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FOREST WEST OWNERS ASSOCIATION, INC.

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DeVOLT AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Forest West Owners Association, Inc.
Dallas, Texas

We have audited the accompanying financial statements of the Forest West Owners Association, Inc., which comprise the Balance Sheet as of December 31, 2014, 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.

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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Forest West Owners Association, Inc., as of December 31, 2014, and the results of its operations, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report On Supplementary Information

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

Very truly yours,

DeVult and Company, P.C.

DeVult and Company, P.C.
Certified Public Accountants
August 31, 2015

FOREST WEST OWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2014

ASSETS			
	OPERATING FUND	REPLACEMENT FUND	TOTAL
CURRENT ASSETS			
Cash, including interest-bearing deposits	\$ 3,299	\$ 1,826	\$ 5,125
Assessments receivable, less allowance for doubtful accounts of \$ -	2,282		2,282
Prepaid insurance	19,489		19,489
Prepaid expense - other	876		876
TOTAL CURRENT ASSETS	<u>25,946</u>	<u>1,826</u>	<u>27,772</u>
TOTAL ASSETS	<u>\$ 25,946</u>	<u>\$ 1,826</u>	<u>\$ 27,772</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	\$ 4,467	\$	\$ 4,467
Assessments received in advance	2,764		2,764
Note payable - insurance	12,096		12,096
Note payable - current portion	15,472		15,472
TOTAL CURRENT LIABILITIES	<u>34,799</u>	<u>-</u>	<u>34,799</u>
OTHER LIABILITIES			
Note payable (less current portion)	11,022		11,022
TOTAL OTHER LIABILITIES	<u>11,022</u>	<u>-</u>	<u>11,022</u>
TOTAL LIABILITIES	<u>45,821</u>	<u>-</u>	<u>45,821</u>
FUND BALANCES / (DEFICITS)	<u>(19,875)</u>	<u>1,826</u>	<u>(18,049)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,946</u>	<u>\$ 1,826</u>	<u>\$ 27,772</u>

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

FOREST WEST OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular assessments	\$ 149,294	\$	\$ 149,294
Miscellaneous income	1,013		1,013
Late/collection charges	375		375
Interest income	6	16	22
TOTAL REVENUES	150,688	16	150,704
OPERATING EXPENSES			
Utilities expense	45,152		45,152
Insurance expense	26,420		26,420
Management fees	15,120		15,120
Repairs - exterior	13,431		13,431
Porter service	10,978		10,978
Landscaping & lawn maintenance	6,764		6,764
Courtesy patrol	4,730		4,730
Trash removal	4,202		4,202
Pool maintenance & repairs	3,248		3,248
Interest expense	2,746		2,746
Legal & professional fees	2,691		2,691
Repairs - electrical	2,229		2,229
Repairs - interior	2,194		2,194
Repairs - roofs	1,975		1,975
Office supplies & admin. costs	1,613		1,613
Common area maintenance	1,613		1,613
Pest control	1,452		1,452
Repairs - plumbing	720		720
Cable / telephone expense	614		614
Repairs - other	426		426
TOTAL OPERATING EXPENSES	148,318	-	148,318
EXCESS REVENUES / (EXPENSES)			
FROM OPERATIONS	\$ 2,370	\$ 16	\$ 2,386
EXCESS REVENUES / (EXPENSES)	\$ 2,370	\$ 16	\$ 2,386
BEGINNING FUND BALANCE / (DEFICIT)	(33,864)	18,510	(15,354)
PRIOR PERIOD ADJUSTMENTS	(5,081)	-	(5,081)
INTER-FUND TRANSFERS	16,700	(16,700)	-
ENDING FUND BALANCE / (DEFICIT)	\$ (19,875)	\$ 1,826	\$ (18,049)

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

FOREST WEST OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES:			
Excess revenues/ (expenses)	\$ 2,370	\$ 16	\$ 2,386
Add: Depreciation	-	-	-
Decrease / (Increase) in:			
Accounts receivable	(1,104)	-	(1,104)
Prepaid expenses	(1,896)	-	(1,896)
Increase / (Decrease) in:			
Accounts payable	2,804	-	2,804
Prepaid assessments	(3,683)	-	(3,683)
Prior year adjustments	(5,081)	-	(5,081)
NET CASH PROVIDED/ (USED) BY OPERATIONS	(6,590)	16	(6,574)
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase / (Decrease) in:			
Insurance notes payable	1,242	-	1,242
Notes payable	(14,286)	-	(14,286)
Inter-fund transfers	16,700	(16,700)	-
NET CASH PROVIDED/ (USED) BY FINANCING	3,657	(16,700)	(13,043)
NET INCREASE/ (DECREASE) IN CASH	(2,933)	(16,684)	(19,617)
CASH BALANCE, DECEMBER 31, 2013	6,232	18,510	24,742
CASH BALANCE, DECEMBER 31, 2014	\$ 3,299	\$ 1,826	\$ 5,125
 SUPPLEMENTAL DISCLOSURE:			
Cash paid during the year for:			
Federal Income Tax	\$ -	\$ -	\$ -
Interest Expense	\$ 2,746	\$ -	\$ 2,746

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

FOREST WEST OWNERS ASSOCIATION, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

FOOTNOTE 1: The Forest West Owners Association, Inc. is a Texas non-profit corporation formed October 1, 1981. The purpose of the Association is to operate and maintain the Forest West homeowners project. The project consists of 81 units and associated common areas located in Dallas, Texas.

