

PARK CITY 3 & 4 APARTMENTS, INC.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2010 and 2009



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 sheets of Park City 3 & 4 Apartments, Inc. as of December 31, 2010 and 2009, 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, 2010 and 2009, 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 8, 2011

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PARK CITY 3 & 4 APARTMENTS, INC.

BALANCE SHEETS

December 31,	2010	2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 60,338	\$ 23,623
Receivables (Note 3)	293,829	264,070
Prepaid expenses (Note 4)	<u>80,173</u>	<u>77,023</u>
Total Current Assets	<u>434,340</u>	<u>364,716</u>
 Reserve fund (Notes 2 and 5)	 <u>193,641</u>	 <u>215,392</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>22,542,661</u>	<u>20,825,768</u>
Total	51,035,024	49,318,131
Less: accumulated depreciation	<u>31,917,375</u>	<u>30,371,640</u>
Net Property and Improvements	<u>19,117,649</u>	<u>18,946,491</u>
 Other Assets:		
Cash - security accounts	41,339	4,962
Unamortized mortgage finance costs	<u>157,025</u>	<u>202,415</u>
Total Other Assets	<u>198,364</u>	<u>207,377</u>
Total Assets	<u>\$ 19,943,994</u>	<u>\$ 19,733,976</u>

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

PARK CITY 3 & 4 APARTMENTS, INC.

