,942</u>
Total Administrative Expenses	<u>\$ 211,173</u>	<u>\$ 212,826</u>
<b>Operating Expenses:</b>		
	<b>Schedule 2</b>	
Utilities		
Fuel and gas heat	\$ 960,742	\$ 1,309,065
Water and sewer	686,567	664,845
Electricity (net of \$685,623 and \$706,805 rebillings)	340,670	319,717
Gas - cooking	<u>69,535</u>	<u>90,575</u>
	<u>2,057,514</u>	<u>2,384,202</u>
Labor		
Wages	1,304,235	1,265,029
Security wages and payroll taxes	586,119	592,463
Union and employee benefits	399,155	383,086
Payroll taxes	109,265	101,291
Workers' compensation and disability insurance	<u>32,170</u>	<u>30,874</u>
	<u>2,430,944</u>	<u>2,372,743</u>
Other		
Insurance	224,473	248,480
Permits and other operating	60,374	14,184
Submetering contract	<u>29,361</u>	<u>29,919</u>
	<u>314,208</u>	<u>292,583</u>
Total Operating Expenses	<u>\$ 4,802,666</u>	<u>\$ 5,049,528</u>
<b>Repairs and Maintenance:</b>		
	<b>Schedule 3</b>	
Supplies	\$ 123,941	\$ 141,786
Plumbing, heating and boiler repairs	103,664	103,414
Elevator contract and repairs	88,548	58,578
Exterior repairs	47,664	49,694
Electrical, intercom and security repairs	44,458	31,058
Equipment repairs and other	43,564	37,103
Painting, plastering and flooring	34,260	42,649
Compactor maintenance	15,698	20,669
Doors, locks and windows	14,345	9,022
Exterminating	12,725	14,089
Grounds and plant maintenance	10,733	14,618
Uniforms	6,940	12,738
Consultants	3,903	25,188
Special repair - environmental remediation	<u>-</u>	<u>73,126</u>
Total Repairs and Maintenance	<u>\$ 550,443</u>	<u>\$ 633,732</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,	2009	2008
<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,	\$ 6,764,583	\$ 6,254,418
Capital assessments	423,682	271,526
Capital fund contributions from transfer fees	185,296	165,640
Mortgage amortization for the year	<u>79,502</u>	<u>72,999</u>
Balance - December 31,	<u>\$ 7,453,063</u>	<u>\$ 6,764,583</u>
<b>Accumulated Deficit</b>		
Balance - January 1,	(\$ 26,115,167)	(\$ 24,647,492)
Net loss for the year	<u>( 1,679,695)</u>	<u>( 1,467,675)</u>
Balance - December 31,	<u>(\$ 27,794,862)</u>	<u>(\$ 26,115,167)</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,	2009	2008
<b>Cash Flows From Operating Activities</b>		
Net loss for the year	(\$ 1,679,695)	(\$ 1,467,675)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation	1,499,729	1,491,500
Amortization	45,390	45,390
Other changes in operating assets and liabilities that provided (used) cash:		
Repair escrow	-	153,363
Receivables	3,864	( 49,977)
Prepaid expenses	( 23,660)	17,100
Security deposit account	3,660	1,845
Accounts payable	182,682	( 164,525)
Other current liabilities	141,750	( 72,097)
Security deposits payable	( 3,660)	( 2,295)
Total Adjustments	<u>1,849,755</u>	<u>1,420,304</u>
Cash Provided By (Used In) Operating Activities	<u>170,060</u>	( 47,371)
<b>Cash Flows From Investing Activities</b>		
Decrease (increase) in reserve fund	119,480	( 118,918)
Increase in building improvements	( 956,712)	( 188,569)
Increase (decrease) in building improvements payable	<u>7,838</u>	<u>( 175,447)</u>
Cash Used In Investing Activities	<u>( 829,394)</u>	<u>( 482,934)</u>
<b>Cash Flows From Financing Activities</b>		
Amortization of mortgage principal	( 79,502)	( 72,999)
Paid-in capital - mortgage amortization	79,502	72,999
Capital assessment proceeds	423,682	271,526
Capital fund contributions from transfer fees	<u>185,296</u>	<u>165,640</u>
Cash Provided By Financing Activities	<u>608,978</u>	<u>437,166</u>
Net change in cash and cash equivalents	( 50,356)	( 93,139)
Cash and cash equivalents at beginning of year	<u>73,979</u>	<u>167,118</u>
Cash and cash equivalents at end of year	<u>\$ 23,623</u>	<u>\$ 73,979</u>
<b>Supplemental Disclosures</b>		
Interest paid	\$ 754,524	\$ 776,290
Income taxes paid	\$ 28,462	\$ 25,555

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 investments 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, 2009 and 2008, transfer fees of \$185,296 and \$165,640, respectively, were recorded.

