

PARKWOOD HOMEOWNERS ASSOCIATION, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2015

DRAFT

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Parkwood Homeowners Association, Inc.
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Parkwood Homeowners Association, Inc. (Association), which comprise the balance sheet as of June 30, 2015, and the related statements of revenues, expenses, and changes in members' equity 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkwood Homeowners Association as of June 30, 2015, 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 Summarized Comparative Information

The June 30, 2014 financial statements of Parkwood Homeowners Association, Inc. were audited by us and we expressed an unmodified opinion on those financial statements in our report dated September 26, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenses- budget to actual information on pages 13-14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial

statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Reno, Nevada
October 2, 2015

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PARKWOOD HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)

	2015			2014
	Unrestricted General Fund	Restricted Replacement Fund	Total	Total (Memorandum Only)
ASSETS				
Cash and cash equivalents	\$ 53,368	\$ 285,968	\$ 339,336	\$ 345,600
Assessments receivable, net of allowance for doubtful accounts of \$6,447 and \$10,151 in 2015 and 2014	546	-	546	1,139
Due from other funds	3,586	-	3,586	-
Prepaid income taxes	-	-	-	-
Prepaid expenses	12,920	-	12,920	13,484
Total current assets/ total assets	<u>\$ 70,420</u>	<u>\$ 285,968</u>	<u>\$ 356,388</u>	<u>\$ 360,223</u>
LIABILITIES AND MEMBERS' EQUITY				
LIABILITIES				
Accounts payable	\$ 15,948	-	\$ 15,948	\$ 23,678
Due to other funds	-	3,586	3,586	-
Federal income taxes payable	1,453	-	1,453	272
Assessments received in advance	15,546	-	15,546	16,874
Total current liabilities/ total liabilities	32,947	3,586	36,533	40,824
MEMBERS' EQUITY	<u>37,473</u>	<u>282,382</u>	<u>319,855</u>	<u>319,399</u>
Total liabilities and members' equity	<u>\$ 70,420</u>	<u>\$ 285,968</u>	<u>\$ 356,388</u>	<u>\$ 360,223</u>

See accompanying notes

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
MEMBERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015			2014
	Unrestricted	Restricted	Total	Total
	General Fund	Replacement Fund		(Memorandum Only)
REVENUE				
Assessment fees	\$ 249,800	\$ 187,000	\$ 436,800	\$ 436,800
Late charge fees	1,425	-	1,425	1,255
Transfer fees	1,100	-	1,100	700
Clubhouse activity charges	100	-	100	300
RV storage fee	1,760	-	1,760	1,935
Miscellaneous	4,509	-	4,509	7,649
Interest and dividends	55	412	467	426
	<u>258,749</u>	<u>187,412</u>	<u>446,161</u>	<u>449,065</u>
EXPENSES				
Accounting	4,900	-	4,900	4,900
Automobile allowance	583	-	583	4,500
Bank fees	20	-	20	50
Bad debt expense (recovery)	(3,594)	-	(3,594)	-
Clubhouse alarm	804	-	804	751
Collections/ late fees	210	-	210	330
Electricity and gas	12,695	-	12,695	10,737
Insurance	36,054	-	36,054	38,003
Legal	832	-	832	1,122
Management contract	18,803	-	18,803	19,058
Ombudsmen fee	336	-	336	336
Office supplies	4,120	-	4,120	3,794
Payroll - maintenance	51,222	-	51,222	41,632
Payroll taxes and benefits	10,187	-	10,187	12,519
Postage	1,007	-	1,007	1,212
Printing	3,332	-	3,332	2,858
Refuse	-	-	-	356
Reserve study	-	700	700	3,000
Repairs and maintenance				
Buildings	963	-	963	681
Electrical repairs	1,493	-	1,493	391
Grounds and landscape	6,245	-	6,245	8,547
Maintenance contingency	396	-	396	142
Landscape contract and supplies	49,240	-	49,240	39,600
Miscellaneous supplies	4,134	-	4,134	3,834
Painting	848	-	848	759
Pest control	1,195	-	1,195	3,420
Plumbing	735	-	735	1,799
Pools and spas	4,789	-	4,789	2,895
Supplies	14,111	-	14,111	10,099
Social events	737	-	737	-
Taxes and licenses	485	-	485	1,616

