

***PARKWAY TOWERS
CONDOMINIUM
ASSOCIATION, INC.***

FINANCIAL STATEMENTS, and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008 and 2007

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CONDOMINIUM ASSOCIATION, INC.***

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and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008 and 2007

L.R. COMPTON II, LLC
Certified Public Accountants
3595 South Teller Street, Suite 402
Lakewood, Colorado 80235

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

DECEMBER 31, 2008 and 2007

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3595 S. Teller Street, Suite 402

Lakewood, Colorado 80235

(303) 980-6232

Independent Auditor's Report

Board of Directors
Parkway Towers Condominium Association, Inc.
Denver, Colorado

We have audited the accompanying balance sheet of Parkway Towers Condominium Association, Inc. as of December 31, 2008 and 2007 and the related statements of revenue, expenditures and changes in fund balance of the operating fund and the revenue, expenditures and changes in fund balance of the replacement funds, and cash flows of the operating fund for the years 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 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, and 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 Parkway Towers Condominium Association, Inc. as of December 31, 2008 and 2007 and the results of the operations of its operating fund and of its replacement funds, and the cash flows of its operating fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 9, 2009

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PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEETS

	<u>DECEMBER 31,</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
<i>CURRENT ASSETS</i>		
Cash, Operating Fund	\$ 42,197	\$ 38,893
Cash, Replacement Funds	70,872	37,818
Assessments Receivable, Net of Allowance, \$14,340 and \$14,300	1,295	5,790
Special Assessment, 2006 Receivable	-	1,652
Replacement Funds due from Operating Fund	-	11,683
Prepaid Items	<u>6,576</u>	<u>25,914</u>
<i>Total Current Assets</i>	120,940	121,750
<i>PROPERTY and EQUIPMENT, Net</i>	<u>3,329</u>	<u>4,996</u>
<i>TOTAL ASSETS</i>	<u>\$ 124,269</u>	<u>\$ 126,746</u>
LIABILITIES and FUND BALANCES		
<i>CURRENT LIABILITIES</i>		
Accounts Payable	\$ 19,144	\$ 36,702
Advance Payments	7,735	10,647
Rental Security Deposits	1,400	800
Operating Fund due to Replacement Funds	<u>-</u>	<u>11,683</u>
<i>Total Liabilities</i>	28,279	59,832
<i>FUND BALANCES</i>		
Operating Fund	25,118	15,760
Replacement Funds	<u>70,872</u>	<u>51,154</u>
<i>Total Fund Balances</i>	<u>95,990</u>	<u>66,914</u>
<i>TOTAL LIABILITIES and FUND BALANCES</i>	<u>\$ 124,269</u>	<u>\$ 126,746</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in OPERATING FUND (DEFICIT)

OPERATING FUND

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2008</u>	<u>2007</u>
REVENUE		
Assessments	\$ 366,305	\$ 333,612
Rental Income	17,689	13,819
Other Income	<u>11,979</u>	<u>18,373</u>
<i>Total Revenue</i>	395,973	365,804
EXPENDITURES		
Maintenance	149,192	100,321
Operating Expenses		
Assessments Transferred to Replacement Funds	30,000	28,000
Utilities	<u>116,690</u>	<u>117,690</u>
<i>Total Operating Expenses</i>	146,690	145,690
Administrative Expenses		
Personnel Costs	15,276	33,875
Bad Debts	12,179	11,485
Income Taxes	201	20
Insurance	24,888	27,700
Management Company	21,600	21,600
Office and Communications	9,519	8,412
Professional Fees	<u>7,070</u>	<u>2,276</u>
<i>Total Administrative Expenses</i>	<u>90,733</u>	<u>105,368</u>
Total Expenditures	<u>386,615</u>	<u>351,379</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	9,358	14,425
Operating Fund, Beginning of Year	15,760	(29,665)
Board Directed Transfer of Special Assessment Remainder	<u>-</u>	<u>31,000</u>
OPERATING FUND, End of Year	\$ <u>25,118</u>	\$ <u>15,760</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in REPLACEMENT FUNDS

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2008</u>	<u>2007</u>
REVENUE		
Assessments Transferred from		
Operating Fund	\$ 30,000	\$ 28,000
Interest	636	446
Miscellaneous	<u>1,950</u>	<u>-</u>
<i>Total Revenue</i>	<u>32,586</u>	<u>28,446</u>
EXPENDITURES		
Major Maintenance		
Special Assessment - 2006	<u>10,688</u>	<u>46,257</u>
<i>Total Major Maintenance</i>	<u>10,688</u>	<u>46,257</u>
Administrative		
Replacement Fund, Bad Debts	528	-
Special Assessment, Bad Debts	<u>1,652</u>	<u>-</u>
<i>Total Administrative</i>	<u>2,180</u>	<u>-</u>
Total Expenditures	<u>12,868</u>	<u>46,257</u>
EXCESS (DEFICIT) of REVENUE		
OVER EXPENDITURES	19,718	(17,811)
Replacement Funds, Beginning of Year	51,154	99,965
Board Directed Transfer of Special		
Assessment to Operating Funds	<u>-</u>	<u>(31,000)</u>
REPLACEMENT FUNDS, End of Year	<u>\$ 70,872</u>	<u>\$ 51,154</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.
 STATEMENTS of CASH FLOWS,
 OPERATING FUND

