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March 26, 2009

Dear Pinnacle Museum Tower Association Member:

In accordance with California Civil Code 1365 enclosed please find the independent audit report prepared by Gregory V. Villard, C.P.A., for the Association's financial statements of fiscal year ending December 31, 2008.

If you have any questions pertaining to this report, please contact Gregory V. Villard at 619.599.5472 or Bruce Heckman, The Prescott Companies at 619.533.7963.

By Order of the Board of Directors
Pinnacle Museum Tower Association

PINNACLE MUSEUM TOWER ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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ACCOUNTANT'S REPORT

Board of Directors and Members
Pinnacle Museum Tower Association


I have reviewed the accompanying balance sheet of Pinnacle Museum Tower Association as of December 31, 2008, and the related statements of revenues, expenses, changes in fund balances and of cash flows for the year then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management and Board of Directors.

A review consists principally of inquiries of association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The supplementary information on future major repairs and replacements on page 8 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have compiled the supplementary information from information that is the representation of management of Pinnacle Museum Tower Association, without audit or review. Accordingly, I do not express an opinion of any other form of assurance on the supplementary information.

La Mesa, California
March 17, 2009


Gregory V. Villard
Certified Public Accountant

PINNACLE MUSEUM TOWER ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2008

	Operating Fund	Replacement Fund	Total
<u>ASSETS</u>			
Cash	\$ 139,915	\$ 459,856	\$ 599,771
Assessments Receivable	18,473	-	18,473
Prepaid Insurance	60,520	-	60,520
Accounts Receivable - Other	4,124	-	4,124
Prepaid Expenses	15,028	-	15,028
Interest Receivable	-	2,564	2,564
Total Assets	<u>\$ 238,060</u>	<u>\$ 462,420</u>	<u>\$ 700,480</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 48,088	\$ -	\$ 48,088
Prepaid Assessments	27,995	-	27,995
Income Tax Payable	1,564	-	1,564
Holiday Staff Gifts	100	-	100
Total Liabilities	<u>77,747</u>	<u>-</u>	<u>77,747</u>
 <u>FUND BALANCES</u>	<u>160,313</u>	<u>462,420</u>	<u>622,733</u>
 Total Liabilities and Fund Balances	<u>\$ 238,060</u>	<u>\$ 462,420</u>	<u>\$ 700,480</u>

See accompanying notes and accountant's report.

PINNACLE MUSEUM TOWER ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES & CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Operating Fund	Replacement Fund	Total
<u>REVENUES</u>			
Regular Assessments	\$ 1,678,620	\$ 178,044	\$ 1,856,664
Children's Museum Assessments	13,224	-	13,224
Interest	485	11,080	11,565
Amenity Income	22,575	-	22,575
Other Member Charges	48,010	-	48,010
Total Revenues	\$ 1,762,914	\$ 189,124	\$ 1,952,038
<u>EXPENSES</u>			
Maintenance			
Pest Control	4,738	-	4,738
Fire Prevention	20,612	-	20,612
Pool Maintenance	13,289	-	13,289
Access Control	7,596	-	7,596
Landscaping Maintenance	8,089	-	8,089
Building Maintenance	381,812	-	381,812
Amenity Expenses	9,356	-	9,356
Area Repairs & Supplies	62,644	-	62,644
Concierge/Security Staff	411,024	-	411,024
Cable Television	5,132	-	5,132
Total Maintenance	924,292	-	924,292
Utilities			
Gas & Electric	331,919	-	331,919
Water & Sewer	73,526	-	73,526
Trash Removal	39,859	-	39,859
Total Maintenance	445,304	-	445,304
General and Administrative			
Legal, Review, & Tax Preparation	7,265	-	7,265
Management & Accounting	213,996	-	213,996
Insurance	81,481	-	81,481
Office & Administrative	29,287	-	29,287
Income Taxes	3,900	-	3,900
License & Permits	1,399	-	1,399
Telephone	8,318	-	8,318
Bad Debt Expense	13,574	-	13,574
Total Administrative	359,220	-	359,220
Major Repairs and Replacements	-	150	150
Total Expenses	1,728,816	150	1,728,966
Excess Revenues over Expenses	34,098	188,974	223,072
Beginning Fund Balances	126,216	273,445	399,661
Interfund Transfers (Net)	(1)	1	-
Ending Fund Balances	\$ 160,313	\$ 462,420	\$ 622,733

See accompanying notes and accountant's report.

