

THE TOWERS OF KEY BISCAIYNE, INC.

**Financial Statements
and
Additional and Supplementary Information**

December 31, 2009 and 2008



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Towers of Key Biscayne, Inc.
Key Biscayne, Florida

We have audited the accompanying balance sheet of The Towers of Key Biscayne, Inc. as of December 31, 2009, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have previously audited and reported on the financial statements presented in total for the preceding year.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Towers of Key Biscayne, Inc. as of December 31, 2009 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The schedule of expenses (Schedule 1) on pages 14, 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have previously audited and reported on the financial statements presented by fund for the preceding year. In our opinion, the schedule of expenses for the year ended December 31, 2008 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

The supplementary information on future major repairs and replacements (Schedule 2) on page 17 includes an analysis of the activity in the replacement and deferred maintenance fund for the year ended December 31, 2009. Such information, which is presented for purposes of additional analysis and is not a required part of the basic financial statements, 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.

Schedule 2 also presents other supplementary information which is not a required part of the basic financial statements. The information about the estimated remaining useful lives and the estimated replacement costs of the components of common property is supplementary information required by accounting principles generally accepted in the United States of America. The information about the amount of annual funding required to fully fund the pool of accounts of the replacement and deferred maintenance fund is supplementary information required by the Florida Administrative Code. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement, basis and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

(Continued)



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS (Continued)

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 designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

Kane & Company, P.A.

KANE & COMPANY, P.A.
Certified Public Accountants

August 31, 2010



THE TOWERS OF KEY BISCAIYNE, INC.

Balance Sheet

December 31, 2009

(With Comparative Totals for 2008)

	2009			2008
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Assets:				
Cash and cash equivalents	\$ 744,397	\$ 1,042,406	\$ 1,786,803	\$ 1,396,475
Certificate of deposit	-	250,000	250,000	-
Unit owner receivables:				
Maintenance assessments, net	62,771	-	62,771	64,014
Special assessments, net	19,210	-	19,210	9,764
Other receivable	4,490	-	4,490	3,754
Prepaid expenses, principally insurance	333,503	-	333,503	282,871
Supplies inventory	14,975	-	14,975	14,975
Furniture and equipment, net	-	-	-	-
Utility deposits	1,035	-	1,035	1,035
Due from (to) other fund	(81,110)	81,110	-	-
	<u>\$ 1,099,271</u>	<u>\$ 1,373,516</u>	<u>\$ 2,472,787</u>	<u>\$ 1,772,888</u>
Liabilities and Fund Balances:				
Liabilities:				
Insurance financing note payable	\$ 208,446	\$ -	\$ 208,446	\$ 135,062
Accounts payable and accrued expenses	173,047	49,420	222,467	185,043
Accrued project expenses	-	-	-	13,570
Assessments collected in advance	401,112	-	401,112	453,944
Security deposits	151,759	-	151,759	116,471
	934,364	49,420	983,784	904,090
Commitments and Contingency				
Fund Balances	<u>164,907</u>	<u>1,324,096</u>	<u>1,489,003</u>	<u>868,798</u>
	<u>\$ 1,099,271</u>	<u>\$ 1,373,516</u>	<u>\$ 2,472,787</u>	<u>\$ 1,772,888</u>

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

THE TOWERS OF KEY BISCAIYNE, INC.

