

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2010

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

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COMMUNITY ASSOCIATIONS INSTITUTE

June 27, 2011

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, 2010, and the related statements of revenues and expenses and changes in fund balances and cash flows for the year then ended. 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, 2010, 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 pages eight and 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 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.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET
DECEMBER 31, 2010

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 45,478	\$ 44,797	\$ 90,275
Certificates of Deposit		300,000	300,000
Mortgage Backed Securities		109,112	109,112
Accrued Interest		998	998
Assessments Receivable - Homeowners	3,840		3,840
Prepaid Expenses	4,651		4,651
Prepaid Income Tax	6,978		6,978
Due From Operating Fund		12,445	12,445
Due To Replacement Fund	(12,445)		(12,445)
<u>Total Assets</u>	<u>\$ 48,502</u>	<u>\$ 467,352</u>	<u>\$ 515,854</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 16,294	\$	\$ 16,294
Assessments Received in Advance	20,061		20,061
Payroll Taxes Payable	2,152		2,152
Deferred Income	1,800		1,800
<u>Total Liabilities</u>	<u>40,307</u>		<u>40,307</u>
<u>Fund Balances</u>	<u>8,195</u>	<u>467,352</u>	<u>475,547</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 48,502</u>	<u>\$ 467,352</u>	<u>\$ 515,854</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, 2010

	Operating Fund	Replacement Fund	Total
<u>REVENUES:</u>			
Member Assessments	\$ 388,320	\$ 60,000	\$ 448,320
Late Fees and Other Income	5,412		5,412
Interest and Dividend Income	52	7,324	7,376
Realized Gain on Investments		229	229
<u>Total Revenues</u>	<u>393,784</u>	<u>67,553</u>	<u>461,337</u>
<u>EXPENSES:</u>			
Payroll and Related Expenses	87,290		87,290
Gas and Electric	80,060		80,060
Heating and Air Conditioning Repairs	37,956		37,956
Building Repairs and Maintenance	31,727	30,000	61,727
Insurance	25,834		25,834
Janitorial Expenses	23,722		23,722
Grounds and Fountain Maintenance	17,012		17,012
Elevator Repair and Maintenance	14,866		14,866
Office and Administration	13,797		13,797
Water and Sewer	13,005		13,005
Security and Fire System	8,625		8,625
Trash and Snow Removal	6,033		6,033
Management Fees	5,845		5,845
Plumbing Repairs and Maintenance	3,640	5,000	8,640
Legal and Accounting	3,084		3,084
Electrical Repairs and Supplies	2,202		2,202
Income Tax	1,458		1,458
Exercise Equipment	685		685
<u>Total Expenses</u>	<u>376,841</u>	<u>35,000</u>	<u>411,841</u>
<u>Revenues Over Expenses</u>	16,943	32,553	49,496
Fund Balances (Deficit), December 31, 2009	(<u>8,748</u>)	<u>434,799</u>	<u>426,051</u>
<u>Fund Balances, December 31, 2010</u>	<u>\$ 8,195</u>	<u>\$ 467,352</u>	<u>\$ 475,547</u>

See Accompanying Notes to Financial Statements

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Operating Fund	Replacement Fund	Total
<u>Cash Flows From Operating Activities:</u>			
<u>Revenues Over Expenses</u>	\$ 16,943	\$ 32,553	\$ 49,496
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities:			
Increase in Assessments Receivable - Homeowner	(3,074)		(3,074)
Increase in Accrued Interest		(307)	(307)
Decrease in Prepaid Expenses	1,118		1,118
Increase in Prepaid Income Tax	(3,542)		(3,542)
Decrease in Accounts Payable	(16,709)		(16,709)
Increase in Assessments Received in Advance	4,032		4,032
Decrease in Payroll Taxes Payable	(811)		(811)
Increase in Deferred Income	1,300		1,300
<u>Net Cash Provided (Used) By Operating Activities</u>	(743)	32,246	31,503
<u>Cash Flows (Used) By Investing Activities</u>			
Increase in Certificates of Deposit		(55,000)	(55,000)
Increase in Mortgage Backed Securities		(35,384)	(35,384)
<u>Net Cash (Used) By Investing Activities:</u>		(90,384)	(90,384)
<u>Cash Flows Provided (Used) By Financing Activities</u>			
Increase in Interfund Liability	186	(186)	
Net (Decrease) in Cash and Cash Equivalents	(557)	(58,324)	(58,881)
<u>Cash and Cash Equivalents at Beginning of Year</u>	46,035	103,121	149,156
<u>Cash and Cash Equivalents at December 31, 2010</u>	\$ 45,478	\$ 44,797	\$ 90,275

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Income Taxes	\$5,000
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, 2010

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 73 residential units located on approximately one acre in Denver, Colorado.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FUND ACCOUNTING

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

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 established.

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, 2010

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 2040, range from 4.5% to 9.0%. Interim market values fluctuate with prevailing interest rates. The market value for these securities at December 31, 2010, was \$108,539.

Investments in Certificates of Deposit will mature during 2011. Interest rates range from .35% to .60%. The aggregate market value of the Certificates of Deposit was \$300,000 at December 31, 2010.

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:

The Association qualified as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2010. 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 at 4.63% by the State of Colorado.

NO. 25 DOWNING CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 \$454,907, should be held in separate accounts and are generally not available for normal operations.

The Association's management conducted a study in October 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 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.

NOTE 7: SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 27, 2011, the date the financial statements were available to be issued.