	YEARS ENDED DECEMBER 31,	
	<u>2008</u>	<u>2007</u>
<i>CASH PROVIDED (USED) by</i>		
<i>OPERATING ACTIVITIES</i>		
Excess (Deficit) of Revenue		
Over Expenditures	\$ 9,358	\$ 14,425
Depreciation	1,667	1,667
<i>Adjustments to Reconcile Excess (Deficit) of</i>		
<i>Revenue Over Expenditures to Net Cash</i>		
<i>Provided (Used) by Operating Activities</i>		
Assessments Receivable, Net	4,746	3,581
Prepaid Items	19,338	(16,510)
Accounts Payable	(17,561)	15,078
Advance Payments	(2,912)	(1,073)
Security Deposits	600	(66)
Operating Fund due to		
Replacement Funds	<u>(11,932)</u>	<u>(19,583)</u>
<i>Total Cash Provided (Used)</i>		
<i>by Operating Activities</i>	3,304	(2,481)
<i>CASH PROVIDED (USED) by</i>		
<i>FINANCING ACTIVITIES</i>		
Board Directed Transfer from		
Replacement Funds	<u>-</u>	<u>31,000</u>
<i>Total Cash Provided (Used)</i>		
<i>by Financing Activities</i>	<u>-</u>	<u>31,000</u>
<i>NET INCREASE (DECREASE) in CASH</i>	3,304	28,519
Cash, Beginning of Year	<u>38,893</u>	<u>10,374</u>
<i>CASH, End of Year</i>	<u>\$ 42,197</u>	<u>\$ 38,893</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Parkway Towers Condominium Association, Inc. was incorporated April 12, 1978 under the Colorado Nonprofit Corporation Act to operate Parkway Towers Condominium Association, Inc. (Association), a converted apartment house. The Condominium Declaration of Parkway Towers Condominium Association, Inc. (Declaration) was filed May 9, 1978.

The Association, located in Denver, Colorado, consists of 102 residential units and the common elements of the project, defined as all tangible physical properties of the project, including the airspace between units, and excepting only the airspace of, and property within, the units. The common elements of the Association are owned by the owners in undivided interests, and the allocation of common expenses is based on unit square footage. Membership in the Association is due to ownership, in part or in whole, of one of the 102 residential units.

The Association's purpose is to operate and manage the common elements and related improvements within the project. The common elements of the project were transferred to the Association by the Developer and since no value for the common elements transferred was set at the date of transfer no historical cost for these assets is recorded in these financial statements.

Significant Accounting Policies

Accrual Accounting

The financial statements of Parkway Towers Condominium Association, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as applied to *Common Interest Realty Associations*.

Fund Accounting

The books and records of the Association are maintained to recognize two primary funds:

Operating Fund: This fund records the daily activities of operating the Association, including the annual budgeting, assessing the owners, collecting assessments, disbursing funds under the annual budget and paying income taxes, if any are due, on income unrelated to membership in the Association. Furniture and equipment purchases, if any, with Association funds are recorded in the Operating Fund as is the related accumulated depreciation.

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Replacement Funds: These funds record that portion of homeowners' assessments budgeted toward future major maintenance and replacement expenditures or special assessments as set by the Board. The Replacement Funds currently reflect the activities of: 1.) the long-term maintenance and replacement projected expenditures; 2.) the 2005 Special Assessment, and 3.) the 2006 Special Assessment. The 2006 and 2005 Special Assessment accounts have been closed out in 2008 at the direction of the Board. Funds in the replacement accounts are not generally available for day-to-day operating expenses.

Income Taxes

The Association is responsible for any income taxes due on income from sources unrelated to the members' ownership of a unit. Such income might include interest, dividends, gains/losses on investment activities, and other unrelated income. Income tax filings may be under a special election as a Homeowners Association (Form 1120-H), or as a regular Corporation (Form 1120). Colorado (Form 112) income tax rates are identical on income calculated under either Federal option, but Federal Form 1120-H requires an income tax rate of 30% while the Form 1120 carries a normal corporate rate of 15%.

The operating and replacement funds described above are combined for tax filing and in the years ended December 31, 2008 and 2007 the Association has chosen to file Forms 1120 and 112, resulting in a \$201 and \$20 tax liability in the respective years.