Statement of Revenues and Expenses and Changes in Fund Balances

Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009		2008	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Revenues:				
Member assessments:				
Maintenance assessments	\$ 5,253,954	\$ 1,494,770	\$ 6,748,724	\$ 6,794,954
Special assessment	-	-	-	277,771
Insurance proceeds	-	-	-	68,085
Interest	3,833	10,603	14,436	30,835
Late fees and screening	34,301	-	34,301	29,630
Laundry	9,931	-	9,931	8,573
Miscellaneous	21,960	-	21,960	27,090
Rental	21,419	-	21,419	21,192
Repair	9,722	-	9,722	7,647
Restaurant	29,707	-	29,707	32,497
	<u>5,384,827</u>	<u>1,505,373</u>	<u>6,890,200</u>	<u>7,298,274</u>
Expenses:				
Administrative and general (Schedule 1)	347,900	-	347,900	275,522
Balcony repairs	248,172	-	248,172	332,466
Insurance	909,866	-	909,866	936,672
Maintenance and repairs (Schedule 1)	792,385	971,772	1,764,157	2,036,563
Payroll and related costs (Schedule 1)	1,688,393	-	1,688,393	1,829,883
Utilities (Schedule 1)	1,311,507	-	1,311,507	1,457,912
	<u>5,298,223</u>	<u>971,772</u>	<u>6,269,995</u>	<u>6,869,018</u>
Excess of Revenues over Expenses	86,604	533,601	620,205	429,256
Fund Balances - Beginning of Year	<u>78,303</u>	<u>790,495</u>	<u>868,798</u>	<u>439,542</u>
Fund Balances - End of Year	<u>\$ 164,907</u>	<u>\$ 1,324,096</u>	<u>\$ 1,489,003</u>	<u>\$ 868,798</u>

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

THE TOWERS OF KEY BISCAWAYNE, INC.

Statement of Cash Flows

Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009			2008
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Cash Flows from Operating Activities:				
Excess of Revenues over Expenses	\$ 86,604	\$ 533,601	\$ 620,205	\$ 429,256
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:				
(Increase) decrease in interfund balances	81,110	(81,110)	-	-
Provision for losses on assessments receivable	166,284	-	166,284	86,129
(Increase) decrease in:				
Maintenance assessments receivable	(174,487)	-	(174,487)	(132,452)
Special assessments receivable	-	-	-	594,553
Other receivable	(736)	-	(736)	(848)
Prepaid expenses	(50,632)	-	(50,632)	51,125
Increase (decrease) in:				
Accounts payable and accrued expenses	(11,996)	49,420	37,424	(87,204)
Accrued project expenses	-	(13,570)	(13,570)	(532,998)
Assessments collected in advance	(52,832)	-	(52,832)	(163,485)
Deferred revenue	-	-	-	(277,771)
Security deposits	35,288	-	35,288	20,407
Net Cash Provided by (Used in) Operating Activities	78,603	488,341	566,944	(13,288)
Cash Flows from Investing Activities:				
Purchase of certificate of deposit	-	(250,000)	(250,000)	-
Net Cash Used in Investing Activities	-	(250,000)	(250,000)	-

(Continued)

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

THE TOWERS OF KEY BISCAIYNE, INC.

Statement of Cash Flows (Continued)

Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009		2008	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Cash Flows from Financing Activities:				
Insurance financing note payable:				
Proceeds	694,819	-	694,819	675,312
Repayments	(621,435)	-	(621,435)	(703,653)
Net Cash Provided by (Used in) Financing Activities	<u>73,384</u>	<u>-</u>	<u>73,384</u>	<u>(28,341)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	151,987	238,341	390,328	(41,629)
Cash and Cash Equivalents - Beginning of Year	<u>592,410</u>	<u>804,065</u>	<u>1,396,475</u>	<u>1,438,104</u>
Cash and Cash Equivalents - End of Year	<u>\$ 744,397</u>	<u>\$ 1,042,406</u>	<u>\$ 1,786,803</u>	<u>\$ 1,396,475</u>
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for interest	\$ 13,454			\$ 15,169

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

THE TOWERS OF KEY BISCAYNE, INC.

Notes to Financial Statements

December 31, 2009

(With Comparative Totals for 2008)

(1) *Organization and Summary of Significant Accounting Policies*

Organization

The Towers of Key Biscayne, Inc. (the "Association") was organized in 1971 as a Florida not-for-profit corporation pursuant to the Florida Condominium Act, for the purpose of maintaining and preserving the common property of The Towers of Key Biscayne Condominium, consisting of 538 residential and 2 commercial units in two 12-story buildings, located in Key Biscayne, Florida.

