

**Amber Wood at Fall Creek Homeowners
Association, Inc.**

Financial Statements

December 31, 2014

Canady & Canady P.C.
Certified Public Accountants
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Houston, Texas 77027
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Independent Auditor's Report

To the Board of Directors of
Amber Wood at Fall Creek Homeowners Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statement of Amber Wood at Fall Creek Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2014, and related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Canady & Canady P.C.

Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors of
Amber Wood at Fall Creek Homeowners Association, Inc. (Continued)

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position of Amber Wood at Fall Creek Homeowners Association, Inc., as of December 31, 2014, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the information about the estimates of future costs of 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 Account 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 opinion on the basic financial statements is not affected by the missing information.

Canady & Canady P.C.

Houston, Texas
September 16, 2016

Amber Wood at Fall Creek Homeowners Association, Inc.
Balance Sheet
December 31, 2014

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 62,796	\$ 47,284	\$ 110,080
Account receivable	9,740		9,740
Prepaid expense	17,278		17,278
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 89,814	\$ 47,284	\$ 137,098
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Fund Balances			
Account Payable	\$ 9,639		\$ 9,639
Assessments received in advance	9,252		9,252
	<hr/>	<hr/>	<hr/>
Total Liabilities	18,891		18,891
	<hr/>	<hr/>	<hr/>
Fund Balance	52,032	47,284	99,316
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 89,814	\$ 47,284	\$ 137,098
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

Amber Wood at Fall Creek Homeowners Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2014

	Operating Fund	Replacement Fund	Total
Revenues			
Assessments	\$ 147,044		\$ 147,044
Reimbursement		47,284	47,284
Other income	4,850		4,850
Legal	1,168		1,168
Interest	456		456
Total Revenues	<u>153,518</u>	<u>47,284</u>	<u>200,802</u>
Expenses			
Insurance	70,053		70,053
Landscaping	30,294		30,294
Administrative	17,158		17,158
Legal fees	9,013		9,013
Repair and maintenance	6,839		6,839
Audit and tax return preparation	4,100		4,100
Utilities	1,115		1,115
Total Expenses	<u>138,572</u>	<u>-</u>	<u>138,572</u>
Excess of revenues over expenses	14,946	47,284	62,230
Fund balance			
Beginning of year	29,755	-	29,755
Prior year adjustment	7,331	-	7,331
End of year	<u>\$ 52,032</u>	<u>\$ 47,284</u>	<u>\$ 99,316</u>

The accompanying notes are an integral part of these financial statements.

Amber Wood at Fall Creek Homeowners Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess of revenues over expenses adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	\$ 14,946	\$ 47,284	\$ 62,230
Prior year adjustment	7,331		7,331
(Increase) Decrease in:			
Account receivable	(2,562)		(2,562)
Prepaid expense	(13,662)		(13,662)
Account receivable other	447		447
Increase (Decrease) in:			
Assessments received in advance	698		698
Account payable	(2,307)		(2,307)
Net cash provided by operating activities	4,891	\$ 47,284	52,175
Cash Flows From Financing Actives			
Note payable	10,000	-	10,000
Net cash provided by financing activities	10,000		10,000
Net increase in cash and cash equivalents	14,891	47,284	62,175
Cash and cash equivalents, beginning of year	47,905	-	47,905
Cash and cash equivalents, end of year	\$ 62,796	\$ 47,284	\$ 110,080
Supplement Disclosures			
Income Taxes Paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Amber Wood at Fall Creek Homeowners Association, Inc.
Notes to Financial Statements
December 31, 2014

Note 1 – Organization

Amber Wood at Fall Creek Homeowners Association, Inc. was incorporated as a Texas non-profit corporation in January 22, 2008. The Association was formed for the purposes of promoting the health, safety and welfare of the residents and property owners. The Association is located in Harris County, Texas.

Note 2 – Management’s Review

In preparing the financial statements, the Association has evaluated the events and transactions for potential recognition or disclosure through September 16, 2016, the date that the financial statements were available to be issued.

Note 3 – Summary of Significant Accounting Policies

Fund Accounting

The Association uses fund accounting which requires funds allocated for future major repairs and replacements is classified separately from funds available for general operations. 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 account for financial resources designated for future repairs and replacements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby income is recognized when earned and cost and expenses are recognized when the obligations are incurred.

Assessments

Association members are subject to assessments to provide funds for the Association’s operating expenses and major repairs and replacements. No assessments for future major repairs and replacements have been assessed to date.

Amber Wood at Fall Creek Homeowners Association, Inc.
Notes to Financial Statements
December 31, 2014

Federal Income Tax

The Association is subject to federal income tax and must file an annual tax return. It has the option to file as a regular corporation, subject to general corporate tax provisions, or it can elect to file as a corporation pursuant to Internal Code Section 528. Under Section 528, the Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. This section imposes a flat 30% tax on the Associations' "non-exempt function" income which consists primarily of interest income. The Association evaluates both options and makes an annual election in order to minimize its income taxes. For year ended December 31, 2014, the Association filed as a homeowner Association and the tax liability is \$0.

The Association adopted the new accounting for uncertainty for income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for year 2012, 2013 and 2014 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Note 4 - Cash and Cash Equivalents

Cash includes cash and cash equivalents, defined as liquid investments with maturities of three months or less.

The Association maintains its cash balances in a financial institution located in Houston, Texas. Accounts at the institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2014, all the cash balance is insured by FDIC.

Note 5 - Future Major Repairs and Replacements

In 2014, 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 will be required in the future. Accordingly, the Association is unable to disclose that information. When replacement funds are needed for those purposes, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on the future assessments has not been determined at this time.

Note 6 - State Franchise Tax

The Association is exempt from Texas franchise tax as specified under Section 171.082 of the Texas Tax Code as a homeowners' association.

Note 7- Prior Period Adjustment

A Prior Period Adjustment was made in the amount of \$7,331 to agree fund balance to prior year audit report.

Amber Wood at Fall Creek Homeowners Association, Inc.
Notes to Financial Statements
December 31, 2014

Note 8 – Subsequent Events

In 2016, the Association obtained a professional study to estimate the remaining useful lives and the replacement cost of the common area components.