FOOTNOTE 2: In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 31, 2014, the date that the financial statements were available to be issued.

FOOTNOTE 3: The books and records for the Forest West Owners Association, Inc. are maintained on the accrual basis of accounting.

FUND ACCOUNTING: The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restriction 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.

CASH AND CASH EQUIVALENTS: For the purposes of these financial statements, cash and cash equivalents are deemed to be cash in bank checking, savings and money market accounts and time deposits with a maturity date of ninety days or less.

REVENUES: Revenues are accrued each month as the member assessments become due. Both the rates for members' assessments and the amount of any special assessments due are determined by the vote of the Board of Directors.

EXPENDITURES: Expenditures are recognized when incurred, rather than when paid. Unbudgeted, non-emergency expenditures exceeding \$ 500 must be approved by the President. All large expenditures, projects and services are contracted for using competitive bidding policies. The Board of Directors has the final approval on all contracts.

See the accompanying Independent Auditors' Report.

FOREST WEST OWNERS ASSOCIATION, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

FOOTNOTE 3: (CONTINUED):

ACCOUNTS RECEIVABLE: Monthly maintenance assessments from the homeowners are accrued each month as they become due to the Association. The Association has a lien right against each unit until all dues or assessments are paid, such liens being subordinate to governmental and mortgage liens and legal fees associated with foreclosure proceedings. The Association considers all accounts receivable to be collectible as of December 31, 2014. Any excess assessments at year end are retained by the Association for use in the succeeding year.

PROPERTY AND EQUIPMENT: The Association assumed, from the developer, the responsibility to maintain and preserve the common areas of the project. 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 the Association cannot dispose of this property. The Association capitalizes personal property, if any, at cost and depreciates it using the straight-line method, over applicable useful lives.

FEDERAL INCOME TAX: The Association must make an annual election to file its Federal Income Tax return either under the provisions of the Internal Revenue code dealing specifically with Homeowners' Associations (Section 528) or Sub-Chapter A, dealing with corporations in general. Section 528 would impose a tax rate of 30% to the extent of the Association's non-exempt function net income, primarily vending, rental and interest income. Alternatively, Sub-Chapter A imposes a graduated tax on the Association's overall net income, if any.

As a result of the Association's operations for the year ended December 31, 2014, the Association has elected to file under Section 528. Income tax for the year was \$ -0-.

Currently, the open tax years available to audit by the IRS are 2012, 2013 and 2014. However, the Association has not been notified that any of these tax return years have been selected for audit by the IRS.

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 and disclosure of contingent 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.

See the accompanying Independent Auditors' Report.

FOREST WEST OWNERS ASSOCIATION, INC.
 FOOTNOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

FOOTNOTE 4: COMMITMENTS: The Association enters into various contracts for management and accounting, lawn maintenance, pool service, and other services. These contracts are generally for a term of one year, and may generally be canceled by either party giving 30 day's notice.

FOOTNOTE 5: FAIR VALUE: The Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements). The carrying amounts reflected in the December 31, 2014 balance sheet for cash and cash equivalents approximate the respective fair values. All cash and cash equivalents, including money market accounts, are held in banks. The Association currently has no money market accounts with non-federally insured institutions.

FOOTNOTE 6: INSURANCE NOTE PAYABLE: The Association entered into a financing agreement with Flat Iron Capital to finance the unpaid portion of the Association's insurance premiums. The total premiums on the policy were \$ 25,923.60, with a down payment of \$ 9,271.36. The remaining premium amount of \$ 16,652.24 was to be paid in 10 monthly payments, including interest at the rate of 8.14 %. The payments began in November of 2014 and continue through August of 2015. As of December 31, 2014, the remaining balance of the note payable was \$ 12,095.86.

FOOTNOTE 7: NOTE PAYABLE: The Association financed the replacement and painting of the wood siding through Florecita Word, a friend of one of the unit owners, for \$ 70,000. The annual interest rate is 8.0 %, with a term of 5 years. Monthly payments of principal and interest in the amount of \$ 1,419.35 began in September of 2011. Principal due over the remaining life of the loan is:

2015	\$	15,471.86
2016		11,021.55
TOTALS	\$	26,493.41

See the accompanying Independent Auditors' Report.

FOREST WEST OWNERS ASSOCIATION, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

FOOTNOTE 8: PRIOR YEAR ADJUSTMENT: The Association did not have an audit for the year ended December 31, 2013. As a result, a prior year adjustment was made to the operating fund balance effective December 31, 2013 to properly account for the Association's expenses. The following adjustments were made to expense accounts:

Roof	\$ (1,350)
Electrical	(879)
Interior	(500)
Water/Sewer	<u>(2,352)</u>
TOTAL	<u>\$ (5,081)</u>

FOOTNOTE 9: REPLACEMENT FUND: The Association has not conducted a study to determine the amount of future major repairs and replacements. The Association's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. For the year ended December 31, 2014, the Association added \$ -0-, before earnings of \$ 16 to the replacement fund. Accumulated cash funds, which aggregate approximately \$ 1,826 at December 31, 2014, are held in separate accounts and are generally not available for operating purposes.

If cash amounts are not sufficient to fund future major repairs and replacements, the Association may levy special assessments or increase regular assessments. Additionally, the Association may postpone needed repairs until funds are available.

See the accompanying Independent Auditors' Report.