

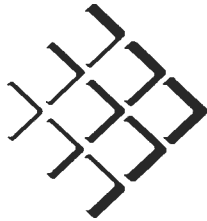
**PARKWAY TOWERS
CONDOMINIUM ASSOCIATION**

FINANCIAL STATEMENTS

And

INDEPENDENT AUDITORS' REPORT

For The Year Ended December 31, 2009



**WEIDNER
& ASSOCIATES, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS
3002 SOUTH OAK WAY
LAKEWOOD, CO 80227



Independent Auditors' Report

To the Board of Directors and Members
Parkway Towers Condominium Association

We have audited the accompanying balance sheet of Parkway Towers Condominium Association as of December 31, 2009, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Parkway Towers Condominium Association 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 supplementary information on future major repairs and replacements included in this report is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the supplementary information is in conformity with guidelines established by accounting principles generally accepted in the United States of America.

Weidner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
October 19, 2010

DALE L. WEIDNER, CPA
E-MAIL: DLWCPA@COMCAST.NET
SARA C. WEIDNER
E-MAIL: SARAWIDNER@COMCAST.NET
PHONE/FAX: 303 708 8766

THOMAS R. WEIDNER, CPA
E-MAIL: TRWCPA@COMCAST.NET
PHONE: 303 985 1299
FAX: 303 985 9905

SCOTT W. WEIDNER
EMAIL: SCOTTWEIDNER@COMCAST.NET
PHONE: 720 810 2260
FAX: 303 202 3633

Parkway Towers Condominium Association
Balance Sheet
December 31, 2009

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
ASSETS:				
Cash:				
Checking and money market accounts	\$65,080	\$15,854	\$99,619	\$180,553
Petty cash	200			200
Total cash	<u>65,280</u>	<u>15,854</u>	<u>99,619</u>	<u>180,753</u>
Accounts receivable - members, net of an allowance for doubtful accounts of \$19,000	8,497	53,063		61,560
Prepaid expenses	7,834			7,834
Interfund receivable (payable)	<u>(17,656)</u>	<u>17,656</u>		<u>0</u>
	<u>\$63,955</u>	<u>\$86,573</u>	<u>\$99,619</u>	<u>\$250,147</u>
LIABILITIES:				
Accounts payable	\$31,322	\$682		\$32,004
Income taxes payable	2,798			2,798
Security deposit - beauty salon	800			800
Loan payable (Note 8)		99,042		99,042
Deferred revenue - prepaid assessments	<u>10,137</u>			<u>10,137</u>
	<u>45,057</u>	<u>99,724</u>	<u>0</u>	<u>144,781</u>
MEMBERS' EQUITY:				
Fund balances	<u>18,898</u>	<u>(13,151)</u>	<u>99,619</u>	<u>105,366</u>
	<u>\$63,955</u>	<u>\$86,573</u>	<u>\$99,619</u>	<u>\$250,147</u>

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

Parkway Towers Condominium Association
Statement of Revenues and Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
REVENUES:				
Assessments - members (Note 3)	\$384,619			\$384,619
Budgeted allocation of assessments to reserve fund	(30,000)		\$30,000	0
Special assessment (Note 7)		\$238,698		238,698
Laundry income	7,799			7,799
Rental income - beauty salon	10,560			10,560
Rental income - unit 105	5,608			5,608
Parking income	3,005			3,005
Legal fees, late fees and other member charges	9,035			9,035
Other income	1,682			1,682
Interest			735	735
	<u>392,308</u>	<u>238,698</u>	<u>30,735</u>	<u>661,741</u>
EXPENDITURES:				
Utilities				
Gas and electric	\$77,049			77,049
Water and sewer	22,251			22,251
Trash removal	11,570			11,570
Telephone	4,312			4,312
Maintenance				
HVAC repairs and maintenance	70,177			70,177
Plumbing repairs	30,758			30,758
Repairs and maintenance - on call	26,201			26,201
Janitorial	11,156			11,156
Doors, locks and glass	8,629			8,629
Elevator repairs and maintenance	6,505			6,505
Pool and sauna	5,933			5,933
Parking surfaces	4,374			4,374
Building maintenance supplies	3,038			3,038
Landscaping and grounds	2,569			2,569
Snow removal	2,344			2,344
Painting	1,831			1,831
Security / fire alarm	1,723			1,723
Other maintenance expenses	3,778			3,778
Administrative				
Insurance	25,448			25,448
Management fees	23,100			23,100
Residential manager wages	13,586			13,586
Legal and audit fees	11,553			11,553
Engineer consulting fees	9,719			9,719
Bad debts expense	5,150			5,150
Income tax	3,495			3,495
Office supplies, copies, postage	3,430			3,430
Payroll taxes and service fees	3,273			3,273
Other administrative expenses	2,247			2,247
Special assessment				
Special assessment expenses (Note 7)		249,934		249,934
Loan interest		1,915		1,915
Reserve				
Entry system			1,988	1,988
	<u>395,199</u>	<u>251,849</u>	<u>1,988</u>	<u>649,036</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,891)	(13,151)	28,747	12,705
Fund balances - beginning of year	21,789	0	70,872	92,661
Fund balances - end of year	\$18,898	(\$13,151)	\$99,619	\$105,366