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements and other special purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement and deferred maintenance fund and from any future special purpose fund may be made only for their designated purposes.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Member Assessments

Maintenance assessments, which are based upon a budget established by the Board of Directors, are levied against the members for their proportionate share of common expenses and, unless waived by an annual vote of the members, funds for future major repairs and replacements. Maintenance assessments are due in quarterly installments on the first day of each quarter and revenue is recognized monthly. Special assessments may also be imposed from time to time as deemed appropriate by the Board of Directors, subject to provisions of the Florida Statutes and the Association's governing documents.

Cash Equivalents

The Association considers bank money market funds to be cash equivalents.

THE TOWERS OF KEY BISCAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2009

(With Comparative Totals for 2008)

(1) *Organization and Summary of Significant Accounting Policies (Continued)*

Recognition of Assets and Depreciation Policy

Real property, common areas and related improvements which are maintained by the Association, are not recorded in the Association's financial statements because these properties are deemed to be owned by the individual unit owners in common and not by the Association. The Association capitalizes, at cost, personal property which it acquires with Association funds. Depreciation is computed based on the related estimated useful lives using a declining balance method.

Income Taxes

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenses is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation exempt function income, which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different tax rates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 31, 2010, the date the financial statements were available to be issued.

(2) *Cash Equivalents*

At December 31, 2009, cash equivalents consisted of approximately \$769,000 (approximately \$784,000 at December 31, 2008) invested in bank money market funds.

THE TOWERS OF KEY BISCAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2009

(With Comparative Totals for 2008)

(3) *Certificate of Deposit*

At December 31, 2009, the Association had invested in a certificate of deposit, aggregating \$250,000, which bears interest at 0.35% per annum and matures in August 2010. The certificate of deposit is reported at its cost, which approximates fair market value.

(4) *Concentrations of Credit Risk from Cash Deposits in Excess of Insured Limits*

At December 31, 2009, the Association's deposit account balances exceeded the Federal Deposit Insurance Corporation coverage limits by approximately \$6,000 (approximately \$27,000 at December 31, 2008).

(5) *Assessments Receivable*

The Association's policy is to retain legal counsel and place liens on properties of unit owners whose assessments are sixty days or more delinquent. For the purpose of monitoring the collection of assessments, the Association considers assessments to be delinquent if they are more than twenty-five days in arrears. As of December 31, 2009, delinquent assessments receivable aggregated approximately \$402,000, against which an allowance for doubtful accounts of approximately \$320,000 has been recorded.

(6) *Future Major Repairs and Replacements*

Chapter 718 of the Florida Statutes and the Association's governing documents require that the Association's budget include assessments for future major repairs and replacements, unless waived by an annual vote of the unit owners. Such assessments shall be for items including, but not limited to, roof replacement, building painting, pavement resurfacing, and for any other item for which the deferred maintenance expense or replacement cost exceeds \$10,000.

In May 2004, the Association engaged an independent specialist to conduct a study (updated in January 2009) to estimate the remaining useful lives and the future replacement costs of the components of common property. Accordingly, the funding requirements of \$1,494,770 and \$1,471,000, based on the pooled funding method, are included in the 2009 and 2010 budgets, respectively.

THE TOWERS OF KEY BISCAWAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2009

(With Comparative Totals for 2008)

(6) *Future Major Repairs and Replacements (Continued)*

Funds are being accumulated in the replacement and deferred maintenance fund based on estimates of future needs for major repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement and deferred maintenance fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors has the right to increase regular assessments subject to the provisions of the Association bylaws, pass special assessments or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

At December 31, 2009, the operating fund was indebted to the replacement and deferred maintenance fund in the amount of \$81,110. Such amount was repaid during 2010.

An analysis of the activity in the replacement and deferred maintenance fund for the year ended December 31, 2009 is included in Schedule 2.

(7) *Furniture and Equipment*

Furniture and equipment consisted of the following as of December 31, 2009:

		<u>Estimated Useful Lives (Years)</u>
Furniture and office equipment	\$ 222,922	5 - 7
Computer equipment	21,050	5
	<u>243,972</u>	
Less: Accumulated depreciation	243,972	
	<u>\$ -</u>	

As of December 31, 2009, all of the furniture and equipment was in use by the Association.

