

OAKBROOK VILLAGE TOWNHOMES ASSOCIATION

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

OAKBROOK VILLAGE TOWNHOMES ASSOCIATION

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Balance Sheet	2
Statement of Income and Expense	3
Notes to Financial Statements	5



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oakbrook Village Townhomes Association
Tulsa, Oklahoma

We have audited the accompanying Balance Sheet of Oakbrook Village Townhomes Association as of December 31, 2002, and the related Statement of Income and Expense for the year then ended. These financial statements are the responsibility of Oakbrook Village Townhomes Association management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Oakbrook Village Townhomes Association as of December 31, 2002, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designed for future major repairs and replacements are adequate to meet such future costs because that determination was outside the scope of our audit.

Oakbrook Village Townhomes Association has not presented supplementary information about future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.

A statement of cash flows for the year ended December 31, 2002 has not been presented. Generally accepted accounting principles require that such a statement be presented when financial statements purport to present financial position and results of operations.

Fred L. Kincaid,
Certified Public Accountant

August 27, 2003
(1)

MEMBER

Oakbrook Village Townhomes Association
Balance Sheet
As of December 31, 2002

<u>Assets</u>	2002
<u>Current Assets</u>	
Cash (Note 2)	\$ 124,622
Accounts Receivable Dues (Note 3)	19,016
Prepaid Insurance	3,988
Prepaid Warranty	7,764
Total Current Assets	<u>\$ 155,390</u>
Property & Equipment, at cost:	
Fences/Tie Wall	\$ 15,073
Leasehold Improvements	20,518
Maintenance Equipment	7,628
Office Equipment	5,196
Pool Deck/Club House	23,053
Total Property and Equipment	<u>\$ 71,468</u>
Accumulated Depreciation	(38,165)
Net Property and Equipment	<u>\$ 33,303</u>
Total Assets	<u><u>\$ 188,693</u></u>
<u>Liabilities & Homeowners Equity</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 17,190
Prepaid Dues	959
Payroll Tax Liabilities	892
Total Current Liabilities	<u>\$ 19,041</u>
Total Liabilities	<u>\$ 19,041</u>
Homeowners Equity	
Retained Earnings	\$ 169,652
Total Homeowners Equity	<u>\$ 169,652</u>
Total Liabilities & Homeowners Equity	<u><u>\$ 188,693</u></u>

See Independent Auditor's Report and Notes to Financial Statements

Oakbrook Village Townhomes Association
Statement of Income and Expense
For The Year Ended December 31, 2002

	2002
<u>Exempt Function Income</u>	
Dues	\$ 443,816
Election Use Proceeds	320
Clubhouse User Fee	360
Insurance Proceeds	32,228
Total Exempt Income	\$ 476,724
 <u>Exempt Function Expense</u>	
Accounting	\$ 735
Annual Meeting	198
Bad Debt Expense	2,465
Bank Charges	610
Club House	816
Credit Service Fees	178
Depreciation	2,509
Equipment Rental	154
Insurance	52,932
Landscaping	36,625
Legal	3,243
Licenses	100
Maintenance & Repairs	82,995
Maintenance & Repairs-Reserves	127,219
Office Supplies	1,141
Pool Supplies	2,779
Postage	962
Payroll:	
Maintenance	20,939
Office	25,982
Payroll Taxes	3,818
Supplies	312
Returned Check	575
Taxes-Property	69
Telephone	1,365
Travel	1,359

(continued)

See Independent Auditor's Report and Notes to Financial Statements

Oakbrook Village Townhomes Association
Statement of Income and Expense
For The Year Ended December 31, 2002

	2002
Utilities:	
Electricity	\$ 6,763
Water & Sewer	28,060
Trash Removal	<u>65,456</u>
Total Exempt Expense	\$ 470,359
Income/(Loss)	<u>\$ 6,365</u>
Non-Exempt Income/(Expense) (Note 1)	
Interest Income	\$ 1,782
Net Non-Exempt Income/(Loss)	<u>\$ 1,782</u>
Net Income/(Loss)	<u><u>\$ 8,147</u></u>

See Independent Auditor's Report and Notes to Financial Statements

Oakbrook Village Townhomes Association
Notes to Financial Statements
December 31, 2002

Note 1 - General

- a) Oakbrook Village Townhomes Association(Oakbrook Village) has been in operation since October, 1972 and was formed under the laws of Oklahoma in October, 1972 for the purpose of maintaining and operating the townhome development. The 248 units are located at 1140 South 111th East Avenue in Tulsa, Oklahoma.
- b) Oakbrook Village is a tax exempt organization under both Federal and State regulations. However, there is certain non-exempt income such as investment income which may be taxable after expenses directly relating to that income are deducted. The tax rate for this non-exempt income is 30 percent for Federal and 6 percent for State.

For the year ended December 31, 2002, Oakbrook Village elected to file Federal form 1120-H and State of Oklahoma form 512. Oakbrook Village was not liable for any Federal or State income tax.

- c) Furniture, fixtures, and equipment are recorded at cost and depreciated using the straight line and MACRS method over a 5, 7, or 10 year life for furniture and equipment and an 18, 20 or 27.5 year life for building components.
- d) Oakbrook Village uses the accrual method of accounting.
- e) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash

Cash consists of the following:

	2002
Bank of America – Checking	\$ 16,558
Bank of America – Savings	107,914
Petty Cash	150
Total	\$ 124,622

Oakbrook Village Townhomes Association
Notes to Financial Statements
December 31, 2002

Note 3 - Accounts Receivable - Dues/Bad Debt Expense

Association members are subject to monthly assessments (dues) to provide funds for the association's operating expenses, future capital acquisitions, and major repairs and replacement. Accounts Receivable - Dues at the balance sheet date represent fees due from unit owners.

Dues are charged to bad debt expense on an individual, direct write-off basis. Delinquent accounts are turned over to an attorney and/or a collection agency for collection. Additionally, liens are filed on the subject property. Write-offs usually occur as a result of bankruptcy and/or foreclosure of the individual unit owners.

Note 4 - Uninsured Cash Balances

The association has two interest-bearing deposit accounts with Bank of America. At December 31, 2002 the association's deposits exceeded Federal depository insurance coverage by approximately \$25,000.

Note 5 - Future Major Repairs and Replacements

The association's accounting policy does not formally allocate reserves for long-term repair and maintenance. Consequently, reserves for long-term repairs and maintenance are included as part of retained earnings. Expenditures related to long-term repairs and maintenance are charged to current year expenses.