

**Owners Association of Bradford Park, Inc.
(Texas non-profit corporation)**

Financial Statements

December 31, 2017

DRAFT

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Independent Auditor's Report

**To the Board of Directors
Owners Association of Bradford Park, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Owners Association of Bradford Park, Inc., which comprise the statement of assets and liabilities arising from cash transactions as of December 31, 2017, and the related statement of revenues collected and expenses paid 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 the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

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Independent Auditor's Report (Continued)

**To the Board of Directors of
Owners Association of Bradford Park, Inc.**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities from cash transactions of Owners Association of Bradford Park, Inc. as of December 31, 2017, and its revenue collected and expenses paid during the year then ended in accordance with the cash basis of accounting described in Note 3.

Basis of Accounting

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

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 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 opinion on the basic financial statements is not affected by the missing information.

Houston, Texas
February 12, 2019

Owners Association of Bradford Park, Inc.
Statement of Assets, Liabilities and Fund Balances - Cash Basis
December 31, 2017

Assets

Cash and cash equivalents	\$ 104,846
Total Assets	<u>\$ 104,846</u>

Liabilities and Fund Balance

Fund Balance	\$ 104,846
Total Liabilities and Fund Balance	<u>\$ 104,846</u>

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See accompanying notes to financial statements.

**Owners Association of Bradford Park, Inc.
 Statements of Revenues Collected and Expenses Paid
 For the Year Ended December 31, 2017**

Revenues

Assessments	\$	49,997
Other income		1,697
Legal fee recovered		8,553
Total Revenues Collected		60,247

Expenses

Management fee		11,340
Repairs and maintenance		10,621
Legal and professional		4,509
Administrative and office		4,332
Postage and mailing		3,492
Insurance		3,483
Community activities		2,586
Billing and collection fees		920
Storage		668
Meeting		393
Total Expenses Paid		42,344

Excess of Revenues over Expenses 17,903

Fund Balances

Beginning of year		86,943
Ending of year	\$	104,846

See accompanying notes to financial statements.

Owners Association of Bradford Park, Inc.
Notes to Financial Statements
December 31, 2017

Note 1 - Organization

Owners Association of Bradford Park, Inc. (The Association), a Texas non-profit corporation was formed on December 27, 1996. The purpose of the Association is to provide for maintenance and preservation of the properties subject to the Declaration of Covenants, Conditions and Restrictions applicable to the Association. The Association includes 278 residential units located in Cedar Park, 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 February 12, 2019 the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Basis of Presentation

The Association's policy is to prepare its financial statements on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recognized when cash is received rather than when earned. Expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

Cash and Cash Equivalents

Cash and Cash equivalents are defined as currency on hand, money market accounts and certificate of deposits whose original maturity is three months or less that are not subject to material withdrawal restrictions. Certificate of deposits whose original maturity is in excess of three months, generally are classified as investments.

The Association maintains its cash balances in financial institutions which are members of FDIC. Accounts at the institutions are secured by the Federal Deposit Insurance Corporation (FDIC) under the Federal Government's Transaction Account Guarantee Program up to \$ 250,000. As of December 31, 2017, all the cash balance is insured by FDIC.

Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, maintenance of common areas, future capital acquisitions, and major repairs and replacements of common areas. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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.

Owners Association of Bradford Park, Inc.
Notes to Financial Statements
December 31, 2017

Note 3 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes significant real and personal property to which it has title or other evidence of ownership at cost. At December 31, 2017 the Association has not capitalized such property.

Note 4 - 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, 2017, the association filed as a homeowners association and the tax liability is \$0.

The Association adopted the 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. The Association's federal income tax returns for 2015, 2016, and 2017 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 5 - Future Major Repairs and Replacement Fund Program

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, nor has the board of directors developed a plan to fund those needs. Accordingly, the Association is unable to disclose that information, as required by generally accepted accounting principles. Actual expenditures may be greater than funds accumulated for those purposes. When replacement funds are needed for those purposes, the Association plans to increase maintenance assessments, delay replacement until funds are available, or levy special assessments. The effect on future assessments has not been determined at this time.

Note 6 - Subsequent Events

Upon evaluation, the Association notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.