

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2011

PARKWAY TOWERS CONDOMINIUM ASSOCIATION

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report</u>	1
<u>Financial Statements</u>	
Balance Sheet	2
Statement of Revenues and Expenses And Changes in Fund Balances	3 - 4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 7
<u>Supplementary Information</u>	
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	8

FRANK J. SASSOLINO, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

6634 SOUTH BROADWAY • CENTENNIAL, COLORADO 80121 • PHONE (303) 798-6406

MEMBER
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
COMMUNITY ASSOCIATIONS INSTITUTE

February 28, 2012

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parkway Towers Condominium Association

I have audited the accompanying balance sheet of Parkway Towers Condominium Association as of December 31, 2011 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the management of Parkway Towers Condominium Association. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that supplementary information about future major repairs and replacements on page eight be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Frank J. Sassolino CPA, P.C.

PARKWAY TOWERS CONDOMINIUM ASSOCIATION

BALANCE SHEET DECEMBER 31, 2011

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 62	\$	\$ 81,619	\$ 81,681
Accounts Receivable - Net of Allowance For Doubtful Accounts of \$45,000	18,517			18,517
Accounts Receivable - Other	850			850
Due From Operating Fund (Net)			18,039	18,039
Due To Replacement Fund (Net)	(18,039)			(18,039)
Prepaid Expenses	33,335			33,335
Prepaid Income Tax	32			32
<u>Total Assets</u>	<u>\$ 34,757</u>	<u>\$</u>	<u>\$ 99,658</u>	<u>\$ 134,415</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 44,277	\$	\$	\$ 44,277
Assessments Received in Advance	9,236			9,236
Payroll and Expenses Payable	1,157			1,157
Real Estate Taxes Payable	442			442
Interest Payable	162			162
Income Tax Payable	749			749
Security Deposit	600			600
<u>Total Liabilities</u>	56,623			56,623
<u>Fund Balances</u>				
Fund Balances (Deficit)	(21,866)		99,658	77,792
<u>Total Liabilities and Fund Balances</u>	<u>\$ 34,757</u>	<u>\$</u>	<u>\$ 99,658</u>	<u>\$ 134,415</u>

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
 DECEMBER 31, 2011

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
REVENUES:				
Scheduled Maintenance Fees - Homeowners	\$ 369,657	\$	\$ 44,000	\$ 413,657
Parking Income	1,685			1,685
Unit Rental	7,300			7,300
Laundry Income	7,876			7,876
Interest Income			475	475
Late Fees and Other Income	7,961			7,961
Storage Income	960			960
Insurance Proceeds	102,642			102,642
<u>Total Revenues</u>	<u>498,081</u>	<u></u>	<u>44,475</u>	<u>542,556</u>
EXPENSES:				
Repairs and Maintenance:				
Other Repairs and Maintenance	74,187		1,943	76,130
HVAC Repairs and Maintenance	56,844		18,878	75,722
Plumbing Repairs	40,038		2,078	42,116
Snow and Trash Removal	15,431			15,431
Janitorial	10,800			10,800
Elevator Repair and Maintenance	8,035			8,035
Painting	8,014			8,014
Pool and Sauna Repairs and Maintenance	7,393			7,393
Building Repairs and Maintenance	5,457		31,244	36,701
Electrical Repairs and Supplies	3,265			3,265
Garage Maintenance	1,529			1,529
Grounds Maintenance	1,400			1,400
Capital Improvement	1,349			1,349
Utilities:				
Gas and Electric	73,841			73,841
Water and Sewer	24,422			24,422
Salaries and Related Expenses	29,176			29,176
Insurance	28,445			28,445
Management Fees	22,800			22,800
Legal, Accounting and Professional	9,011			9,011
Bad Debt	6,453			6,453
Office and Administrative Expenses	4,031			4,031
Telephone	3,730			3,730
Fire Alarm Monitoring and Maintenance	2,559			2,559
Income Tax	1,633			1,633
Property Tax	442			442
Interest Expense	162	566		728
<u>Total Expenses</u>	<u>440,447</u>	<u>566</u>	<u>54,143</u>	<u>495,156</u>

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
 DECEMBER 31, 2011

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
<u>Revenues Over (Under) Expenses</u>	57,634	(566)	(9,668)	47,400
Interfund Transfers	(6,504)	18,993	(12,489)	
<u>Fund Balances, December 31, 2010</u>	(72,996)	(18,427)	121,815	30,392
<u>Fund Balances (Deficit), December 31, 2011</u>	(\$ 21,866)	\$ 0	\$ 99,658	\$ 77,792