BALANCE SHEETS

December 31,	2010	2009
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,109,662	\$ 918,530
Real estate tax abatements	437,076	409,472
Building improvements payable	154,679	68,649
Advance maintenance and commercial income	103,004	96,676
Mortgage payable - current portion	89,399	84,306
Accrued mortgage and line of credit interest	<u>66,521</u>	<u>63,831</u>
Total Current Liabilities	<u>1,960,341</u>	<u>1,641,464</u>
Long-Term Liabilities:		
Mortgage payable - net of current portion (Note 7)	12,112,135	12,201,534
Credit line note payable (Note 7)	1,525,000	675,000
Security deposits payable	<u>41,339</u>	<u>4,962</u>
Total Long-Term Liabilities	<u>13,678,474</u>	<u>12,881,496</u>
Total Liabilities	<u>15,638,815</u>	<u>14,522,960</u>
Stockholders' Equity		
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	8,049,195	7,453,063
Accumulated deficit	<u>(29,296,831)</u>	<u>(27,794,862)</u>
Total Stockholders' Equity	<u>4,305,179</u>	<u>5,211,016</u>
Total Liabilities and Stockholders' Equity	<u>\$ 19,943,994</u>	<u>\$ 19,733,976</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,	2010	2009
Revenues		
Maintenance	\$ 7,472,657	\$ 7,255,134
Less: paid-in capital - mortgage amortization	(84,306)	(79,502)
	<u>7,388,351</u>	<u>7,175,632</u>
Garage income	657,951	656,624
Professional and commercial income	271,353	273,153
Other shareholder fees	220,703	200,157
Fuel surcharge	181,578	-
Laundry income	159,938	156,000
Day care center	85,000	103,840
Pool income	<u>80,000</u>	<u>80,000</u>
Total Revenues	<u>9,044,874</u>	<u>8,645,406</u>
Cost of Operations		
Administrative expenses	Schedule 1 248,356	211,173
Operating expenses	Schedule 2 5,045,034	4,802,666
Repairs and maintenance	Schedule 3 501,465	550,443
Real estate tax	2,361,079	2,436,782
Interest expense	776,642	753,691
Corporation tax	<u>23,303</u>	<u>25,801</u>
Total Cost of Operations	<u>8,955,879</u>	<u>8,780,556</u>
Income (loss) from operations before other item and depreciation and amortization	88,995	(135,150)
Interest and dividend income	<u>161</u>	<u>574</u>
Income (Loss) Before Depreciation and Amortization	89,156	(134,576)
Depreciation and amortization	(1,591,125)	(1,545,119)
Net Loss For The Year	<u>(\$ 1,501,969)</u>	<u>(\$ 1,679,695)</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,	2010	2009
Administrative Expenses:		
	Schedule 1	
Management fee	\$ 102,000	\$ 102,000
Other administrative	81,189	64,701
Professional fees	45,914	25,770
Telephone and communications	<u>19,253</u>	<u>18,702</u>
Total Administrative Expenses	<u>\$ 248,356</u>	<u>\$ 211,173</u>
Operating Expenses:		
	Schedule 2	
Utilities		
Fuel and gas heat	\$ 948,672	\$ 960,742
Water and sewer	754,147	686,567
Electricity (net of \$736,656 and \$685,623 rebillings)	349,141	340,670
Gas - cooking	<u>68,282</u>	<u>69,535</u>
	<u>2,120,242</u>	<u>2,057,514</u>
Labor		
Wages	1,396,128	1,304,235
Security wages and payroll taxes	598,056	586,119
Union and employee benefits	464,275	399,155
Payroll taxes	118,371	109,265
Workers' compensation and disability insurance	<u>61,538</u>	<u>32,170</u>
	<u>2,638,368</u>	<u>2,430,944</u>
Other		
Insurance	222,822	224,473
Submetering contract	34,040	29,361
Permits and other operating	<u>29,562</u>	<u>60,374</u>
	<u>286,424</u>	<u>314,208</u>
Total Operating Expenses	<u>\$ 5,045,034</u>	<u>\$ 4,802,666</u>
Repairs and Maintenance:		
	Schedule 3	
Supplies	\$ 135,144	\$ 123,941
Plumbing, heating and boiler repairs	123,373	103,664
Elevator contract and repairs	57,486	88,548
Equipment repairs and other	56,086	43,564
Electrical, intercom and security repairs	42,191	44,458
Painting, plastering and flooring	39,633	34,260
Exterior repairs	37,888	47,664
Exterminating	14,698	12,725
Grounds and plant maintenance	14,661	10,733
Doors, locks and windows	9,482	14,345
Uniforms	7,964	6,940
Consultants	1,875	3,903
Compactor maintenance	1,455	15,698
Special repair - fire damage	71,224	-
Less: insurance proceeds	<u>(111,695)</u>	<u>-</u>
Total Repairs and Maintenance	<u>\$ 501,465</u>	<u>\$ 550,443</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,	2010	2009
Common Stock		
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>
Paid-In Capital in Excess of Par Value		
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>
Additional Paid-In Capital		
Balance - January 1,	\$ 7,453,063	\$ 6,764,583
Capital assessments	362,649	423,682
Capital fund contributions from transfer fees	149,177	185,296
Mortgage amortization for the year	<u>84,306</u>	<u>79,502</u>
Balance - December 31,	<u>\$ 8,049,195</u>	<u>\$ 7,453,063</u>
Accumulated Deficit		
Balance - January 1,	(\$ 27,794,862)	(\$ 26,115,167)
Net loss for the year	<u>(1,501,969)</u>	<u>(1,679,695)</u>
Balance - December 31,	<u>(\$ 29,296,831)</u>	<u>(\$ 27,794,862)</u>

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

PARK CITY 3 & 4 APARTMENTS, INC.