NOTE 2. Assessments Receivable

In the Board's opinion, all receivables arising from homeowner activities are collectible in full since they constitute a legal debt of the property owner subject only to a prior first mortgage on the unit. The total owed to the Association includes late and/or legal fees incurred in collection.

Collection of these debts, however, may require the Board of the Association to exercise its legal remedies, the cost of which may or may not be recovered in final resolution of the debt. At December 31, 2008 and 2007, an allowance for uncollectable accounts of roundly \$14,300 has been provided herein.

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

(Continued)

NOTE 3. Replacement Funds

The Replacement Funds, as approved by the Board consist of the following items:

A. Major Maintenance and Replacement Fund: This fund is to accumulate the necessary monies to satisfy those projects covered in the May, 2003 "Replacement Reserve Report" prepared to estimate the remaining useful lives and the replacement costs of the common property components. This study detailed the probable major maintenance and replacement needs of the Association to maintain its facilities in first class condition.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements 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.

B. 2006 and 2005 Special Assessments: These funds were to accumulate and expend the funds for projects established by the Board in 2006 and 2005 that were concluded in 2008:

NOTE 4. Other Income

Included in other income are the following items at December 31,

	<u>2008</u>	<u>2007</u>
<u>Revenue Items</u>		
Owner Charges: late fees, etc.	\$ 3,470	\$ 5,070
Owner Laundry Income	<u>8,509</u>	<u>13,303</u>
Total Other Income	<u>\$ 11,979</u>	<u>\$ 18,373</u>

NOTE 5. Fair Value of Financial Instruments

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair market value at December 31, 2008 and 2007. The fair value of debt, if any, is estimated based upon current interest rates for obligations with similar terms and maturities.

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

(Continued)

NOTE 6. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 7. Reclassifications

Certain accounts presented in the financial statements of the Association for the year ended December 31, 2007 have been reclassified in these statements to conform to the format in use at December 31, 2008.

***PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.***

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008

L.R. COMPTON II, LLC

Certified Public Accountants

3595 S. Teller Street, Suite 402

Lakewood, Colorado 80235

(303) 980-6232

***Independent Auditor's Report on
Supplementary Information***

Board of Directors
Parkway Towers Condominium Association, Inc.
Denver, Colorado

Our report on our audits of the basic financial statements of Parkway Towers Condominium Association, Inc. at December 31, 2008 and 2007 and for the years then ended appears on page 1 of this report. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The schedule of actual revenue and expenditures versus budget of the operating fund for the year ended December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Parkway Towers Condominium Association, Inc. Such information, except for that column marked "Not Audited" on which we express 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 financial statements taken as a whole.

February 9, 2009

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PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

SCHEDULE of ACTUAL REVENUE and
EXPENDITURES VERSUS BUDGET
YEAR ENDED DECEMBER 31, 2008

OPERATING FUND

	Actual	Budget (Not Audited)	Differences (Over)/Under Budget
REVENUE			
Assessments	\$ 366,305	\$ 366,351	\$ (46)
Rental Income	17,689	14,950	2,739
Other Income	<u>11,979</u>	<u>9,300</u>	<u>2,679</u>
<i>Total Revenue</i>	<u>395,973</u>	<u>390,601</u>	<u>5,372</u>
EXPENDITURES			
Maintenance			
General	52,580	50,640	(1,940)
Electric & Elevators	8,144	14,000	5,856
HVAC	61,974	41,800	(20,174)
Plumbing	19,608	15,000	(4,608)
Security	<u>4,327</u>	<u>4,000</u>	<u>(327)</u>
<i>Total Maintenance</i>	<u>146,633</u>	<u>125,440</u>	<u>(21,193)</u>
Operating Expenses			
Transferred to Replacement Fund	30,000	30,000	-
Utilities	<u>116,690</u>	<u>150,400</u>	<u>33,710</u>
<i>Total Operating</i>	<u>146,690</u>	<u>180,400</u>	<u>33,710</u>
Administrative Expenses			
Personnel	15,276	13,721	(1,555)
Bad Debts	12,179	500	(11,679)
Income Tax	201	1,000	10,112
Insurance	24,888	35,000	10,112
Management Fees	21,600	21,600	-
Office and Communications	9,519	4,600	(4,919)
Professional Fees	<u>7,070</u>	<u>8,340</u>	<u>1,270</u>
<i>Total Administrative</i>	<u>90,733</u>	<u>84,761</u>	<u>(5,972)</u>
Total Expenditures	<u>384,056</u>	<u>390,601</u>	<u>6,545</u>
EXCESS of REVENUE OVER EXPENDITURES, BEFORE BOARD TRANSFER	<u>\$ 11,917</u>	<u>\$ -</u>	<u>\$ 11,917</u>

NOTE: Revenue Differences in () represent items earned less than budgeted.
Expenditure Differences in () represent items in excess of the budgeted amounts.