See accompanying notes

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
MEMBERS' EQUITY - (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015			2014
	Unrestricted General Fund	Restricted Replacement Fund	Total	Total (Memorandum Only)
EXPENSES (Continued)				
Telephone	\$ 1,706	\$ -	\$ 1,706	\$ 2,204
Water	34,149	-	34,149	39,405
Reserve expenses				
Appliance purchases	-	-	-	1,145
Balcony	-	258	258	-
Concrete	-	3,745	3,745	5,277
Fences	-	3,585	3,585	-
Gate	-	2,708	2,708	-
Heating system	-	720	720	-
Irrigation	-	3,714	3,714	2,772
Landscaping	-	7,350	7,350	2,586
Painting	-	-	-	2,875
Plumbing, water, and gas	-	-	-	3,712
Pool	-	972	972	96,814
Resurfacing deck	-	-	-	3,474
Roads	-	149,336	149,336	-
Tree maintenance	-	2,900	2,900	6,850
Walls	-	5,433	5,433	2,800
	<u>262,737</u>	<u>181,421</u>	<u>444,158</u>	<u>388,855</u>
Excess (deficiency) of revenue over (under) expenses before federal income taxes	(3,988)	5,991	2,003	60,210
FEDERAL INCOME TAXES	<u>1,547</u>	<u>-</u>	<u>1,547</u>	<u>366</u>
Excess (deficiency) of revenue over (under) expenses	(5,535)	5,991	456	59,844
MEMBERS' EQUITY, beginning of year	<u>43,008</u>	<u>276,391</u>	<u>319,399</u>	<u>259,555</u>
MEMBERS' EQUITY, end of year	<u>\$ 37,473</u>	<u>\$ 282,382</u>	<u>\$ 319,855</u>	<u>\$ 319,399</u>

See accompanying notes

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015			2014
	Unrestricted General Fund	Restricted Replacement Fund	Total	Total (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenue over (under) expenses	\$ (5,535)	\$ 5,991	\$ 456	\$ 59,844
Adjustments to reconcile excess (deficiency) of revenue over (under) expenses to net cash flows from operating activities				
(Increase) decrease in:				
Assessments receivable, net	550	-	550	2,926
Other accounts receivable	43	-	43	(443)
Due from other funds	(3,586)	-	(3,586)	-
Prepaid income taxes	-	-	-	94
Prepaid expenses	564	-	564	2,648
Increase (decrease) in:				
Accounts payable	(4,854)	(2,875)	(7,729)	5,682
Income tax payable	1,181	-	1,181	272
Due to other funds	-	3,586	3,586	-
Assessments received in advance	(1,329)	-	(1,329)	8,973
Net cash flows from operating activities and net change in cash and cash equivalents	\$ <u>(12,966)</u>	\$ <u>6,702</u>	(6,264)	79,996
CASH AND CASH EQUIVALENTS, beginning of year			<u>345,600</u>	<u>265,604</u>
CASH AND CASH EQUIVALENTS, end of year			\$ <u><u>339,336</u></u>	\$ <u><u>345,600</u></u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

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PARKWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Parkwood Homeowners Association, Inc. (Association) was incorporated as a not-for-profit organization on October 20, 1976 in the state of Nevada. The Association is responsible for the operation and maintenance of the common property within the Parkwood development. The condominium development consists of 112 residential units located in Reno, Nevada.

Fund Accounting and Basis of Accounting

The Association employs the accrual method of accounting for income tax and financial reporting purposes. 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:

Unrestricted General Fund – This fund is used to account for financial resources available for the general operations of the Association.

Restricted Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers all money market accounts and certificates of deposit with original maturities of three months or less to be cash and cash equivalents.

Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent, thereby effectively enforcing the collection of all assessments due the Association by homeowners. However, if the homeowner declares bankruptcy, the Association is only entitled to recover dues assessed six months prior to the foreclosure date. Allowance for doubtful accounts is included in the accompanying financial statements in the amount of \$6,447.

Property and Equipment

Real property, including the common area land, clubhouse and related improvements to such property, is owned by the homeowners. Therefore, original costs for purchasing the land and buildings are not included in the financial statements of the Association. The preservation and maintenance of the properties are the responsibility of the Association. In conformity with industry practice, major repairs and replacements performed on the real property are charged to expense as incurred.

Property and Equipment

Gains or losses on the disposition of property and equipment are included in income.

The Association has no assets that would be included in property and equipment at June 30, 2015.

Assessments Received in Advance

Payments received from property owners prior to June 30 of each year for subsequent year assessments represent revenue applicable to the succeeding year and, therefore, are deferred at year-end.

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Homeowner associations may be taxed either as homeowner associations or regular corporations. For the year ended June 30, 2015, the Association elected to be taxed as a homeowner association. Under that election, the Association is taxed on its non-exempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. For the year ended June 30, 2015, the Association incurred tax expense of \$1,547.

To comply with the Association's fiduciary responsibility it has elected to be taxed as a homeowner association. The Association has reported all non-exempt function income. Tax positions to consider include, but are not limited to:

- Classification of exempt and non-exempt function income
- Allocation of management costs and administrative costs to be deductible against non-exempt function income

Although the Association has not been notified of any pending Internal Revenue Service (IRS) examinations, its returns are subject to examination within a three year statute of limitations. At June 30, 2015, the 2011 through current period returns are subject to examination by the IRS.

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.

Subsequent Events

Subsequent events have been evaluated through October 2, 2015, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Reclassifications

Certain items on the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in members' equity or cash flows in conformity with generally accepted accounting principles.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Association maintains its cash in four accounts at one bank. Accounts are insured in total up to \$250,000 per depositor, per insured bank, for each account ownership category, by the Federal Deposit Insurance Corporation. In the event that the institution would encounter severe financial difficulties, the Association would be at risk as a result of uninsured balances of \$97,225 at June 30, 2015.

NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

As required by Nevada Revised Statute 116.3115 and the Association's governing documents, funds are accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$285,968 at June 30, 2015, are held in separate accounts and are not available for operating purposes.

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 3 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

A reserve study was performed in March 2014. The reserve funds used to prepare the study were based on the amount of cash the Association currently holds in the reserve money market account.

Funds are being accumulated based on estimated future costs and actual expenditures may vary from those estimates and the variations may be material. Amounts accumulated in the replacement fund may not be adequate to meet future needs. Accordingly, if additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

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SUPPLEMENTARY INFORMATION

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
FUTURE MAJOR REPAIRS AND REPLACEMENTS - UNAUDITED
JUNE 30, 2015

The Association's Board of Directors engaged Better Reserves Consultants to perform the reserve study in March 2014, including the estimates of the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from the property management company, current bids to repair, replace or renovate components, actual costs for replacement components, construction cost guides and manuals from the Department of Real Estate and other government agencies. Estimates have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life Years	Estimated Replacement Cost	Theoretical Balance at June 30, 2015	Replacement Fund Balance at June 30, 2015
Homes	0-15	\$ 692,500	\$ 373,647	
Common area	0-4	51,000	48,250	
Asphalt, roads, and parking	0-29	358,572	246,955	
Club house	4-18	88,000	31,163	
Pool area	0-30	71,400	6,159	
Tennis court	1-14	38,500	21,560	
Reserve study	0-3	3,700	1,900	
		<u>\$ 1,303,672</u>	<u>\$ 729,634</u>	<u>\$ 285,968</u>

