

SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Parkwood Maintenance Association, Inc.
San Antonio, Texas

We have audited the accompanying balance sheet of Parkwood Maintenance Association, Inc., as of December 31, 2009, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatements. 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 in the first paragraph above present fairly, in all material respects, the financial position of Parkwood Maintenance Association, Inc., as of December 31, 2009, and the results of operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Supplementary Information on Future Major Repairs and Replacements on page 10 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Armstrong, Vaughan & Assoc, P.C.

Armstrong, Vaughan & Assoc., P.C.

April 13, 2010

PARKWOOD MAINTENANCE ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2009

ASSETS	Operating Fund	Replacement Fund	Total
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 89,052	\$ 18,856	\$ 107,908
Certificates of Deposit	-	155,016	155,016
Accounts Receivable	21,258	-	21,258
Allowance for Uncollectible Accounts	(4,392)	-	(4,392)
Accrued Interest Receivable	-	130	130
Prepaid Insurance	1,454	-	1,454
Due From Operating Fund	-	7,050	7,050
<i>Total Current Assets</i>	<u>107,372</u>	<u>181,052</u>	<u>288,424</u>
<i>Property and Equipment:</i>			
Land	49,172	-	49,172
Buildings	410,235	-	410,235
Furniture & Fixtures	46,429	-	46,429
Accumulated Depreciation	(106,316)	-	(106,316)
<i>Total Property and Equipment</i>	<u>399,520</u>	<u>-</u>	<u>399,520</u>
TOTAL ASSETS	<u>\$ 506,892</u>	<u>\$ 181,052</u>	<u>\$ 687,944</u>
LIABILITIES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ 3,184	\$ -	\$ 3,184
Prepaid Assessments	77,452	-	77,452
Due To Replacement Fund	7,050	-	7,050
<i>Total Liabilities</i>	<u>87,686</u>	<u>-</u>	<u>87,686</u>
<i>Fund Balance:</i>			
Designated - Capital Improvement	5,206	-	5,206
Unreserved	414,000	181,052	595,052
<i>Total Fund Balance</i>	<u>419,206</u>	<u>181,052</u>	<u>600,258</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 506,892</u>	<u>\$ 181,052</u>	<u>\$ 687,944</u>

The accompanying notes are an integral part of these statements.

PARKWOOD MAINTENANCE ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Operating Fund	Replacement Fund	Total
REVENUES			
Member Assessments	\$ 280,696	\$ 32,050	\$ 312,746
Legal Fees	25,452	-	25,452
Swim Team Income	7,945	-	7,945
Community Center Income	7,735	-	7,735
Bank Interest	1,522	3,465	4,987
Late Fees	4,202	-	4,202
Clubhouse/Pool Income	1,525	-	1,525
NSF Fees	400	-	400
Miscellaneous Income	94	-	94
TOTAL REVENUES	329,571	35,515	365,086
EXPENSES			
<i>Administration Expense:</i>			
Management Fee	48,906	-	48,906
Patrol	33,000	-	33,000
Legal Fees	27,887	-	27,887
Depreciation Expense	18,926	-	18,926
Insurance	17,773	-	17,773
Administrative Expenses	17,142	-	17,142
Bad Debt Expense	3,844	-	3,844
Committee Expenses	3,292	-	3,292
Audit Fee	3,150	-	3,150
Clubhouse Expense	1,617	-	1,617
<i>Total Administration Expense</i>	175,537	-	175,537
<i>Utilities Expense:</i>			
Electricity	13,638	-	13,638
Water and Sewer	13,248	-	13,248
Telephone	1,515	-	1,515
<i>Total Utilities Expense</i>	\$ 28,401	\$ -	\$ 28,401

The accompanying notes are an integral part of these statements.

