

FIREWHEEL FARMS NO. 2 HOA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2008
with
Accountants' Review Report



Huselton, Morgan & Maulsby
A Professional Corporation

ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
of Firewheel Farms No. 2 HOA

We have reviewed the accompanying balance sheet of Firewheel Farms No. 2 HOA (the "Association") as of December 31, 2008, and the related statements of revenues, expenses and changes in members' equity and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Firewheel Farms No. 2 HOA.

A review consists principally of inquiries of Association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Huselton, Morgan & Maulsby, P.C.

Dallas, Texas
September 15, 2009

Certified Public Accountants and Consultants

FIREWHEEL FARMS NO. 2 HOA

BALANCE SHEET

December 31, 2008

ASSETS

| | |
|----------------------------------|------------------|
| Current assets | |
| Cash | \$ 29,665 |
| Receivables | <u>7,317</u> |
| Total current assets | <u>36,982</u> |
| Noncurrent assets | |
| Long term receivables with liens | <u>3,580</u> |
| Total noncurrent assets | <u>3,580</u> |
| Total assets | <u>\$ 40,562</u> |

LIABILITIES

| | |
|---------------------------------------|------------------|
| Members' equity | |
| Retained earnings | <u>\$ 40,562</u> |
| Total liabilities and members' equity | <u>\$ 40,562</u> |

See accompanying notes and accountants' review report.

FIREWHEEL FARMS NO. 2 HOA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN MEMBERS' EQUITY
For the Year Ended December 31, 2008

| | |
|------------------------------------|-----------|
| Revenue | |
| Annual dues income | \$ 15,290 |
| Administrative income | 4,080 |
| Total revenue | 19,370 |
| Expenses | |
| Lawn maintenance | 8,668 |
| Utilities expense | 3,524 |
| Insurance | 1,800 |
| Professional fees | 1,800 |
| Office expense | 1,641 |
| Holiday programs expense | 590 |
| Meeting expense | 180 |
| Total expenses | 18,203 |
| Excess of revenues over expenses | 1,167 |
| Members' equity, beginning of year | 39,395 |
| Members' equity, end of year | \$ 40,562 |

See accompanying notes and accountants' review report.

FIREWHEEL FARMS NO. 2 HOA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

| | |
|--|-------------------------|
| Cash flows from operating activities | |
| Excess of revenues over expenses | \$ 1,167 |
| Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities | |
| Decrease in accounts receivable | <u>1,423</u> |
| Cash provided by operating activities | <u>2,590</u> |
| Net increase in cash | 2,590 |
| Cash at beginning of year | <u>27,075</u> |
| Cash at end of year | <u><u>\$ 29,665</u></u> |

See accompanying notes and accountants' review report.

FIREWHEEL FARMS NO. 2 HOA
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

1. Summary of significant accounting policies

Nature of Business

Firewheel Farms No. 2 HOA (the "Association"), a Texas corporation formed in February 1993, to maintain the common property along the median of Muirfield Road in the Fire Wheel Farms No. 2 neighborhood, which is a single-family, residential subdivision located in Garland, Texas with approximately 285 homes.

Basis of Accounting

The Association maintains its books and records and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

Preparing the Association's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates used for financial reporting purposes.

Fair Value

The amount of assets and liabilities recorded as of December 31, 2008 are believed to approximate their fair value.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all cash accounts with original maturities of 90 days or less to be cash or cash equivalents. The Association has all cash deposited in operating accounts with federally insured banking institutions. As of December 31, 2008, the Association did not have any balances in excess of the federally insured amounts.

Receivables

Receivables consist primarily of member assessments and late payment charges thereon. Management of the Association has elected to classify outstanding receivables older than two years as long term receivables with liens. The Association's membership agreement allows for the placement liens on the homes of members whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in succeeding years.

Revenue Recognition

Annual dues income is recognized when assessed. Administrative income is recognized when earned.

Income Taxes

Homeowner associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2008, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30 percent. For the year ended December 31, 2008, there is no tax due. Exempt function income, which consists primarily of annual members' dues, is not taxable.