

The Park at Quail Creek Homeowners' Association, Inc.

Reviewed Financial Statements

For the Year Ended December 31, 2017

The Park at Quail Creek Homeowners' Association, Inc.

Reviewed Financial Statements

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
The Park at Quail Creek Homeowners' Association, Inc.
Austin, Texas

We have reviewed the accompanying financial statements of The Park at Quail Creek Homeowners' Association, Inc., which comprise the balance sheet as of December 31, 2017, 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. A review includes primarily applying analytical review procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the required supplementary information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our conclusion on the basic financial statements is not affected by the missing information.

Austin, Texas
October 17, 2018

A handwritten signature in black ink that reads "Ronald W. Meyer Ph.D." The signature is written in a cursive style with a large, looped initial 'R' and a distinct 'Ph.D.' at the end.

The Park at Quail Creek Homeowners' Association, Inc.

Balance Sheet

December 31, 2017

	<u>2017</u>
Assets	
Current Assets	
Cash - Undesignated	\$ (2,138)
Cash - Designated	67,883
Due from Operating to Reserves	66,589
Accounts Receivable, net	10,268
Prepaid Insurance	394
Total Current Assets	<u>142,996</u>
Fixed Assets	
Furniture and Fixtures	15,983
Exterior Lighting	9,517
Clubhouse and Pool	106,874
Land	438,127
Accumulated Depreciation	(125,230)
Total Fixed Assets	<u>445,271</u>
Total Assets	<u><u>\$ 588,267</u></u>
Liabilities and Members' Equity	
Current Liabilities	
Due to Reserves from Operating	\$ 66,589
Accrued Expenses	9,171
Pool Key Deposits	695
Prepaid Assessments	14,405
Total Current Liabilities	<u>90,860</u>
Fund Balance	
Developer Contributions	441,029
Fund Balance	56,378
Total Fund Balance	<u>497,407</u>
Total Liabilities and Fund Balance	<u><u>\$ 588,267</u></u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balance

For the Year Ended December 31, 2017

	<u>2017</u>
Revenues	
Assessment Income	\$ 481,542
Entry Fee Contribution	2,000
Transfer Fees	4,500
Collections Income	433
NSF Service Fees	70
Late Fees and Interest	650
Recreation Center Rental	350
Violation Fines	25
Interest Income	165
Total Revenues	<u><u>489,735</u></u>
Expenses	
Taxes and Insurance	
Insurance	<u>71,967</u>
Total Taxes and Insurance	<u><u>71,967</u></u>
Utilities	
Electricity	9,945
Water and Sewer Service	56,463
Maintenance - Recycling	6,043
Telephone	1,630
Total Utilities	<u><u>74,081</u></u>
Landscaping and Contracted Services	
Landscape Maintenance	73,784
Tree Maintenance	6,384
Electrical Services	2,465
Porter	5,250
Pest Control	9,923
Plumbing Services	125
Pool Management	9,533
Trash Removal	44,477
Total Landscaping and Contracted Services	<u><u>151,941</u></u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balance
(continued)

For the Year Ended December 31, 2017

	<u>2017</u>
Repair and Maintenance	
Landscape Repair and Maintenance	8,786
Irrigation Repair and Maintenance	2,810
Building Repair and Maintenance	1,184
General Repair and Maintenance	36,945
Gutter Repair and Maintenance	251
Lighting Supplies/Repair and Maintenance	5,587
Painting Services and Supplies	371
Pool Supplies/Repair and Maintenance	1,598
Maintenance Labor	447
Signage Repair and Maintenance	1,288
Street Repair and Maintenance	880
Tennis Court Repair and Maintenance	570
Mileage	74
Other Supplies/Repair & Maintenance	1,544
Depreciation	1,595
Total Repairs and Maintenance	<u>63,930</u>
General and Administrative	
General Administrative	600
Bank Charges	14
Collection Expense	4,008
Office Reimbursements	9,696
Postage	1,751
Alarm System Expenses	852
Water Cooler (Ozarka)	30
Surveillance Cameras	6,164
Total General and Administrative	<u>23,115</u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balance
(continued)

