

**FORUM PARK TOWNHOME
OWNERS ASSOCIATION, INC**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended
December 31, 2009**

***NAGESH & CARTER, PLLC
CERTIFIED PUBLIC ACCOUNTANTS***

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1
Balance Sheets	2
Statements of Assessments, Revenues, and Expenses, and Changes in Fund Balances	3
Statements of Cash Flows	4
Notes to Financial Statements	5
Supplemental Schedules:	
Analysis of Assessments, Revenues, and Expenses Per Homeowner and as a Percentage of Assessments	8
Comparison of Actual to Budget Assessments, Revenues and Expenses	9
Comparison of Assessments, Revenues and Expenses For the year ending December 31, 2009 to 2005	10

NAGESH & CARTER, PLLC

Certified Public Accountants

2000 Dairy Ashford, Suite 360, Houston, TX 77077

Telephone (281) 584-9922, Fax (281) 584-9933

E-Mail: ks@nagesh-cpa.com



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of the

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC

We have audited the accompanying Balance Sheets of FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC, as of December 31, 2009 and 2008 and the related Statements of Assessments, Revenues, Expenses, and Changes in Fund Balances as well as the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards as generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC, as of December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC has not estimated the remaining lives and replacement cost of common property and, therefore, has not presented the estimates of future costs of major repairs and replacements. The American Institute of Certified Public Accountants has determined the estimates are required to supplement, but are not required to be part of, the basic financial statements.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 8 through 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nagesh & Carter, PLLC

Houston, Texas

March 19, 2010

FORUM PARK TOWNHOMES OWNERS' ASSOCIATION, INC.
BALANCE SHEETS
As of December 31, 2009 and 2008

	Totals 2009	Memo Totals 2008
<u>ASSETS</u>		
Current Assets		
Cash	\$10,702	\$0
Accounts receivable	73,901	80,584
Allowance for adjustments and writeoffs	(6,900)	(6,900)
Prepaid expenses	28,170	18,278
Total assets	\$105,873	\$91,962
<u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities		
Accounts payable	\$16,920	\$41,416
Prepaid assessments	8,667	8,455
Total current liabilities	25,587	49,871
Fund balance	80,286	42,091
Total liabilities and fund balance	\$105,873	\$91,962

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

FORUM PARK TOWNHOMES OWNERS' ASSOCIATION, INC.
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCES
For The Years Ended December 31, 2009 and 2008

	Totals 2009	Memo Totals 2008
Assessments and revenues		
Maintenance fees	\$602,435	\$552,004
Late fees & penalties	2,176	7,532
Adjustments and write offs	(33,988)	
Interest income	-	227
Rental income (loss), net of expenses	3,840	(1,860)
Transmitters/cards and other income	1,058	9,658
Sale of association units	-	38,500
Total revenues	575,521	606,061
Operating expenses		
Administrative expenses	58,417	56,212
Contract services	60,313	61,428
Building maintenance	93,997	136,449
Utilities	203,393	225,566
Insurance	96,109	114,586
Repairs	25,097	32,526
Renovation and improvements	-	17,151
Total expenses	537,326	643,918
Assessments and revenues over (under) expenses	38,195	(37,857)
Fund balance, beginning of the year	42,091	79,948
Fund balance, end of the year	\$80,286	\$42,091

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

FORUM PARK TOWNHOMES OWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2009 and 2008

	Totals 2009	Memo Totals 2008
From (to) operations		
Assessments and revenues		
over (under) expenses	\$38,195	(\$37,857)
Accounts receivable	6,683	(25,608)
Prepaid insurance	(9,892)	9,157
Accounts payable	(24,496)	19,769
Pre-paid assessments	212	2,049
Total from operations	10,702	(32,490)
Increase (decrease) in cash	10,702	(32,490)
Cash, beginning of the year	-	32,490
Cash, end of the year	\$10,702	\$0

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

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

1. ORGANIZATION

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC ("the Association") was incorporated in the State of Texas as a not-for-profit corporation on February 9, 1979.

The Association is the governing body for the homeowners of Forum Park Townhomes Owners Association, Inc., a 216-unit condominium complex in Houston, Texas. The purpose for which the Association is organized is to provide for and do all activities necessary, useful and expedient to protect, preserve, maintain and repair the common elements and limited common elements of the said condominium project for the use, enjoyment and benefit of the members of the corporation and to operate, administer and govern the common affairs and common fund of the members of the corporation in connection with said condominium project.

The affairs of the Association are managed and controlled by its Board of Directors. These Directors are empowered to exercise, on behalf of the Association, all of the powers, duties, and authorities vested or delegated to it by virtue of the Association's By-Laws, Articles of Incorporation, Declarations and/or Covenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The Association is a not-for-profit organization, which employs the fund method of accounting on an accrual basis in order to properly account for restrictions on the expenditures resulting from actions of the Board or the homeowners.

These financial statements segregate the accounting for such funds into operating and capital reserve or replacement funds. The disbursements from the operating fund are generally at the discretion of the Board and property managers and are used for operating expenses. The disbursements from the capital reserve or replacement fund generally may only be utilized in accordance with the purposes established.

