

**Park Glen Neighborhood Association, Inc.**

**Financial Statements**

**September 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
of Park Glen Neighborhood Association, Inc.

We have audited the accompanying balance sheet of Park Glen Neighborhood Association, Inc. as of September 30, 2014, and the related notes.

### **Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

### **Opinion**

In our opinion, the balance sheet referred to in the first paragraph presents fairly, in all material respects, the financial position of Park Glen Neighborhood Association, Inc. as of September 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

### **Disclaimer of Opinion on Statements of Income, Retained, Earnings, and Cash Flows**

Because we were not engaged to audit the statements of income, retained earnings, and cash flows, we did not extend our auditing procedures to enable us to express an opinion on results of operations and cash flows for the year ended September 30, 2014. Accordingly, we express no opinion on the results of operations and cash flows for the year ended September 30, 2014.

*Thomas Stephen & Company, LLP*

Thomas Stephen & Company, LLP  
March 26, 2015

Park Glen Neighborhood Association, Inc.  
Balance Sheet  
September 30, 2014

	2014		
	Operating Fund	Replacement Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 187,492	\$ -	\$ 187,492
Accounts receivable, net of allowance of \$226,488	20,997	-	20,997
Investments	174,025	-	174,025
Prepaid expenses	7,769	-	7,769
Total current assets	390,283	-	390,283
Total assets	\$ 390,283	\$ -	\$ 390,283
Liabilities and fund balances			
Current liabilities			
Accounts payable	\$ 8,562	\$ -	\$ 8,562
Due to Property Management Services	6,120	-	6,120
Prepaid assessments	123,294	-	123,294
Total liabilities	137,976	-	137,976
Fund balances	252,307	-	252,307
Total liabilities and fund balances	\$ 390,283	\$ -	\$ 390,283

See accompanying notes.

Park Glen Neighborhood Association, Inc.  
Notes to Financial Statements  
September 30, 2014

1. Nature of the Organization

Park Glen Neighborhood Association, Inc. (the “Association”), incorporated on July 25, 1997, is a 3,318 home community located in Fort Worth, Texas. The Association arose as a result of the merger and consolidation of Park Glen – Phase I Association, Inc. and Park Glen – Phase II Association, Inc. The Association is primarily responsible for the enforcement of deed restrictions, the maintenance of mailboxes, and the conducting of activities for homeowners and residents. The City of Fort Worth, along with affected parties created a Public Improvement District (PID) for the property within PGNA. The PID allows the city to levy and collect special assessments on property within PGNA for installation of improvements and maintenance of common property within the development. To the extent that the PID assessments are inadequate, the Association may make additional assessments to maintain the common property within the development.

2. Summary of Significant Accounting Policies

The following items comprise the significant accounting policies of the Association. The policies reflect industry practices and conform to generally accepted accounting principles. The financial statements and notes are the representations of the Association’s management, who is responsible for their integrity and objectivity.

Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure the appropriate use of financial resources, the Association maintains its financial reports using fund accounting.

*Operating Fund* – This fund is used to account for the general operations of the Association.

*Replacement Fund* – This fund is used to account for funds designated for future major repairs and replacements.

Cash and Cash Equivalents

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

Property, Equipment and Depreciation

The Association’s policy for recognizing common property as assets in its balance sheet is to recognize common personal property and real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from Members on the basis of usage or from non-members. The Association has no common property capitalized.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association’s operating expenses, future capital acquisitions and major repairs and replacements. Accounts receivable at the balance sheet date represents fees due from Association members. Members who have overpaid their assessments and have credit balances in accounts receivable at the balance sheet date have had their balance recorded as a prepaid assessment in the liability section of the balance sheet.

Park Glen Neighborhood Association, Inc.  
Notes to Financial Statements  
September 30, 2014

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The financial statements may include estimates for monthly operating expenditures when invoices are unavailable and estimates in the remaining useful lives of various depreciable assets. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Revenues are recognized when earned and expenses are recognized when incurred.

3. Governing Documents and Owners Assessments

The Park Glen Neighborhood Association consists of thirteen (13) development phases. The “Declaration of Covenants, Conditions, and Restrictions” establishes the formal regulations for all of the property within the residential community (i.e. Association). Each lot within the development is subject to the Park Glen – Phase I Association Declaration or the Park Glen – Phase II Declaration filed in the Real Property Records of Tarrant County. The member assessments are \$66.00 per lot, payable annually.

4. Investments

FASB Accounting Standards Codification Topic 820 (ASC 820), Fair Value Measurements and Disclosures (previously FASB Statement No. 157, *Fair Value Measurements*), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Park Glen Neighborhood Association, Inc.  
Notes to Financial Statements  
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4. Investments (continued)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

*Certificates of Deposit:* Valued using quoted prices for investments with similar yields.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investments held by the Association as of September 30, 2014 consist of certificates of deposit that are considered level 2 investments. Realized and unrealized gains and losses that are related to market fluctuations are recognized in the period in which the change in market value occurs.

5. Federal Income Taxes

Homeowner associations may be taxed either as homeowners associations or as regular corporations. Associations electing to be taxed as a regular corporations file Form 1120 and those electing to be taxed as a homeowner association file Form 1120H. The election is made separately for each year and must be made by the due date of the return. The Association may file the form that results in the lowest tax.

The Association does not believe it has any uncertain tax positions as of September 30, 2014. Generally, the three prior years remain open for Internal Revenue Service examination.

6. Management Contract and Fees

The management agreement is for three years and automatically renews under the same terms and conditions unless either party delivers ninety (90) days written notice prior to expiration of the agreement. Management fees are paid on the first of the month for the upcoming month and no amounts are guaranteed. Thus, no accruals for prepaid or payable management fees have been recorded.

7. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts.

The Association's funding for major repairs and replacements is based upon the remaining useful lives, however actual expenditures may differ materially from the estimated amounts. The Association has the right to increase regular assessments or levy special assessments or delay major repairs and replacements until funds are available.

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8. Commitments and Contingencies

The Association has been notified by PMS of a possible assessment resulting from under billed collection cost fees in the amount of \$19,940 for the period January 1, 2011 to October 31, 2014. The Association does not believe it is liable to PMS for the amount assessed. We are unable to determine the likelihood of a loss due to the early stage of PMS's assessment.

9. Subsequent Events

The Association has evaluated the subsequent events through March 26, 2015, the date which the financial statements were available to be issued. On February 24, 2015, the Association approved the termination of the management agreement with Property Management Solutions, LLC (PMS). The management agreement and the use of PMS' services will terminate on or around May 31, 2015. The Association has no other material subsequent events.