PARKWOOD MAINTENANCE ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

EXPENSES (CONT.)	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<i>Common Area Expense:</i>			
Groundskeeping	\$ 19,425	\$ -	\$ 19,425
Lighting	2,154	-	2,154
Grounds Vandalism	1,796	-	1,796
Grounds Tree Expense	833	-	833
Common Area Supplies	672	-	672
Grounds Signage	436	-	436
Sprinkler System Repairs	387	-	387
Other Common Area Repairs and Maintenance	1,068	-	1,068
<i>Total Common Area Expense</i>	<u>26,771</u>	<u>-</u>	<u>26,771</u>
<i>Recreation Area Expense:</i>			
Lifeguard Payroll	43,276	-	43,276
Other Pool Repairs and Maintenance	13,094	3,110	16,204
Pool Supplies	12,681	-	12,681
Pool Maintenance Contract	9,838	-	9,838
Swim Team Expense	7,742	-	7,742
Tennis Courts	335	-	335
Payroll Taxes	114	-	114
<i>Total Recreation Area Expense</i>	<u>87,080</u>	<u>3,110</u>	<u>90,190</u>
TOTAL EXPENSES	<u>317,789</u>	<u>3,110</u>	<u>320,899</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	11,782	32,405	44,187
Transfer Between Funds	(100)	100	-
BEGINNING FUND BALANCE	<u>407,524</u>	<u>148,547</u>	<u>556,071</u>
ENDING FUND BALANCE	<u>\$ 419,206</u>	<u>\$ 181,052</u>	<u>\$ 600,258</u>

The accompanying notes are an integral part of these statements.

PARKWOOD MAINTENANCE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over (under) expenses	\$ 11,782	\$ 32,405	\$ 44,187
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:			
Depreciation	18,926	-	18,926
(Increase) Decrease in:			
Accounts Receivable	1,336	-	1,336
Accrued Interest Receivable	-	252	252
Prepaid Insurance	(110)	-	(110)
Prepaid Income Tax	992	-	992
Increase (Decrease) in:			
Accounts Payable	(3,584)	-	(3,584)
Prepaid Assessments	(628)	-	(628)
Payroll Taxes Payable	(1,139)	-	(1,139)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	27,575	32,657	60,232
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Certificate of Deposit	-	(56,851)	(56,851)
Re-investment of Certificate of Deposit	-	(3,654)	(3,654)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(60,505)	(60,505)
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfer Between Funds	(100)	100	-
Interfund Borrowing	(24,801)	24,801	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(24,901)	24,901	-
NET INCREASE (DECREASE) IN CASH	2,674	(2,947)	(273)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	86,378	21,803	108,181
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 89,052	\$ 18,856	\$ 107,908
SUPPLEMENTAL DISCLOSURE			
Income Taxes Paid	\$ -	\$ -	\$ -
Interest Expense Paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

PARKWOOD MAINTENANCE ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009

NOTE 1 -- NATURE OF ORGANIZATION

Parkwood Maintenance Association, Inc. was incorporated in the State of Texas, as a nonprofit homeowners association in July 1986. The Association was established for the exclusive purpose of promoting the health, security, safety and welfare of the residents on the property and maintaining and preserving common property of the Association. The Parkwood Maintenance Association, Inc. consists of 1,254 residential units in San Antonio, Texas.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING METHOD/FUND ACCOUNTING

The Association maintains its books of account on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, or billed, and expenses are recognized when goods or services are received, whether paid or not.

To ensure observance of limitations and restrictions on use of financial resources, 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 major repairs and replacement.

B. PROPERTY EQUIPMENT AND DEPRECIATION

In accordance with current American Institute of Certified Public Accountants (AICPA) guidance, real property and common areas acquired from developer and related improvements to such property are not to be reflected on the Association's financial statement. As a result, only the real and personal property assets which the Association purchased, and has title to, will be shown at cost. The real and personal property assets acquired by the Association are depreciated over their estimated useful life using the straight-line method of depreciation.

The Association held title to the following assets as of December 31, 2009:

	Cost	Accumulated Depreciation	Depreciation in Years
Land	\$ 49,172	\$ -	N/A
Buildings	410,235	95,166	10 - 40
Furniture & Fixtures	46,429	11,150	10 - 15
	<u>\$ 505,836</u>	<u>\$ 106,316</u>	

PARKWOOD MAINTENANCE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. FISCAL YEAR

The Association has a fiscal year beginning on January 1 of each year and ending on December 31.