OWNERS ASSESSMENTS

The assessments or maintenance fees assessed are based on an annual budget as adopted by the Board pursuant to the by-laws of the Association.

CASH AND CASH EQUIVALENTS

The Association considers cash on hand and cash in banks and all other highly liquid debt instruments purchased with original maturities of three (3) months or less to be cash equivalents.

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

CAPITALIZATION POLICY

The replacements and improvements to the real property and common areas are expensed in the year incurred.

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.

3. ACCOUNTS RECEIVABLE

The Association's accounts receivable represents payments due from delinquent homeowners. The balances are from a few homeowners, some of whom are seriously delinquent. The Association anticipates collecting these balances through its collection efforts, including filing liens and legal actions against these homeowners. The collection of these amounts will be affected by the foreclosure of liens superior to the lien by the homeowner's association such as mortgage lien holders, delinquent property tax liens, and/or bankruptcies by the homeowners.

When the assessments are deemed not collectible, the Association records bad debts using the direct write off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. The management of the Association however, believes that the net uncollectible assessments from any one year is insignificant, and the effect of using the direct write off method is not materially different from the results that would have been obtained under the allowance method.

As of December 31, 2009 and 2008 and 2008 the Association had assessments receivable of \$73,901 and \$80,584 respectively. It is the opinion of the management that the Association will prevail against the homeowners whose assessments are delinquent and that the net uncollectible assessments from any one year is insignificant, and, accordingly no allowance for uncollectible accounts is deemed necessary.

4. FEDERAL INCOME TAXES

Homeowners' Associations may be taxed either as Homeowners' Associations or regular Corporations.

As a regular Corporation, membership income is exempt from taxation if the required elections are made (such as returning to homeowners excess funds or reducing future assessments). Then the Association is taxed only on its non-membership income (such as interest earnings) at regular federal corporate income tax rates. The Corporate tax rates are graduated based on income levels from a minimum of 15% to a maximum rate of 39%.

FORUM PARK TOWNHOME OWNERS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

As a Homeowners' Association, 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.

The Association elected to file its tax return as a Homeowners' Association for the year ended December 31, 2009.

5. MEMO CAPTIONS

The "Memo" captions, when used on the columns of the combined statements, means totals are presented as an overview and for informational purposes only. They present the financial position, results of operations and statement of cash flows for the Association as a whole but do not present in detail the amounts of the various funds.

6. REPLACEMENT FUNDING PROGRAM

The Association is responsible for repairs and replacement of common property. The support provided by the owners towards these expenses are segregated and accounted for as capital reserve or replacement funds. These funds are held in separate investment accounts, and are generally not used for normal operating expenses.

An independent study to determine the costs and funding program for the replacement of the Association's common areas has not been conducted. Accordingly, the current program may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association, pursuant to the by-laws, may have to increase the monthly assessments, pass special assessments, borrow, or delay replacement until funds are available.

SUPPLEMENTAL SCHEDULES

FORUM PARK TOWNHOMES OWNERS' ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES AND EXPENSES
Per Homeowner and as Percentage of Assessments
For The Year Ended December 31, 2009

	Actual	Average Per Home Per Year	Average Per Home Per Month
Assessments and revenues			
Maintenance fees	\$602,435	104.68%	\$232.42
Late fees & penalties	2,176	0.38%	0.84
Adjustments and write offs	(33,988)	-5.91%	(13.11)
Rental income	3,840	0.67%	1.48
Transmitters/cards and other income	1,058	0.18%	0.41
Total revenues	575,521	100.00%	222.04
Administrative Expenses			
Professional management	31,800	5.53%	12.27
Professional fees - auditing	1,425	0.25%	0.55
Professional fees - legal, net of recovery	13,202	2.29%	5.09
Payroll processing	2,314	0.40%	0.89
Office supplies and postage	9,234	1.60%	3.56
Property and other taxes	442	0.08%	0.17
Total administrative expenses	58,417	10.15%	22.54
Contract services			
Water conditioner	5,060	0.88%	1.95
Trash removal	25,349	4.40%	9.78
Extermination and termite contract	3,155	0.55%	1.22
Patrol services	26,749	4.65%	10.32
Total contract services	60,313	10.48%	23.27
Building maintenance			
Payroll, taxes and contract labor	61,876	10.75%	23.87
Supplies and other expenses	32,121	5.58%	12.39
Total building maintenance	93,997	16.33%	36.26
Utilities			
Electricity	19,500	3.39%	7.52
Water and sewer	115,630	20.09%	44.61
Gas	63,180	10.98%	24.38
Telephone	5,083	0.88%	1.96
Total utilities	203,393	35.34%	78.47
Insurance	96,109	16.70%	37.08
Repairs	25,097	4.36%	9.68
Total expenses	537,326	93.36%	207.30
Net revenue over expenses	\$38,195	6.64%	\$14.74