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PARKWOOD HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF REVENUE AND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted General Fund</u>		<u>Restricted Replacement Fund</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
REVENUE				
Assessment fees	\$ 249,800	\$ 249,800	\$ 187,000	\$ 187,000
Late charge fees	1,425	1,200	-	-
Transfer fees	1,100	240	-	-
Clubhouse activity charges	100	200	-	-
RV storage fee	1,760	1,200	-	-
Miscellaneous	4,509	5,400	-	-
Interest and dividends	55	-	412	504
Total revenue	<u>258,749</u>	<u>258,040</u>	<u>187,412</u>	<u>187,504</u>
EXPENSES				
Accounting	4,900	3,000	-	-
Automobile allowance	583	4,500	-	-
Bad debt expense (recovery)	(3,594)	500	-	-
Bank fees	20	-	-	-
Clubhouse alarm	804	900	-	-
Collections/ late fees	210	500	-	-
Electricity and gas	12,695	12,050	-	-
Insurance	36,054	34,910	-	-
Legal	832	1,500	-	-
Management contract	18,803	19,063	-	-
Ombudsmen fee	336	336	-	-
Office supplies	4,120	3,780	-	-
Payroll - maintenance	51,222	47,500	-	-
Payroll taxes and benefits	10,187	12,600	-	-
Postage	1,007	1,300	-	-
Printing	3,332	2,400	-	-
Refuse	-	650	-	-
Reserve study	-	-	700	600
Repairs and maintenance				
Buildings	963	1,750	-	-
Electrical repairs	1,493	1,200	-	-
Grounds and landscape	6,245	4,500	-	-
Maintenance contingency	396	585	-	-
Landscape contract and supplies	49,240	39,600	-	-
Miscellaneous supplies	4,134	2,300	-	-
Painting	848	1,200	-	-
Pest control	1,195	2,500	-	-
Plumbing	735	5,000	-	-
Pools and spas	4,789	2,831	-	-
Supplies	14,111	7,600	-	-
Tennis courts	-	500	-	-
Social events	737	500	-	-
Taxes and licenses	485	300	-	-

See accompanying notes

PARKWOOD HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF REVENUE AND EXPENSES - BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted General Fund</u>		<u>Restricted Replacement Fund</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
EXPENSES (Continued)				
Telephone	\$ 1,706	\$ 2,052	\$ -	\$ -
Water	34,149	40,000	-	-
Reserve expenses				
Balcony	-	-	258	3,000
Bank fees	-	-	-	250
Clubhouse	-	-	-	5,000
Concrete	-	-	3,745	3,000
Fences	-	-	3,585	4,626
Gate	-	-	2,708	-
Heating system	-	-	720	-
Irrigation	-	-	3,714	-
Landscaping and trees	-	-	7,350	10,000
Painting	-	-	-	4,306
Plumbing, water and gas	-	-	-	15,000
Pool	-	-	972	-
Roads	-	-	149,336	71,770
Roofing	-	-	-	1,640
Tennis courts	-	-	-	2,000
Siding materials and labor	-	-	-	2,500
Tree maintenance	-	-	2,900	-
Walls	-	-	5,433	-
Federal income tax	1,547	133	-	-
Total expenses	<u>264,284</u>	<u>258,040</u>	<u>181,421</u>	<u>123,692</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	\$ <u>(5,535)</u>	\$ <u>-</u>	\$ <u>5,991</u>	\$ <u>63,812</u>

See accompanying notes

October 2, 2015

Kevin Berg and the Board of Directors
Parkwood Homeowners Association, Inc.
Eugene Burger Management Co.
5011 Meadowood Mall Way, Suite 200
Reno, Nevada 89510

We have audited the financial statements of Parkwood Homeowners Association, Inc. (Association) for the year ended June 30, 2015, and have issued our report thereon dated October 2, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Parkwood Homeowners Association, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transaction entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Issues concerning significant estimates made by management include:

- Management's identification of and process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the financial statements

The most significant estimates affecting your financial statements include:

- Future repairs and replacements based on the reserve study
- Allowance for doubtful accounts based upon payment histories

We evaluated the key factors and assumptions used to develop estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the Association during the year.

Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Parkwood Homeowners Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

KOHN & COMPANY LLP

Beth Kohn-Cole, CPA, CGMA