STATEMENT OF CASH FLOWS

<u>Year Ended December 31,</u>	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Net loss for the year	(\$ 1,501,969)	(\$ 1,679,695)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation	1,545,735	1,499,729
Amortization	45,390	45,390
Other changes in operating assets and liabilities that provided (used) cash:		
Receivables	(29,759)	3,864
Prepaid expenses	(3,150)	(23,660)
Security deposit account	(36,377)	3,660
Accounts payable	191,132	182,682
Other current liabilities	36,622	141,750
Security deposits payable	36,377	(3,660)
Total Adjustments	<u>1,785,970</u>	<u>1,849,755</u>
Cash Provided By Operating Activities	<u>284,001</u>	<u>170,060</u>
Cash Flows From Investing Activities		
Decrease in reserve fund	21,751	119,480
Increase in building improvements	(1,716,893)	(956,712)
Increase in building improvements payable	<u>86,030</u>	<u>7,838</u>
Cash Used In Investing Activities	<u>(1,609,112)</u>	<u>(829,394)</u>
Cash Flows From Financing Activities		
Amortization of mortgage principal	(84,306)	(79,502)
Paid-in capital - mortgage amortization	84,306	79,502
Credit line proceeds	850,000	-
Capital assessment proceeds	362,649	423,682
Capital fund contributions from transfer fees	<u>149,177</u>	<u>185,296</u>
Cash Provided By Financing Activities	<u>1,361,826</u>	<u>608,978</u>
Net change in cash and cash equivalents	36,715	(50,356)
Cash and cash equivalents at beginning of year	<u>23,623</u>	<u>73,979</u>
Cash and cash equivalents at end of year	<u>\$ 60,338</u>	<u>\$ 23,623</u>
Supplemental Disclosures		
Interest paid	\$ 773,953	\$ 754,524
Income taxes paid	\$ 23,469	\$ 28,462

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

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Under the new standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2010 and 2009, respectively, the Corporation had investments in money market funds of \$62,312 and \$190,121 classified as Level 1 assets based on inputs to determine fair value. The Corporation had no financial assets or liabilities in the Level 2 or 3 hierarchy.

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.

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

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

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, 2010 and 2009, transfer fees of \$149,177 and \$185,296, respectively, were recorded.

Corporation Taxes

In accordance with ASC 740, *Income Taxes*, the Corporation is required to disclose and recognize any material tax provisions resulting from uncertain tax positions.

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, a cooperative is required to classify its income and expenses as patronage or non-patronage sourced. Income from non-patronage sources in excess of allocable expenses may be subject to tax. The Corporation believes that all of its income is derived from activities that have an inseparable relationship to the general operations of the Corporation. As a result, the Corporation believes that all of its income is effectively patronage sourced and therefore no segregation of income from patronage activities is required. 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.

At December 31, 2010, the Corporation had approximately \$19,374,000 of operating loss carryforwards available for federal income tax purposes which will expire through 2030. Since the Corporation does not anticipate significant taxable income, no related deferred tax asset accounts have 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.

The Corporation's tax returns for all years since 2007 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash, money market accounts, and other highly liquid investments that are readily convertible into cash and purchased with original maturities of three months or less.

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 and believes it is not exposed to any significant credit risk with respect to such balances.

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Evaluation of Subsequent Transactions and Events

In accordance with FASB ASC 855, the Corporation has evaluated transactions and events that occurred after December 31, 2010 through March 8, 2011, and has determined that there were no subsequent transactions or events which would require recognition or disclosure in the financial statements, except as noted herein.

Note 3. RECEIVABLES	<u>2010</u>	<u>2009</u>
Shareholders' arrears	\$ 176,036	\$ 119,873
Electric submetering	101,598	108,354
Commercial income	12,527	30,319
Sundry	<u>3,668</u>	<u>5,524</u>
Total	<u>\$ 293,829</u>	<u>\$ 264,070</u>

Note 4. PREPAID EXPENSES	<u>2010</u>	<u>2009</u>
Insurance	\$ 42,194	\$ 32,335
Fuel	24,852	31,727
Service contract	8,384	8,384
Corporation taxes	<u>4,743</u>	<u>4,577</u>
Total	<u>\$ 80,173</u>	<u>\$ 77,023</u>

Note 5. RESERVE FUND

The reserve fund is invested as follows:

	<u>2010</u>	<u>2009</u>
HSBC Money Market Account	\$ 131,329	\$ 25,271
Merrill Lynch CMA Money Fund	<u>62,312</u>	<u>190,121</u>
Total	<u>\$ 193,641</u>	<u>\$ 215,392</u>

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

Note 6. **PROPERTY AND IMPROVEMENTS**

Building improvements were capitalized as follows:	<u>2010</u>	<u>2009</u>
School/pool project	\$ 1,306,856	\$ 293,492
Elevator modernization	380,277	272,944
Exterior restoration	23,300	-
Building equipment	6,110	12,920
Lobby renovation	350	384,382
Plumbing upgrades (contract adjustment)	<u>-</u>	<u>(7,026)</u>
Total	<u>\$ 1,716,893</u>	<u>\$ 956,712</u>

Contract Commitment

In addition to building improvements payable of \$154,679, the Corporation is committed to completing contracts for an exterior restoration project and elevator modernization in the amount of approximately \$4,238,000 and \$324,000, 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:

2011	\$ 89,399
2012	92,763
2013	100,405
2014	106,471
2015	112,903

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, \$1,525,000 had been drawn and the interest rate at December 31, 2010 was 4.25%.

