

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2006

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

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
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7
<u>Supplementary Information</u>	
Supplementary Information on Future Major Repairs & Replacements (Unaudited)	8 - 9

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COMMUNITY ASSOCIATIONS INSTITUTE

June 6, 2007

INDEPENDENT AUDITOR'S REPORT

Board of Directors
No. 25 Downing Condominium Association, Inc.

I have audited the accompanying balance sheet of No. 25 Downing Condominium Association, Inc. as of December 31, 2006, and the related statements of revenues and expenses and changes in fund balances and cash flows for the year ended December 31, 2006. These financial statements are the responsibility of the management of No. 25 Downing Condominium Association, Inc. 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 No. 25 Downing Condominium Association, Inc. as of December 31, 2006, and the results of its operations and its cash flows for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The supplementary information about future repairs and replacements on pages eight and nine is not a required part of the basic financial statements of No. 25 Downing Condominium Association, Inc. but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

Frank J. Sassolino CPA, P.C.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
 DECEMBER 31, 2006

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 85,450	\$ 26,748	\$ 112,198
Certificates of Deposit		219,481	219,481
Mortgage Backed Securities		8,626	8,626
Accrued Interest		627	627
Assessments Receivable - Homeowners	3,380		3,380
Prepaid Expenses	1,151		1,151
Deposits	200		200
Due From Operating Fund		19,922	19,922
Due To Replacement Fund	(19,922)		(19,922)
<u>Total Assets</u>	<u>\$ 70,259</u>	<u>\$ 275,404</u>	<u>\$ 345,663</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 24,987	\$ 3,836	\$ 28,823
Other Payables	925		925
Refundable Deposits	1,800		1,800
Income Tax Payable	1,341		1,341
Assessments Received in Advance	9,358		9,358
<u>Total Liabilities</u>	38,411	3,836	42,247
<u>Fund Balances</u>	31,848	271,568	303,416
<u>Total Liabilities and Fund Balances</u>	<u>\$ 70,259</u>	<u>\$ 275,404</u>	<u>\$ 345,663</u>

See Accompanying Notes to Financial Statements.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Member Assessments	\$ 376,561	\$ 52,800	\$ 429,361
Late Fees and Other Income	3,022		3,022
Interest and Dividend Income		10,368	10,368
Insurance Proceeds	5,267		5,267
<u>Total Revenues</u>	<u>384,850</u>	<u>63,168</u>	<u>448,018</u>
<u>EXPENSES</u>			
Gas and Electric	92,791		92,791
Salaries, Wages and Related Expenses	73,455		73,455
Insurance	27,590		27,590
Heating and Air Conditioning Repairs	27,360	3,836	31,196
Building Repairs and Maintenance	21,116	19,476	40,592
Management Fees	18,832		18,832
Janitor Expense	15,822		15,822
Office and Administration	15,581		15,581
Elevator Repair and Maintenance	15,092		15,092
Water and Sewer	13,340		13,340
Security and Fire System	13,077		13,077
Grounds Maintenance	9,328		9,328
Legal and Accounting	8,066		8,066
Electrical Repairs and Supplies	4,415		4,415
Trash and Snow Removal	4,188		4,188
Exercise Equipment	1,895		1,895
Bad Debt	1,824		1,824
Income Tax	1,762		1,762
<u>Total Expenses</u>	<u>365,534</u>	<u>23,312</u>	<u>388,846</u>
<u>Revenues Over Expenses</u>	19,316	39,856	59,172
Fund Balances, December 31, 2005	<u>12,532</u>	<u>231,712</u>	<u>244,244</u>
<u>Fund Balances, December 31, 2006</u>	<u>\$ 31,848</u>	<u>\$ 271,568</u>	<u>\$ 303,416</u>