D. MEMBER ASSESSMENTS

Association members are subject to annual assessments for the improvement and maintenance of the Common Area and the buildings situated upon the property; for the enforcement of any restrictions of the Association; and for the payment of any insurance premiums, utilities and similar expenses for which the Association is responsible. Failure to pay within 15 days after the due date shall bear interest from the due date until paid at the rate of 10% per annum. The Association may bring legal action against owners personally for the collection of unpaid assessments. Once legal action has commenced, all legal fees and costs will be assessed to the unit owners. Any excess assessments at year-end are retained by the Association for use in future years.

The Association has recorded an allowance for uncollectible accounts based on management's estimate of uncollectibles as of December 31, 2009, in the amount of \$4,392.

Revenue from assessments is recognized in the period assessed. Assessments received in advance of the period assessed are deferred and reported on the balance sheet as prepaid assessments.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the statement of cash flows includes amounts in checking and money market accounts.

F. 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.

G. SUBSEQUENT EVENTS

Subsequent events were considered through April 26, 2010, which is the date the financial statements were available to be issued.

NOTE 3 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require the Association establish adequate reserve funds for major repairs and replacement of Common Area components. This reserve can be funded by regular and special assessments. Accumulated funds should be accounted for in separate certificates of deposit and/or savings accounts.

PARKWOOD MAINTENANCE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 3 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONT.)

Armstrong, Vaughan & Assoc., P.C. conducted a reserve study to determine the information necessary to estimate the remaining useful lives and the replacement costs of the components of common property. This reserve study was updated during 2008. The table included in the Unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association increased replacement reserves by \$35,615 during the current year and used \$3,110 for replacement projects, leaving a balance of \$181,052 in the reserve. Because funding is based on estimates, actual needs may vary significantly from the study and the variance could be material. Monies accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Thus, the Board has the right, subject to membership approval, to raise regular assessments or levy a special assessment to meet these needs.

NOTE 4 -- INTERFUND BORROWINGS

At the end of 2009, the operating fund owed \$7,050 to the replacement fund, which was repaid in January 2010.

NOTE 5 -- FEDERAL INCOME TAXES

The Association qualifies as a tax-exempt Association for all income and expenses related to its exempt function purposes, (i.e., the acquisition, construction, management, maintenance and care of Association property). The net nonexempt income from earned interest and nonmember fees are taxed at 15% or 30% by the federal government, dependent upon certain filing elections made. The Association filed an IRS Form 1120-H resulting in zero tax expense.

NOTE 6 -- LITIGATION

Management is not aware of any threatened or pending lawsuits against the Association.

SUPPLEMENTARY INFORMATION
(UNAUDITED)

PARKWOOD MAINTENANCE ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS & REPLACEMENTS
 DECEMBER 31, 2009
 (UNAUDITED)

Armstrong, Vaughan & Assoc., P.C., updated a reserve study in 2008. Replacement costs from authoritative literature were based on estimated cost to repair or replace common property components at replacement date using a projected inflation factor. The estimates below were obtained from the reserve study and estimates may vary significantly from actual costs. The following is a table based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Ideal Fund Balance at 12/31/2009	Components of Fund Balance at 12/31/2009
Jogging Path	1	\$ 25,993	\$ 24,891	\$ 24,891
Parking Lot	1-6	26,109	18,110	18,110
Roofs	1-17	50,009	23,628	17,768
Fences	0-18	63,719	30,687	27,058
Tennis Court	3-4	4,326	2,449	2,449
Lighting	0-6	33,023	31,080	31,080
Park and Playground Equipment	0-24	35,481	14,944	10,450
Pool	1-9	48,150	35,679	35,679
Appliances	1-9	1,686	556	556
Furniture	7-9	8,958	2,124	2,124
Plumbing	1-22	4,760	2,267	1,992
HVAC	11	8,688	1,652	1,652
Pavilion	11-22	6,113	962	-
Siding	2	664	610	610
Bridges	2	2,284	2,098	2,098
Flag Poles	23	1,000	222	-
Irrigation Controllers	0-11	1,655	1,265	1,265
Landscape Timber	16	1,053	193	-
Signs	2-12	5,368	3,760	3,270
		<u>\$ 329,039</u>	<u>\$ 197,177</u>	<u>\$ 181,052</u>

The reserve study is estimated to be 91.8% ideally funded.