*The foregoing notes are an integral
part of these financial statements*

FORUM PARK TOWNHOMES OWNERS' ASSOCIATION, INC.
COMPARISON OF ACTUAL TO BUDGETED
ASSESSMENTS, REVENUES AND EXPENSES
For The Year Ended December 31, 2009

	Actual	Budget	Variance F (UF)
Assessments and revenues			
Maintenance fees	\$602,435	\$570,982	\$31,453
Late fees & penalties	2,176	2,400	(224)
Adjustments and write offs	(33,988)	-	(33,988)
Interest income	-	240	(240)
Rental income	3,840	5,400	(1,560)
Transmitters/cards and other income	1,058	(240)	1,298
Sale of association units	-	36,000	(36,000)
Total revenues	575,521	614,782	(39,261)
Administrative Expenses			
Professional management	31,800	31,800	-
Professional fees - auditing	1,425	1,344	(81)
Professional fees - legal, net of recovery	13,202	9,000	(4,202)
Payroll processing	2,314	1,860	(454)
Office supplies and postage	9,234	13,380	4,146
Property and other taxes	442	1,140	698
Total administrative expenses	58,417	58,524	107
Contract services			
Water conditioner	5,060	4,560	(500)
Trash removal	25,349	26,100	751
Extermination and termite contract	3,155	2,400	(755)
Patrol services	26,749	32,640	5,891
Total contract services	60,313	65,700	5,387
Building maintenance			
Payroll, taxes and contract labor	61,876	78,504	16,628
Supplies and other expenses	32,121	37,560	5,439
Total building maintenance	93,997	116,064	22,067
Utilities			
Electricity	19,500	17,400	(2,100)
Water and sewer	115,630	118,800	3,170
Gas	63,180	81,600	18,420
Telephone	5,083	5,280	197
Total utilities	203,393	223,080	19,687
Insurance	96,109	108,000	11,891
Repairs	25,097	21,600	(3,497)
Capital reserve expenses	-	21,814	21,814
Fire repairs	-	-	-
Total expenses	537,326	614,782	77,456
Net revenue over expenses	\$38,195	-	\$38,195

*The foregoing notes are an integral
part of these financial statements*

FORUM PARK TOWNHOMES OWNERS' ASSOCIATION, INC.
COMPARATIVE ANALYSIS OF ASSESSMENTS, REVENUES AND EXPENSES
For the Years Ended December 31, 2009 to 2005

	<u>2009</u>	<u>Memo 2008</u>	<u>Memo 2007</u>	<u>Memo 2006</u>	<u>Memo 2005</u>
Assessments and revenues					
Maintenance fees	\$602,435	\$552,004	\$545,168	\$546,531	\$510,454
Late fees & penalties	2,176	7,532	5,969	1,877	2,775
Adjustments and write offs	(33,988)	-	-	-	-
Interest income	-	227	600	336	225
Insurance proceeds - fire	-	-	63,609	-	-
Rental income, net of expenses	3,840	(1,860)	-	465	-
Transmitters/cards and other income	1,058	9,658	4,341	2,117	4,965
Sale of association units	-	38,500	-	-	-
Total revenues	575,521	606,061	619,687	551,326	518,419
Administrative Expenses					
Professional management	31,800	31,800	31,800	31,800	30,600
Professional fees - auditing	1,425	1,250	1,200	1,350	1,200
Professional fees - legal, net of recovery	13,202	6,160	1,922	6,912	4,019
Payroll processing	2,314	2,254	2,150	2,082	1,674
Office supplies and postage	9,234	14,321	13,079	13,236	14,418
Property and other taxes	442	427	977	1,552	2,125
Total administrative expenses	58,417	56,212	51,128	56,932	54,036
Contract services					
Water conditioner	5,060	4,600	4,560	4,560	4,230
Trash removal	25,349	25,927	24,384	24,016	23,238
Extermination and termite contract	3,155	-	2,338	736	1,451
Patrol services	26,749	30,901	31,746	22,331	34,465
Total contract services	60,313	61,428	63,028	51,643	63,384
Building maintenance					
Payroll, taxes and contract labor	61,876	84,638	79,732	78,724	80,954
Supplies and other expenses	32,121	51,811	47,566	44,731	41,667
Total building maintenance	93,997	136,449	127,298	123,455	122,621
Utilities					
Electricity	19,500	17,027	18,185	22,891	17,176
Water and sewer	115,630	116,001	94,716	85,694	119,651
Gas	63,180	87,351	71,250	69,567	64,751
Telephone	5,083	5,187	4,879	5,238	5,193
Total utilities	203,393	225,566	189,030	183,390	206,771
Insurance					
Repairs	96,109	114,586	76,524	63,570	48,132
Renovations and improvements	25,097	32,526	32,594	23,188	15,704
Fire repairs	-	17,151	7,868	18,359	21,436
	-	-	71,397	-	617
Total expenses	537,326	643,918	618,867	520,537	532,084
Net revenue over expenses	\$38,195	(\$37,857)	\$820	\$30,789	(\$13,665)

*The foregoing notes are an integral
part of these financial statements*