See Accompanying Notes to Financial Statements.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Operating Fund	Replacement Fund	Total
<u>Cash Flows From Operating Activities:</u>			
<u>Revenues Over Expenses</u>	\$ 19,316	\$ 39,856	\$ 59,172
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities:			
Decrease in Assessments Receivable - Homeowner	2,022		2,022
Increase in Accrued Interest		(329)	(329)
Decrease in Prepaid Expenses	8,074		8,074
Increase in Accounts Payable	2,960	3,836	6,796
Decrease in Assessments Received in Advance	(4,313)		(4,313)
Increase in Income Tax Payable	1,195		1,195
Decrease in Deposits	(2,000)		(2,000)
<u>Net Cash Provided By Operating Activities</u>	27,254	43,363	70,617
<u>Cash Flows Provided (Used) By Investing Activities</u>			
Increase in Certificates of Deposit		(25,001)	(25,001)
Decrease in Mortgage Backed Securities		2,088	2,088
<u>Net Cash Used By Investing Activities</u>		(22,913)	(22,913)
<u>Cash Flows (Used) Provided By Financing Activities</u>			
Increase in Interfund Liability	19,922	(19,922)	
Net Increase in Cash and Cash Equivalents	47,176	528	47,704
<u>Cash and Cash Equivalents at Beginning of the Year</u>	38,274	26,220	64,494
<u>Cash and Cash Equivalents at December 31, 2006</u>	\$ 85,450	\$ 26,748	\$ 112,198

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Income Taxes \$ 700

Interest Expense \$ -0-

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.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1: ORGANIZATION:

No. 25 Downing Condominium Association, Inc. was incorporated as a nonprofit corporation in the state of Colorado on February 11, 2000. The Association is responsible for the operating and maintenance of the common property of No. 25 Downing Condominium Association, Inc. No. 25 Downing Condominium Association, Inc. consists of 74 residential units located on approximately one acre in Denver, Colorado.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FUNDS

The Association is utilizing the fund method of accounting, which requires that funds, such as operating funds, working capital 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 and the property manager. Disbursements from the replacement fund may be made only for designated purposes. The working capital fund may be used by the Association for emergencies, insurance deductibles in the event of casualty or other loss, capital expenditures for repair or replacement of common elements, and such other expenses which do not occur on a regular and on-going basis, as may be determined by a majority of the Executive Board.

BASIS OF ACCOUNTING

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and the placing of liens on the properties of delinquent members. It is the opinion of the Association's Board that, in the absence of foreclosure or personal bankruptcy proceedings of the delinquent members, the Association will ultimately prevail in most instances. Therefore, no allowance for doubtful accounts has been set-up.

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.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

INVESTMENTS

Investments consist of various mortgages backed by the Federal National Mortgage Association and the Government National Mortgage Association. The interest rates on these mortgages, which mature from 2024 to 2029, range from 6.0% to 9.0%. Interim market values fluctuate with prevailing interest rates. The market value for these securities at December 31, 2006, was \$8,348.

Investments in Certificates of Deposit will mature from 2007 - 2008 and are recorded at cost. Interest rates range from 3.25% to 5.15%. The aggregate market value of the Certificates of Deposit was \$219,472 at December 31, 2006.

The Board intends to hold these investments until maturity. Accordingly, the investments are recorded at cost.

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. Members' assessments are based on their undivided interest in all common elements as prescribed in Exhibit B of the Condominium Declarations. Assessments receivable at the balance sheet date represents fees due from owners.

NOTE 4: WORKING CAPITAL FUND:

At the time of purchase, each initial condominium owner was required to make a contribution to the Association in the amount equal to two times the normal monthly assessment to establish a working capital fund. These funds have been included in the replacement fund balance. Funds in the working capital account are to be maintained in a segregated account for the use and benefit by the Association including, without limitation, to meet unforeseen expenditures or to purchase additional equipment, property, or services. In 2002 the Association disbursed \$27,719 from this fund for furniture, artwork, and improvements. The remainder of the fund was transferred into the replacement fund.

NOTE 5: INCOME TAXES:

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2006, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 6: 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 \$255,482, should be held in separate accounts and are generally not available for normal operations.

The Association engaged an independent engineer who conducted a study in January 2007 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 current 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, or it may delay major repairs and replacements until funds are available .