(8) *Insurance Financing Note Payable*

Insurance financing note payable is due in monthly installments of approximately \$69,000, including interest at 4.30% per annum, through March 2010. Finance charges aggregate approximately \$13,000 over the term of the note. The note is collateralized by the lender's security interest in the related insurance policies.

THE TOWERS OF KEY BISCAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2009

(With Comparative Totals for 2008)

(9) *Special Assessment*

In August 2007, the Board of Directors approved a special assessment in the amount of \$750,000, for the purpose of providing funds for balcony repairs. The work in connection with this special assessment was completed in 2008.

(10) *Loan Agreement and Line of Credit*

The Association has a loan agreement in the amount of \$750,000 with Branch Banking and Trust Company ("BB&T") for the purpose of providing funding for a line of credit facility. Monthly payments of interest only will be due on the amount of funds drawn on the line of credit. The interest rate is variable, and is based on the BB&T's Base Rate which, at December 31, 2009, was 3.50%. The loan is due and payable in full immediately on BB&T's demand. As of December 31, 2009, no funds had been drawn against the line of credit.

(11) *Leases*

Beauty Salon

The Association leases commercial space within the condominium building to a beauty salon on a rent-free basis. The lease extends through December 2010, unless terminated earlier, pursuant to the provisions of the lease.

Restaurant

The Association leases commercial space within the condominium building to a restaurant operator (the "lessee"), for the benefit of the members of the Association and their guests. Under the terms of the lease, the restaurant's menu and pricing are subject to the approval of the Association. The lease provides for a monthly rental of \$2,000, which the Association has agreed to abate during the term of the lease, provided that the lessee is not in default of any provisions of the lease. The lessee is responsible for payment of all utility charges for the restaurant premises. The lease extends through October 2010, unless terminated earlier, pursuant to the provisions of the lease.

Rooftop Space – Antenna

The Association rents a portion of its roof to BellSouth Cellular Corp. for cellular telephone antennas under a lease expiring in December 2014. The Association receives a base rental fee of approximately \$21,000 annually, which is subject to annual cost of living adjustments, using the November 1989 CPI as the base period index.

THE TOWERS OF KEY BISCAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2009

(With Comparative Totals for 2008)

(12) Agreements

Service Providers

The Association has various agreements for the maintenance of the common property and for other services. Generally, the agreements may be cancelled with advance notice by either party, with the exception of the agreements for (a) cable television services, (at the rate of approximately \$27 per unit per month in 2009 (\$25 in 2008); the agreement is currently on a month-to-month basis); and (b) elevator maintenance (at the rate of approximately \$5,000 per month in 2009 (\$4,800 in 2008)), through 2012.

Manager

The Association has an agreement with an individual (the "manager") for administrative and operational management of the Association. The manager received a base salary of approximately \$103,000 in 2009 (plus a bonus of \$17,000), and customary benefits. Any bonus payments to the manager for 2010 shall be at the sole discretion of the Board of Directors. The agreement extends through September 2010, unless terminated earlier by either party or renewed for an additional period, as provided for in the agreement.

(13) Windstorm Contingency

The Association maintains insurance coverage for damage sustained by the condominium buildings from a "named" windstorm. The maximum deductible for which the Association could be responsible is approximately \$5,800,000. The Association has not set aside funds to cover the deductible. Accordingly, if such funds are needed, the Association has the right to assess its members or seek bank financing.

In addition, inasmuch as certain other expenses may be incurred by the Association in the event of a windstorm, the ultimate extent of any such loss in excess of the aforementioned maximum deductible cannot be determined.

(14) Litigation

Legal counsel for the Association has advised that a current unit owner ("Unit Owner A") has filed a complaint in the Miami-Dade Circuit Court against the Association, seeking certain damages. Unit Owner A alleges that, prior to the purchase of his unit, the Developer had reduced the size of the unit. However, the developer did not reconfigure the percentage of the common expenses applicable to the unit, as set forth in the Declaration of Condominium (the "Declaration"), to correspond with the reduction in size of the unit.

