

**PARK WASHINGTON
CONDOMINIUMS ASSOCIATION**

FINANCIAL STATEMENTS

MARCH 31, 2013

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Independent Accountant's Review Report

Board of Directors
Park Washington Condominiums Association
Denver, Colorado

We have reviewed the accompanying balance sheet of Park Washington Condominiums Association as of March 31, 2013, and the related statement of operations and members' equity and statement of cash flows for the year then ended, together with the supplementary information in the schedule of operating expenses. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the replacement reserve study that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Poysti & Adams, LLC

May 29, 2013

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PARK WASHINGTON CONDOMINIUMS ASSOCIATION
BALANCE SHEET
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

March 31,	2013
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 85,531
Accounts receivable (net of doubtful accounts \$8,000)	1,911
Prepaid expense	<u>790</u>
Total current assets	<u>88,232</u>
<u>Property and Equipment</u>	
Furniture and equipment	5,881
Condo - Unit 105	<u>82,484</u>
	88,365
Less accumulated depreciation	<u>(50,360)</u>
Total property and equipment	<u>38,005</u>
<u>Other Assets</u>	
Deferred income tax	<u>11,419</u>
Total Assets	<u>\$ 137,656</u>
<u>Liabilities and Member's Equity</u>	
Current Liabilities	
Accounts payable	\$ 17,517
Prepaid assessments	4,700
Notes payable, current portion	<u>4,667</u>
Total current liabilities	<u>26,884</u>
Long-Term Liabilities	
Notes payable, net of current portion	<u>80,892</u>
Total liabilities	<u>107,776</u>
Members' Equity	
Members' equity (deficit), non-designated	(3,254)
Members' equity designated for future repairs and replacements	<u>33,134</u>
Total members' equity	<u>29,880</u>
Total Liabilities and Members' Equity	<u>\$ 137,656</u>

See accompanying notes and independent accountant's review report.

PARK WASHINGTON CONDOMINIUMS ASSOCIATION
STATEMENT OF OPERATIONS AND MEMBERS' EQUITY
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

For the Year Ended March 31,	2013
<u>Revenues</u>	
Assessment	\$ 222,242
Parking income	4,429
Late fees, collections	3,386
Condo rental income	11,518
Interest income	19
Move in/out income	3,000
Miscellaneous income	3,139
Laundry income	<u>4,473</u>
Total Revenues	<u>252,206</u>
<u>Operating Expenses</u>	
See schedule of operating expenses	228,039
<u>Reserve Expenses</u>	
Repairs and replacement	<u>0</u>
Total expenses	<u>228,039</u>
Net excess of revenue over expenses	24,167
Beginning Members' Equity	<u>5,713</u>
Ending Members' Equity	<u>\$ 29,880</u>

See accompanying notes and independent accountant's review report.

PARK WASHINGTON CONDOMINIUMS ASSOCIATION
STATEMENT OF CASH FLOWS
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

For the Year Ended March 31,	2013
Cash flows from operating activities	
Excess of revenues over expenses	\$ 24,167
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities	
Depreciation	2,923
Decrease in accounts receivable	13,513
Increase in prepaid expense	(540)
Decrease in allowance in doubtful accounts	(2,000)
Decrease in deferred taxes	5,902
Increase in accounts payable	8,868
Decrease in prepaid assessments	(534)
Total adjustments	<u>28,132</u>
Net cash provided by operating activities	<u>52,299</u>
Cash flows from financing activities	
Repayment of long-term debt	<u>(3,489)</u>
Net increase in cash and cash equivalents	48,810
Cash and cash equivalents - beginning of year	<u>36,721</u>
Cash and cash equivalents - end of year	<u>\$ 85,531</u>
Supplemental Information	
Cash paid during the year for interest expense	<u>\$ 5,210</u>

See accompanying notes and independent accountant's review report.

PARK WASHINGTON CONDOMINIUMS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Association's Organization and Activities

Park Washington Condominiums Association (the Association) is a statutory condominium association incorporated in the State of Colorado. The Association is responsible for the operation and maintenance of the property of Park Washington Condominiums which consists of 48 residential units located in Denver, Colorado.

Use of Estimates

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.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with a maturity of less than three months to be cash equivalents.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following fund established according to its nature and purposes:

- *Replacement Fund* – this fund is used to accumulate financial resources designated for future repairs and replacements.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common, and not by the Association. The Association's responsibility is to preserve and maintain the common areas. The Association owns one of the building's residential units, which is depreciated using the straight-line method over 27.5 years. Furniture and equipment is also depreciated using the straight-line method over 5 years.

Income Taxes

Condominiums associations may be taxed either as homeowners' associations or as corporations. For the year ended March 31, 2013, the Association was taxed as a corporation. The Association has Federal corporate net operating loss carry forwards of \$57,268 and State net operating loss carry forwards of \$61,101 which expire in the years 2026, 2029 and 2031. The deferred tax asset represents the tax benefit of the operating losses available to offset future taxable income. The March 31, 2013 deferred tax asset balance was \$11,419. The deferred income tax expense for the year ended March 31, 2013 was \$5,902. The Association's tax filings are subject to audit by various taxing authorities and the open audit periods are March 31, 2010 and thereafter. The Association believes that it has no significant uncertain tax positions for the year ended March 31, 2013.

PARK WASHINGTON CONDOMINIUMS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership Fees

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association and applied to reduce assessments in the succeeding year.

Subsequent Events

The Association's financial statements were available to be issued on June 20, 2013, and this is the date through which subsequent events were evaluated. The Association is not aware of any subsequent events requiring disclosure.

NOTE 2 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which totaled \$33,134 at March 31, 2013, are held in separate accounts and are generally not available for operating purposes.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 3 - NOTE PAYABLE

American National Bank, monthly payments of \$881 through August 23, 2017 with a balloon payment in 2017, interest at 3.5% at March 31, 2013, secured by a condominium unit. Interest is at prime rate plus .25%.p

\$ 85,559

The following are maturities of long-term debt as of March 31:

2013	\$ 4,667
2014	4,832
2015	5,005
2016	5,183
2017	5,367
Thereafter	<u>60,505</u>
	<u>\$ 85,559</u>

SUPPLEMENTAL INFORMATION

PARK WASHINGTON CONDOMINIUMS ASSOCIATION
SCHEDULE OF OPERATING EXPENSES
SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

For the Year Ended March 31,	2013
Administrative - legal	\$ 4,458
Administrative - lien filing	225
Administrative - late fee expense	420
Administrative - audit and accounting	2,783
Administrative - administrative expense	1,965
Administrative - telephone and pagers	1,911
Administrative - bad debt expense	9,725
Administrative - rental unit expense	4,239
Administrative - rental unit property tax	1,215
Administrative - website	510
Depreciation	2,923
Debt service - interest expense, notes payable	5,210
Deferred income tax	5,902
Insurance	28,355
Management expense	18,775
Reserve study	5,138
Building - maintenance	27,935
Building - supplies	441
Building - janitorial expense	8,290
Building - HVAC repairs/supplies	9,960
Building - elevator	8,618
Building - fire/security alarm maintenance	1,500
Building - chemical treatment	1,590
Building - landscape maintenance	1,815
Building - trash removal	5,196
Building - snow removal/de-icing	2,335
Building - swimming pool	4,973
Utilities - gas and electric	45,021
Utilities - water and sewer	15,802
Utilities - storm drain servicing	<u>809</u>
Total Operating Expenses	\$ <u>228,039</u>

See accompanying notes and independent accountant's review report.