For the Year Ended December 31, 2017

	<u>2017</u>
Professional Services	
Permits and Licenses	200
Audit and Tax Services	4,296
Legal Services	4,047
Management Fees	44,605
Other Professional Services	507
Total Professional Services	<u>53,655</u>
Shared Expenses	<u>3,030</u>
Other Expenses	<u>81,940</u>
Total Operating Fund Expenses	<u>523,659</u>
Capital/Reserve Expenses	
Exterior Building Repairs (Reserve)	10,000
Legal	1,593
Total Capital/Reserve Expenses	<u>11,593</u>
Total Expenses	<u>535,252</u>
Excess of Revenues Over/(Under) Expenses	(45,517)
Beginning Fund Balance	542,924
Ending Fund Balance	<u><u>\$ 497,407</u></u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2017

	<u>2017</u>
Cash Flows from Operating Activities:	
Excess of Revenues Over Expenses	\$ (45,517)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,595
Changes in Operating Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	2,505
(Increase) Decrease in Prepaid Insurance	27,448
Increase (Decrease) in Insurance Payable	(26,331)
Increase (Decrease) in Resident Refunds	(2,063)
Increase (Decrease) in Accrued Expenses	9,171
Increase (Decrease) in Prepaid Assessments	<u>(3,736)</u>
Net Cash Provided By Operating Activities	<u>(36,928)</u>
Cash Flows from Investing Activities:	
Fixed Asset Acquisitions	<u>-</u>
Net Cash Provided/(Used) by Investing Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	(36,928)
Cash and Cash Equivalents at Beginning of Year	<u>102,673</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 65,745</u></u>
Summary of Cash Accounts	
Undesignated	\$ (2,138)
Designated	<u>67,883</u>
	<u><u>\$ 65,745</u></u>
Supplemental Disclosure	
Income Taxes Paid	<u><u>\$ -</u></u>
Interest Paid	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

The Park at Quail Creek Homeowners' Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 1 - Nature of Organization

The Park at Quail Creek Homeowners' Association, Inc. (the Association) was incorporated on December 6, 1971 under the Texas Non-profit Corporation Act for the purpose of operating, managing, and administering the affairs of its membership. This is a 196 unit residential townhome association located in Travis County, Texas.

Note 2 - Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 17, 2018, the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Basis of Accounting

The Association uses the accrual basis method of accounting. Using this method of accounting, revenues and accounts receivables are recognized when earned regardless of when cash is received. Revenues received prior to being earned are reported as prepaid assessments. Expenses and accounts payable are recognized when the obligation is incurred regardless of when cash is disbursed. Expenses paid before being obligated are reported as prepaid expenses.

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.

The Park at Quail Creek Homeowners' Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 3 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include amounts in checking and money market accounts, time deposits, certificates of deposits and all highly liquid instruments with maturities of twelve months or less.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenditures, future capital expenditures, and major repairs and replacements. Assessments receivable at December 31, 2017 represents amounts due from homeowners. Prepaid assessments at December 31, 2017 represent assessments paid in advance by homeowners. The allowance for bad debts was \$0 at December 31, 2017. Excess assessments at the end of the year are retained by the Association for use in future years.

Fixed Assets

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of the real property directly associated with the townhomes. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line method of depreciation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Park at Quail Creek Homeowners' Association, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2017

Note 4 - Federal Income Taxes

The Association has elected to be taxed under Internal Revenue Code Section 528 which allows the Association to exclude exempt function income from gross income. Exempt function income consists of owners assessments or other fees the Association receives from members as owners of the Association services. Taxable non-member income arises from amounts received from non-members of the Association including interest earned on reserve funds. Income tax of \$0 for 2017 is reflected in these financial statements.

The Association should no longer be subject to IRS examination for tax years prior to 2014.

Note 5 - Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$31,762 at December 31, 2017, are held in separate accounts and are generally not available for operating purposes. In addition, the Operating Fund owes the Reserve Fund \$66,589 as of December 31, 2017, primarily for Board approved transfers which had yet to be made due to cash flow constraints.

The Association has not conducted a study to determine the useful lives of common property components and the costs of future major repairs and replacements.

Should amounts accumulated in the replacement fund not be adequate to meet future needs, the Association has the right, subject to member approval, to increase the regular assessment or levy special assessments. Otherwise, major repairs and replacements may be delayed until funds are available.