

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31,2012

PARKWAY TOWERS CONDOMINIUM ASSOCIATION

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April 24, 2013

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Parkway Towers Condominium Association

Report on the Financial Statements

I have audited the accompanying financial statements of Parkway Towers Condominium Association, which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 December 31, 2012, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information about future major repairs and replacements on page nine 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 my inquiries, the basic financial statements, and other knowledge I 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. Lumbino CPA, P.C.

PARKWAY TOWERS CONDOMINIUM ASSOCIATION

BALANCE SHEET

DECEMBER 31,2012

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 23,051	\$ 144,117	\$ 167,168
Accounts Receivable- Net of Allowance For Doubtful Accounts of \$56,000	8,501		8,501
Accounts Receivable- Other	916		916
Prepaid Expenses	33,190		33,190
Prepaid Income Tax	<u>286</u>		<u>286</u>
<u>Total</u> Assets	\$ <u>65,944</u>	\$ <u>144,117</u>	\$ <u>210,061</u>
 LIABILITIES <u>AND</u> FUND BALANCES			
Liabilities			
Accounts Payable	\$ 20,997	\$	\$ 20,997
Note Payable - Capital Premium Financing, Inc.	23,423		23,423
Assessments Received in Advance	10,960		10,960
Real Estate Taxes Payable	521		521
Security Deposit	<u>600</u>		<u>600</u>
<u>Total</u> Liabilities	56,501		56,501
 <u>Fund</u> Balances			
Fund Balances	<u>9,443</u>	<u>144,117</u>	<u>153,560</u>
 <u>Total</u> Liabilities and Fund Balances	\$ <u>65,944</u>	\$ <u>144,117</u>	\$ 210,061

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31,2012

	Operating Fund	Replacement Fund	Total
REVENUES:			
Scheduled Maintenance Fees- Homeowners	\$ 395,411	\$ 44,000	\$ 439,411
Parking Income	1,265		1,265
Unit Rental	6,900		6,900
Laundry Income	6,962		6,962
Interest Income		459	459
Late Fees and Other Income	6,489		6,489
Storage Income	960		960
<u>Total Revenues</u>	<u>417,987</u>	<u>44,459</u>	<u>462,446</u>
EXPENSES:			
Repairs and Maintenance:			
HVAC Repairs and Maintenance	34,228		34,228
Capital Improvement	25,448		25,448
Plumbing Repairs	22,718		22,718
Other Repairs and Maintenance	19,863		19,863
Snow and Trash Removal	13,864		13,864
Pool and Sauna Repairs and Maintenance	12,087		12,087
Elevator Repair and Maintenance	11,540		11,540
Janitorial	10,800		10,800
Building Repairs and Maintenance	7,123		7,123
Garage Maintenance	6,634		6,634
Electrical Repairs and Supplies	2,388		2,388
Grounds Maintenance	762		762
Utilities:			
Gas and Electric	65,745		65,745
Water and Sewer	26,983		26,983
Salaries and Related Expenses	37,401		37,401
Insurance	34,613		34,613
Management Fees	23,675		23,675
Bad Debt	14,784		14,784
Legal, Accounting and Professional	4,425		4,425
Office and Administrative Expenses	3,912		3,912
Telephone	3,418		3,418
Income Tax	1,614		1,614
Fire Alarm Monitoring and Maintenance	1,240		1,240
Interest Expense	883		883
Property Tax	530		530
<u>Total Expenses</u>	<u>386,168</u>	<u></u>	<u>386,168</u>

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31,2012

	Operating Fund	Replacement Fund	Total
Revenues Over <u>Expenses</u>	31,309	44,459	75,768
<u>Fund</u> Balances (Deficit), December JJ., 2011	(<u>21,866</u>)	99,658	77,792
<u>Fund</u> Balance, December 11 , 2012	\$ 9 443	\$ 1442117	\$ 1532560

See Accompanying Notes to Financial Statements

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2012

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.

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

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

PARKWAY TOWERS CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2012

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 \$144,117 at December 31, 2012, 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, 2012. 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: NOTE PAYABLE- CAPITAL PREMIUM FINANCING, INC.

In November 2012, the Association secured a loan with Capital Premium Financing, Inc. to pay the Association's annual insurance premiums. The terms of the loan require 9 monthly payments of \$3042.66, which includes interest at 10.350%. At December 31, 2012 the balance on the loan was \$23,423.

NOTE7: SUBSEQUENTEVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 24, 2013, 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 31,2012 (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.

Components	Estimated Year For Replacement	Estimated Current Average Replacement Costs
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
Total:		<u>\$ 1,287,700</u>

The study recommends accumulated funds of\$288,849 in the replacement fund at December 31,2012, and recommends a replacement fund contribution for 2013 of\$147,677. The Association budgeted \$45,000 to fund the replacement fund in 2013.