PINNACLE MUSEUM TOWER ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues over Expenses	\$ 34,098	\$ 188,974	\$ 223,072
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	22,068	-	22,068
Prepaid Insurance	3,890	-	3,890
Accounts Receivable - Other	(4,124)	-	(4,124)
Prepaid Expenses	(14,576)	-	(14,576)
Interest Receivable	-	(1,703)	(1,703)
Increase (Decrease) in:			
Accounts Payable	(45,487)	-	(45,487)
Prepaid Assessments	(6,926)	-	(6,926)
Income Tax Payable	(342)	-	(342)
Holiday Staff Gifts	100	-	100
Net Cash Provided (Used) by Operating Activities	<u>(11,299)</u>	<u>187,271</u>	<u>175,972</u>
Net Increase(Decrease) in Cash	(11,299)	187,271	175,972
Cash at Beginning of Year	151,215	272,584	423,799
Interfund Transfers (Net)	(1)	1	-
Cash at End of Year	<u><u>\$ 139,915</u></u>	<u><u>\$ 459,856</u></u>	<u><u>\$ 599,771</u></u>
Supplemental Disclosure:			
Income Taxes Paid	\$ 2,336	\$ -	\$ 2,336

See accompanying notes and accountant's report.

PINNACLE MUSEUM TOWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. ORGANIZATION

Pinnacle Museum Tower Association is a condominium type common interest realty association that was incorporated on April 18, 2003, under the general nonprofit laws of the State of California. The Association was organized to provide for the management and maintenance of the commonly owned areas of the housing development, which includes 182 residential and 9 commercial units located in San Diego, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association's accounting records are maintained on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The accompanying financial statements and the Association's corporate income tax returns have also been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

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 purpose:

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.

Property and Equipment

Real property owned by individual unit owners in common and related improvements made by the Association to such property are not capitalized in the financial statements.

Personal property and equipment acquired by the Association are recorded at cost. These assets, if significant in amount, are depreciated over their estimated useful lives using straight-line method of depreciation.

PINNACLE MUSEUM TOWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Statement of Cash Flows

According to SFAS No. 95 regarding the Statement of Cash Flows, certificates of deposits and securities with original maturities of three months or less are classified as cash equivalents. Certificates of deposit and securities with original maturities over three months are considered short-term investments. The Association's policy is to treat all cash, cash equivalents, and short-term investments together as cash funds.

NOTE 3. INCOME TAXES

The Association may elect to be taxed as a regular corporation or a homeowners association. The Association elected to be taxed as a homeowners association for the period ended December 31, 2008. Under that election, the Association is generally taxed only on nonmembership income, such as interest earnings. Excess membership income is exempt from taxation. Federal and California income tax expenses for the year were \$2,963 and \$937, respectively. As of December 31, 2008, the Association owes \$1,203 in Federal and \$361 in California income taxes.

NOTE 4. HOMEOWNER 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. The annual budget and assessments of members are determined by the Board of Directors. Any excess assessments at the year end are retained by the Association for use in future years.

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's policy is to accumulate funds for future major repairs and replacements. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in August 2008 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on this study.

PINNACLE MUSEUM TOWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

The Association is funding 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 all future needs for major repairs and replacements. If additional funds are needed, however, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

NOTE 6. ASSESSMENTS RECEIVABLE

The Association's policy is to place liens on the properties of owners whose assessments are in arrears and retain legal counsel if necessary to collect delinquent assessments. As of December 31, 2008, there are \$18,473 in assessments and charges due from homeowners and \$27,995 of assessments have been paid in advance.

NOTE 7. 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 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.

PINNACLE MUSEUM TOWER ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2008
(compiled)

The Association engaged an independent consultant to estimate the remaining useful lives and the future replacement costs of the components of common property as of December 31, 2008. The estimates were based on an inspection of the property and information provided by the Board of Directors, property manager, and/or contractors currently working for the Association. Future replacement costs were based on the estimated future costs to repair or replace the common property components at the time of the study.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at December 31, 2008</u>
Amenities	2 to 17	\$ 69,433	\$ 9,812
Asphalt & Concrete Surfaces	1 to 12	305,483	43,170
Common Interior	0 to 37	338,379	47,819
Elevators	17 to 27	380,800	53,814
Fencing, Gates, & Rails	5 to 27	19,000	2,685
Fitness Room	2 to 12	85,606	12,098
Landscaping	7 to 15	51,500	7,278
Lighting	7 to 22	189,418	26,768
Mechanical Equipment	7 to 22	503,360	71,134
Miscellaneous	8 to 21	236,925	33,482
Painting/Wall Covering	5 to 12	715,793	101,155
Pool & Spa	2 to 27	210,488	29,746
Other Common Areas	1 to 22	<u>166,005</u>	<u>23,459</u>
Total		<u>\$3,272,190</u>	<u>\$462,420</u>

According to the study, the annual replacement funding requirement and accumulated replacement funding requirement are \$242,780 and \$716,902, respectively. The study determined the funding program to be 47% funded as of December 31, 2008.

See Accountant's Report