THE TOWERS OF KEY BISCAWAYNE, INC.

Notes to Financial Statements (Continued)

December 31, 2009

(With Comparative Totals for 2008)

(14) *Litigation (Continued)*

Several years later, Unit Owner A allegedly entered into an agreement with the then president of the Association (the "past president"), whereby Unit Owner A would pay a lesser amount than that required by the Declaration and would, instead, pay an amount corresponding to the actual size of the unit. The owner of the unit above the unit owned by Unit Owner A ("Unit Owner B") had also entered in an agreement with the past president to pay an amount greater than that required by the Declaration and which corresponded to Unit Owner B's larger unit. After years of Unit Owners A and B paying different amounts, the Association informed Unit Owners A and B that they must begin paying the amount stated in the Declaration. Consequently, Unit Owner A proceeded to pay the higher amount, but now seeks to enforce the agreement entered into with the past president and to resume paying the lesser amount.

The Association filed an answer to the Complaint alleging that the agreement with the past president was unenforceable. The Association also filed a counterclaim against Unit Owner A, and a Third Party Complaint against Unit Owner B, seeking reformation of the Declaration by the Court to correct the percentage allocation of common expenses assessed to these two units. After service of the Third Party Complaint and Counterclaim, both Unit Owner A and Unit Owner B, together with the Association, agreed to the entry of an Agreed Final Judgment where the Court reformed Exhibit F to the Declaration decreasing the common expenses of Unit Owner A and simultaneously increasing the common expenses of Unit Owner B. The Agreed Final Judgment was entered by the Court on April 16, 2009.

ADDITIONAL AND SUPPLEMENTARY INFORMATION

THE TOWERS OF KEY BISCAIYNE, INC.

Schedule of Expenses

Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009			2008
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Administrative and General:				
Condominium fees	\$ 2,152	\$ -	\$ 2,152	\$ -
Holiday function	-	-	-	3,828
Interest and bank charges	22,703	-	22,703	19,985
Lockbox	2,948	-	2,948	6,432
Office	13,322	-	13,322	15,298
Payroll processing	4,738	-	4,738	4,623
Postage and printing	17,540	-	17,540	18,293
Professional fees:				
Accounting and bookkeeping services	34,079	-	34,079	35,279
Legal	62,030	-	62,030	41,322
Provision for losses on assessments receivable	166,284	-	166,284	86,129
Taxes and licenses	1,996	-	1,996	20,083
Telephone	20,108	-	20,108	24,250
	<u>\$ 347,900</u>	<u>\$ -</u>	<u>\$ 347,900</u>	<u>\$ 275,522</u>
Maintenance and Repairs:				
Air conditioning	\$ 35,200	\$ 56,667	\$ 91,867	\$ 34,550
Computer	4,980	-	4,980	10,209
Contingency	51,102	-	51,102	28,493
Electrical	33,359	-	33,359	11,841
Elevator	62,550	-	62,550	57,660
Fire alarm	22,154	-	22,154	14,623
General building	238,191	42,300	280,491	444,155
Housekeeping	12,761	-	12,761	16,195
Interior	-	121,739	121,739	286,082

(Continued)

THE TOWERS OF KEY BISCAWAYNE, INC.

Schedule of Expenses (Continued)

Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009		2008	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Maintenance and Repairs (Continued):				
Landscaping	27,464	-	27,464	29,712
Mechanical equipment	-	-	-	67,235
Painting/waterproofing	-	371,202	371,202	53,382
Pest control	13,850	-	13,850	13,297
Plumbing	138,775	19,920	158,695	66,562
Pond	15,440	-	15,440	-
Pool	12,532	7,382	19,914	75,490
Restaurant equipment	10,949	-	10,949	15,007
Restoration/structural	-	260,621	260,621	503,847
Roof	-	24,900	24,900	190,176
Security systems	-	67,041	67,041	9,305
Shutters	40,623	-	40,623	34,673
Uniforms	4,485	-	4,485	5,892
Waste removal	55,808	-	55,808	57,107
Water treatment	12,162	-	12,162	11,070
	<u>\$ 792,385</u>	<u>\$ 971,772</u>	<u>\$ 1,764,157</u>	<u>\$ 2,036,563</u>
Payroll and Related Costs:				
Administrative	\$ 284,071	\$ -	\$ 284,071	\$ 313,134
Concierge and access control	562,631	-	562,631	559,783
Engineering	334,055	-	334,055	402,336
Housekeeping	273,263	-	273,263	270,202
Landscaping	117,011	-	117,011	131,580
Pool	76,093	-	76,093	79,040
Premium pay	7,871	-	7,871	15,075
Receiving	33,398	-	33,398	58,733
	<u>\$ 1,688,393</u>	<u>\$ -</u>	<u>\$ 1,688,393</u>	<u>\$ 1,829,883</u>

(Continued)

THE TOWERS OF KEY BISCAIYNE, INC.

Schedule of Expenses (Continued)

Year ended December 31, 2009

(With Comparative Totals for 2008)

	2009		2008	
	Operating Fund	Replacement and Deferred Maintenance Fund	Total	Total
Utilities:				
Cable television	\$ 186,874	\$ -	\$ 186,874	\$ 182,284
Electricity	624,365	-	624,365	646,168
Gas	56,262	-	56,262	53,889
Oil	190,673	-	190,673	355,413
Water and sewer	253,333	-	253,333	220,158
	<u>\$ 1,311,507</u>	<u>\$ -</u>	<u>\$ 1,311,507</u>	<u>\$ 1,457,912</u>

THE TOWERS OF KEY BISCAWAYNE, INC.

Supplementary Information on
Future Major Repairs and Replacements

December 31, 2009

In May 2004, an independent specialist conducted a study, updated in January 2009, to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the dates that the components are anticipated to require repair or replacement.

The following schedule presents (a) significant information about the components of common property based on the study (unaudited); (b) an analysis of the activity in the replacement and deferred maintenance fund for the year ended December 31, 2009; and (c) the amount of annual funding required to fully fund the pool of accounts of the replacement and deferred maintenance fund over the remaining useful lives of the group of assets (unaudited).

Components	Estimated Remaining Useful Lives (Years) (Unaudited)	Estimated Current Replacement Costs (Unaudited)	Beginning Balances	Additions, including interest	Charges	Ending Balances	2010 Full Funding (Unaudited)	
Elevators	6 - 26	\$ 2,526,227	\$ -	\$ -	\$ -	\$ -	\$ -	
Fire safety systems	2 - 17	755,814	-	-	-	-	-	
Hurricane shutters	14 - 22	4,256,949	-	-	-	-	-	
HVAC systems	1 - 26	4,025,061	-	-	-	-	-	
Interior renovation and décor	1 - 23	11,102,300	-	-	-	-	-	
Landscaping	6	129,080	-	-	-	-	-	
Mechanical equipment	1 - 23	1,370,282	-	-	-	-	-	
Painting and waterproofing	1	564,900	-	-	-	-	-	
Pavement	1 - 28	311,326	-	-	-	-	-	
Pools and equipment	1 - 14	1,416,889	-	-	-	-	-	
Restoration/structural	1 - 24	7,895,746	-	-	-	-	-	
Roofing	1 - 23	2,354,453	-	-	-	-	-	
Security systems	9	260,714	-	-	-	-	-	
Site improvements	1 - 5	57,589	-	-	-	-	-	
Tennis courts	1 - 8	37,026	-	-	-	-	-	
Unallocated, including interest	-	-	790,495	1,505,373	971,772	1,324,096	1,471,000	
			<u>\$ 37,064,356</u>	<u>\$ 790,495</u>	<u>\$ 1,505,373</u>	<u>\$ 971,772</u>	<u>\$ 1,324,096</u>	<u>\$ 1,471,000</u>

Schedule 2