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
 DECEMBER 31, 2011

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
<u>Cash Flows From Operating Activities:</u>				
Revenues Over (Under) Expenses	\$ 57,634	(\$ 566)	(\$ 9,668)	\$ 47,400
Adjustments to Reconcile Net Income to Net Provided By Operating Activities:				
(Increase) Decrease in Accounts Receivable	(12,379)	11,968		(411)
Decrease in Accounts Receivable - Other	188			188
Increase in Prepaid Expenses	(29,308)			(29,308)
Decrease in Prepaid Income Tax	784			784
Decrease in Accounts Payable	(38,626)			(38,626)
Decrease in Assessments Received in Advance	(889)			(889)
Increase in Real Estate Taxes Payable	52			52
Increase in Income Taxes Payable	749			749
Decrease in Payroll and Expenses Payable	(118)			(118)
(Decrease) Increase in Interest Payable	162	(96)		66
Net Cash Provided (Used) By Operating Activities	(21,751)	11,306	(9,668)	(20,113)
<u>Cash Flows Provided (Used) By Financing Activities:</u>				
Decrease in Note Payable		(27,406)		(27,406)
Interfund Transfers	(6,504)	18,993	(12,489)	
Change in Interfund Liability (Net)	21,359	(3,320)	(18,039)	
Net Cash Provided (Used) By Financing Activities	14,855	(11,733)	(30,528)	(27,406)
Net Decrease in Cash and Cash Equivalents	(6,896)	(427)	(40,196)	(47,519)
Cash and Cash Equivalents at Beginning of the Year	6,958	427	121,815	129,200
Cash and Cash Equivalents at December 31, 2011	\$ 62	\$ 0	\$ 81,619	\$ 81,681

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Income Taxes \$600

Interest Expense \$662

Disclosure of Accounting Policy:

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

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1: ORGANIZATION

Parkway Towers Condominium Association was incorporated as a nonprofit corporation in the state of Colorado on April 12, 1978. The Association is responsible for the operation and maintenance of the common property of Parkway Towers Condominium Association. Parkway Towers Condominium Association consists of 101 residential units, one of which is owned by the Association, and one (1) commercial unit in Denver, Colorado.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND

The Association is utilizing the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally at the discretion of the Board of the Association. Disbursements from the replacement fund may be made only for designated purposes.

BASIS OF ACCOUNTING

The accompanying financial statements and related corporate income tax returns have been prepared in accordance with the accrual method of accounting.

CONCENTRATION OF CREDIT RISK

The Association's only source of assessments is from Association members. Association members are the owners of the condominium units and accounts receivable from them may be secured by a lien upon their unit.

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.

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, including one (1) commercial unit, are owned by the individual unit owners in common and not by the Association.

NOTE 3: MEMBER ASSESSMENTS

Members' assessments are determined annually. Monthly assessments for each unit are determined based on the allocated interests as stated in the condominium declarations.

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds which aggregate approximately \$81,619 at December 31, 2011, are held in separate accounts and are generally not available for normal operations.

McCaffrey Reserve Consulting conducted a study in April 2010 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of future replacement costs, considering amounts previously accumulated in the replacement fund. 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, borrow funds, or it may delay major repairs and replacements until funds are available.

NOTE 5: INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2011. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and 4.63% by the State of Colorado.

NOTE 6: SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 28, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
(Unaudited)

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2011
(Unaudited)

McCaffrey Reserve Consulting conducted a study in April 2010 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates are based on current estimated replacements costs and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Year For Replacement</u>	<u>Estimated Future Average Replacement Costs</u>
Roofing	2011 - 2029	\$ 42,720
Asphalt	2011 - 2025	126,545
Common Areas	2011 - 2025	163,875
Exterior	2011 - 2018	155,960
Mechanical	2011 - 2026	750,000
Pool and Spa Area	2014 - 2016	18,600
Lighting	2016	30,000
<u>Total:</u>		<u>\$ 1,287,700</u>

The study assumes accumulated funds of \$81,619 in the replacement fund at December 31, 2011. The study recommends a replacement fund contribution for 2012 of \$143,376. The Association budgeted \$44,000 to fund the replacement fund in 2012.