PARK CITY 3 & 4 APARTMENTS, INC.

Notes to Financial Statements

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>
2011	\$ 359,358	\$ 100,000
2012	363,149	100,000
2013	309,303	100,000
2014	316,655	100,000
2015	326,155	100,000

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>
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
2010/11	17,010,000	13.3530	2,271,345	(70,626)	2,200,719

The Corporation is the recipient of 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 five years are as follows:

2011	\$ 51,186
2012	31,746
2013	31,746
2014	31,746
2015	31,746

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's legal counsel believes that the Corporation has adequate coverage to cover all pending lawsuits.

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, 2010 and 2009 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, 2011, 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 8, 2011 for Historical Statements
October 21, 2010 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, 2010 - December 31, 2010		January 1, 2009 -	January 1, 2011 -
	Budget	Actual	December 31, 2009	December 31, 2011
	(Unaudited)		Actual	Budget Forecast
				(Unaudited)
REVENUES				
Maintenance	\$ 7,472,800	\$ 7,472,657	\$ 7,255,134	\$ 7,734,200
Garage income	694,800	657,951	656,624	681,000
Professional, commercial & day care center rents	419,900	356,353	376,993	459,700
Other shareholder fees	211,300	220,703	200,157	207,000
Fuel surcharge	270,000	181,578	-	90,000
Laundry income	162,000	159,938	156,000	162,000
Pool income	80,000	80,000	80,000	100,000
TOTAL REVENUES	<u>9,310,800</u>	<u>9,129,180</u>	<u>8,724,908</u>	<u>9,433,900</u>
EXPENSES				
Management fee	102,000	102,000	102,000	102,000
Other administrative	60,000	81,189	64,701	70,000
Professional fees	34,100	45,914	25,770	41,100
Telephone and communications	22,800	19,253	18,702	20,000
Fuel and gas heat	1,125,300	948,672	960,742	1,114,000
Water and sewer	845,000	754,147	686,567	933,000
Electricity and gas	383,900	417,423	410,205	424,800
Wages	1,331,700	1,396,128	1,304,235	1,406,400
Security wages and payroll taxes	619,000	598,056	586,119	631,500
Union and employee benefits	419,100	464,275	399,155	439,900
Payroll taxes	113,200	118,371	109,265	119,500
Workers' compensation & disability insurance	41,000	61,538	32,170	50,300
Insurance	227,000	222,822	224,473	227,000
Permits and other operating	46,000	63,602	89,735	46,000
Repairs and maintenance	480,000	501,465	550,443	550,000
Real estate tax	2,571,100	2,361,079	2,436,782	2,364,100
Mortgage interest and amortization	804,500	804,084	804,107	804,500
Line of credit interest	58,200	56,864	29,086	68,600
Corporation taxes	27,900	23,303	25,801	21,700
TOTAL EXPENSES	<u>9,311,800</u>	<u>9,040,185</u>	<u>8,860,058</u>	<u>9,434,400</u>
Budgeted Deficit	(1,000)			(500)
INCOME (LOSS) FROM OPERATIONS		88,995	(135,150)	
Interest and dividend income	1,000	161	574	500
INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION	<u>\$ -0-</u>	<u>\$ 89,156</u>	<u>(\$ 134,576)</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, 2011

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 2010 and 2009 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 \$2.12 per share per month which reflects a 3.5% 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 13.5% for the first half of the year and an estimated tax rate of 13.75% for the second half applied to the 2010/11 assessed value increased by approximately 5%.