##### Corporation Taxes

At December 31, 2009, the Corporation had approximately \$18,377,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2029. 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>2009</u>	<u>2008</u>
Shareholders' arrears	\$ 119,873	\$ 121,594
Electric submetering	108,354	105,435
Commercial income	30,319	31,205
Sundry	<u>5,524</u>	<u>9,700</u>
Total	<u>\$ 264,070</u>	<u>\$ 267,934</u>

Note 4. **PREPAID EXPENSES**

	<u>2009</u>	<u>2008</u>
Insurance	\$ 32,335	\$ 35,375
Fuel	31,727	16,072
Service contract	8,384	-
Corporation taxes	<u>4,577</u>	<u>1,916</u>
Total	<u>\$ 77,023</u>	<u>\$ 53,363</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>2009</u>	<u>2008</u>
Merrill Lynch CMA Money Fund	\$ 190,121	\$ 234,771
HSBC Money Market Account	<u>25,271</u>	<u>100,101</u>
Total	<u>\$ 215,392</u>	<u>\$ 334,872</u>

**Note 6. PROPERTY AND IMPROVEMENTS**

Building improvements were capitalized as follows:	<u>2009</u>	<u>2008</u>
Lobby renovation	\$ 384,382	\$ 135,341
School/pool project	293,492	-
Elevator modernization	272,944	-
Building equipment	12,920	-
Plumbing upgrades (contract adjustment)	( 7,026)	84,180
Exterior restoration (contract adjustment)	<u>-</u>	<u>( 30,952)</u>
Total	<u>\$ 956,712</u>	<u>\$ 188,569</u>

**Contract Commitment**

In addition to building improvements payable of \$68,649, the Corporation is committed to completing contracts for a school/pool project and elevator modernization in the amount of approximately \$1,083,000 and \$647,000, respectively. 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 projects.

**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:

2010	\$ 84,306
2011	89,399
2012	92,763
2013	100,405
2014	106,471

**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, 2009 was 4.25%.

**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>
2010	\$ 379,127	\$ 80,000
2011	359,358	80,000
2012	363,149	-
2013	309,303	-
2014	225,178	-

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>
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
2009/10	19,935,000	13.2410	2,639,593	( 94,350)	2,545,243

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 two years are as follows:

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, 2009 and 2008 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, 2010, 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 11, 2010 for Historical Statements  
October 21, 2009 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, 2009 - December 31, 2009		January 1, 2008 -	January 1, 2010 -
	Budget	Actual	December 31, 2008	December 31, 2010
	(Unaudited)		Actual	Budget Forecast
				(Unaudited)
<b>REVENUES</b>				
Maintenance	\$ 7,255,100	\$ 7,255,134	\$ 7,161,865	\$ 7,472,800
Garage income	668,400	656,624	659,319	694,800
Professional, commercial & day care center rents	477,500	376,993	402,972	419,900
Other shareholder fees	207,600	200,157	226,462	211,300
Laundry income	162,000	156,000	160,380	162,000
Pool income	80,000	80,000	80,000	80,000
Fuel surcharge	<u>317,700</u>	<u>-</u>	<u>211,796</u>	<u>270,000</u>
<b>TOTAL REVENUES</b>	<u>9,168,300</u>	<u>8,724,908</u>	<u>8,902,794</u>	<u>9,310,800</u>
<b>EXPENSES</b>				
Management fee	102,000	102,000	100,333	102,000
Other administrative	53,000	64,701	62,048	60,000
Professional fees	45,900	25,770	31,503	34,100
Telephone and communications	21,000	18,702	18,942	22,800
Fuel and gas heat	1,402,900	960,742	1,309,065	1,125,300
Water and sewer	712,000	686,567	664,845	845,000
Electricity and gas	387,300	410,205	410,292	383,900
Wages	1,273,300	1,304,235	1,265,029	1,331,700
Security wages and payroll taxes	601,500	586,119	592,463	619,000
Union and employee benefits	394,800	399,155	383,086	419,100
Payroll taxes	105,000	109,265	101,291	113,200
Workers' compensation & disability insurance	46,200	32,170	30,874	41,000
Insurance	238,500	224,473	248,480	227,000
Permits and other operating	49,000	89,735	44,103	46,000
Repairs and maintenance	402,000	550,443	633,732	480,000
Real estate tax	2,434,800	2,436,782	2,071,468	2,571,100
Mortgage interest and amortization	804,500	804,107	804,140	804,500
Line of credit interest	40,500	29,086	42,750	58,200
Corporation taxes	<u>28,000</u>	<u>25,801</u>	<u>24,334</u>	<u>27,900</u>
<b>TOTAL EXPENSES</b>	<u>9,142,200</u>	<u>8,860,058</u>	<u>8,838,778</u>	<u>9,311,800</u>
Budgeted Surplus (Deficit)	26,100			( 1,000)
<b>(LOSS) INCOME FROM OPERATIONS</b>		( 135,150)	64,016	
Interest and dividend income	<u>5,000</u>	<u>574</u>	<u>5,199</u>	<u>1,000</u>
<b>(LOSS) INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>\$ 31,100</u>	<u>(\$ 134,576)</u>	<u>\$ 69,215</u>	<u>\$ -0-</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, 2010

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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 2009 and 2008 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 \$2.05 per share per month which reflects a 3% increase over 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 13.2% for the first half of the year and an estimated tax rate of 13.6% for the second half applied to the 2009/10 assessed value increased by approximately 2.5%.