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

Parkway Towers Condominium Association
Statement of Cash Flows
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess (deficiency) of revenues over expenditures	(\$2,891)	(\$13,151)	\$28,747	\$12,705
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:				
(Increase) decrease in accounts receivable	(7,202)	(53,063)		(60,265)
(Increase) decrease in prepaid expenses	(1,258)			(1,258)
Change in interfund receivable (payable)	17,656	(17,656)		0
Increase (decrease) in accounts payable	12,178	682		12,860
Increase (decrease) in income taxes payable	2,798			2,798
Increase (decrease) in security deposits	(600)			(600)
Increase (decrease) in prepaid assessments	2,402			2,402
Total adjustments	<u>25,974</u>	<u>(70,037)</u>	<u>0</u>	<u>(44,063)</u>
Net cash provided by (used in) operating activities	<u>23,083</u>	<u>(83,188)</u>	<u>28,747</u>	<u>(31,358)</u>
Increase (decrease) in loan payable		99,042		99,042
Cash at beginning of year	<u>42,197</u>	<u>0</u>	<u>70,872</u>	<u>113,069</u>
Cash at end of year	<u>\$65,280</u>	<u>\$15,854</u>	<u>\$99,619</u>	<u>\$180,753</u>
<u>Supplemental Disclosure of Cash Flows Information:</u>				
Income taxes paid during the year	<u>\$690</u>	<u>\$0</u>	<u>\$0</u>	<u>\$690</u>
Interest paid during the year	<u>\$0</u>	<u>\$1,915</u>	<u>\$0</u>	<u>\$1,915</u>

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

Parkway Towers Condominium Association, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 1. ORGANIZATION

Parkway Towers Condominium ("The Association") is a residential management association incorporated on April 12, 1978 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Denver, Colorado and consists of the owners of 101 residences. The Members elect the Association's Board of Directors. The Board volunteers its time to manage the affairs of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association's two funds are operating and reserve. The operating fund is used to account for the general operations of the Association. The special assessment fund is used to account for special assessment revenue and related expenditures. The reserve fund is used to account for money set aside and related expenditures for major repairs and replacements.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations the Association's property, including common areas, is not capitalized in these financial statements. That property is commonly owned by the resident-owners and cannot be detached from the development and sold.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3. ASSESSMENTS

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners during 2009 ranged from \$175.90 to \$577.42 per month, based on each unit's allocated interest in the Association. Assessments for the year included amounts designated in the Association's budget for the reserve fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

Parkway Towers Condominium Association, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 4. RESERVE FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that a reserve fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of reserve fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the reserve fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements."

The Association's budget for 2009 allocated \$30,000 of assessment revenues to the reserve fund. The budgeted allocation is included in reserve fund revenues in the Statement of Revenues and Expenditures and Changes in Fund Balances for the year. The gross amount transferred to the reserve fund during 2009 was \$30,000.

Future allocations of assessment revenues to the reserve fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual reserve fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES

The Association must file annual federal and Colorado income tax returns. The Association files its federal income tax return as a homeowners' association (Form 1120-H) in accordance with Internal Revenue Code Section 528. Under Section 528 the Association is not taxed on assessment revenues or on other income derived from members and used to serve the Association's exempt purposes. Those exempt purposes generally include the maintenance, management and care of Association property. However, under Section 528 certain income, such as interest, is deemed to be related to nonexempt purposes. Nonexempt income, net of expenses allocable to that income, is taxable for both federal and Colorado tax purposes. The Association had net taxable income for the year which was taxed at a 30% rate on the federal return and at a 4.63% rate on the Colorado return. The Association's federal income taxes for 2009 were \$3,008; Colorado income taxes were \$487.

NOTE 7. SPECIAL ASSESSMENT

The Association approved a special assessment of \$238,698 during the year ended December 31, 2009 for improvements to the parking structure. The special assessment allocated to each unit was computed based on the allocated interest for each unit and was consistent with the method used to establish regular assessments.

Members were provided the option of paying the special assessment either in full by July 20, 2009 or paying the special assessment on a monthly basis over the 12 months beginning August 1, 2009. A discount of 5% of the special assessment amount was computed for each member electing to pay in full; a deferred payment charge of \$180 was added to the total due from each member electing to pay over the ensuing 12 month period.

Parkway Towers Condominium Association, Inc.
Notes to Financial Statements
December 31, 2009

NOTE 7. SPECIAL ASSESSMENT, CONTINUED

The special assessment receivable amount included in the December 31, 2009 balance sheet is the remaining seven months' amounts due (including the related remaining deferred payment charges) plus those amounts due prior to December 31, 2009 which were unpaid as of that date.

The improvements to the parking structure were funded with the special assessment described above plus a loan described in Note 8 below.

NOTE 8. LOAN PAYABLE

The Association has a loan obtained to assist in funding improvements to the parking structure. As of December 31, 2009 the loan balance was \$99,042. The loan is payable over two years starting January 1, 2010. The loan bears an interest rate of 8%.

Minimum payments of principal plus interest on the loan during the next two years are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2010	\$ 53,644
2011	53,644
	<u>\$ 107,289</u>

Parkway Towers Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2009
Unaudited

An independent engineer conducted a study in 2010 to estimate the remaining useful lives and the repair and replacement costs of the components of the Association's common property. The following information is based on the study and presents significant information about the components of the Association's common property. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study. Some of the items in the following table may have already been repaired or replaced as of the date of this report.

<u>Component / Activity</u>	<u>As of April, 2010</u>	
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Repair and Replacement Costs</u>
Roofing repairs and replacements	0 - 19	\$42,720
Asphalt repairs and replacements	0 - 24	126,545
Common area repairs and replacements	0 - 14	163,876
Exterior repairs and replacements	0 - 7	155,960
Mechanical repairs and replacements	1 - 15	750,000
Pool and spa area repairs and replacements	3 - 5	18,600
Lighting repairs and replacements	6	30,000
Total		<u>\$1,287,701</u>
Reserve fund balance at December 31, 2009		<u>\$99,619</u>