

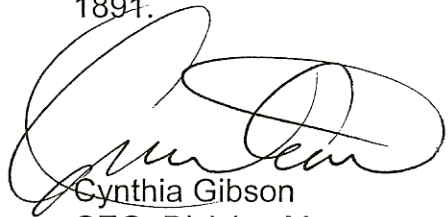
The PINNACLE

April 21, 2006

Dear Pinnacle Museum Tower Association,

In accordance with California Civil Code 1365, please find the enclosed independent audit report prepared by Gregory Villard, CPA, for the Association's financial statements of fiscal year ending December 31, 2005.

Should you have any questions pertaining to this report, please contact Gregory Villard at (619) 589-5472 or Cynthia Gibson, Community Manager at (619) 230-1891.



Cynthia Gibson
CEO, Division Manager
The Prescott Companies

PINNACLE MUSEUM TOWER ASSOCIATION
FINANCIAL STATEMENTS
FOR THE INITIAL PERIOD TO DECEMBER 31, 2005

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INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors and Members
Pinnacle Museum Tower Association

I have reviewed the accompanying statements of financial position of Pinnacle Museum Tower Association for the initial period to December 31, 2005, and the related statements of activities, functional expenses and cash flows for the period from inception to December 31, 2005, 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 Association's management and Board of Directors.

A review consists principally of inquiries of the association's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America.

La Mesa, California
April 13, 2006



Gregory V. Villard
Certified Public Accountant

PINNACLE MUSEUM TOWER ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2005

	Operating Fund	Replacement Fund	Total
<u>ASSETS</u>			
Cash	\$ 15,606	\$ 17,672	\$ 33,278
Assessments Receivable	94,095	-	94,095
Total Assets	<u>\$ 109,701</u>	<u>\$ 17,672</u>	<u>\$ 127,373</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 70,363	\$ -	\$ 70,363
Prepaid Assessments	24,679	-	24,679
Total Liabilities	<u>95,042</u>	<u>-</u>	<u>95,042</u>
 <u>FUND BALANCES</u>	<u>14,659</u>	<u>17,672</u>	<u>32,331</u>
 Total Liabilities and Fund Balances	<u>\$ 109,701</u>	<u>\$ 17,672</u>	<u>\$ 127,373</u>

See accompanying notes and independent accountant's report.

PINNACLE MUSEUM TOWER ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES & CHANGES IN FUND BALANCES
FOR THE INITIAL PERIOD TO DECEMBER 31, 2005

	Operating Fund	Replacement Fund	Total
<u>REVENUES</u>			
Regular Assessments	\$ 229,408	\$ 17,672	\$ 247,080
Interest	44	-	44
Other Member Charges	5,162	-	5,162
Total Revenues	<u>\$ 234,614</u>	<u>\$ 17,672</u>	<u>\$ 252,286</u>
<u>EXPENSES</u>			
Maintenance			
Pest Control	1,303	-	1,303
Custodial Services	30,853	-	30,853
Building Maintenance Contract	11,835	-	11,835
Concierge/Security Staff	40,222	-	40,222
Pool & Spa	808	-	808
Area Repairs & Supplies	2,034	-	2,034
Cable Television	2,571	-	2,571
Miscellaneous	5,395	-	5,395
Total Maintenance	<u>95,021</u>	<u>-</u>	<u>95,021</u>
Utilities			
Gas & Electric	38,307	-	38,307
Water & Sewer	5,405	-	5,405
Trash Removal	5,099	-	5,099
Total Maintenance	<u>48,811</u>	<u>-</u>	<u>48,811</u>
General and Administrative			
Management & Accounting	34,167	-	34,167
Insurance	33,336	-	33,336
Office & Administrative	5,795	-	5,795
Telephone	2,825	-	2,825
Total Administrative	<u>76,123</u>	<u>-</u>	<u>76,123</u>
Total Expenses	<u>219,955</u>	<u>-</u>	<u>219,955</u>
Excess Revenues over Expenses	14,659	17,672	32,331
Beginning Fund Balances	-	-	-
Interfund Transfers (Net)	-	-	-
Ending Fund Balances	<u>\$ 14,659</u>	<u>\$ 17,672</u>	<u>\$ 32,331</u>

See accompanying notes and independent accountant's report.

PINNACLE MUSEUM TOWER ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE INITIAL PERIOD TO DECEMBER 31, 2005

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues over Expenses	\$ 14,659	\$ 17,672	\$ 32,331
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	(94,095)	-	(94,095)
Increase (Decrease) in:			
Accounts Payable	70,363	-	70,363
Prepaid Assessments	<u>24,679</u>	<u>-</u>	<u>24,679</u>
Net Cash Provided (Used) by Operating Activities	<u>15,606</u>	<u>17,672</u>	<u>33,278</u>
Net Increase(Decrease) in Cash	15,606	17,672	33,278
Cash at Beginning of Year	-	-	-
Interfund Transfers (Net)	-	-	-
Cash at End of Year	<u>\$ 15,606</u>	<u>\$ 17,672</u>	<u>\$ 33,278</u>

See accompanying notes and independent accountant's report.

PINNACLE MUSEUM TOWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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, 2005. Under that election, the Association is generally taxed only on nonmembership income, such as interest earnings. Excess membership income is exempt from taxation. There were no Federal or California income tax expenses for the period ended December 31, 2005.

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 has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future because the Association is currently operating under the Department of Real Estate approved budget. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

PINNACLE MUSEUM TOWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

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 183 residential and 8 commercial units located in San Diego, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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, 2005

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, 2005, there are \$94,095 in assessments and charges due from homeowners and \$24,679 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.

NOTE 8. PERIOD OF OPERATIONS

These financial statements reflect two months of operations since the Association started November 1, 2005, the month following the close of escrow.