



***VILLAGES OF WESTCREEK
OWNERS' ASSOCIATION, INC.***

***FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION***

***FOR THE YEAR ENDED
DECEMBER 31, 2021***

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Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Villages of Westcreek Owners' Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Villages of Westcreek Owners' Association, Inc., which comprise the balance sheets as of December 31, 2021, and the related statement of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Villages of Westcreek Owners' Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Villages of Westcreek Owners' Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Villages of Westcreek Owners' Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Villages of Westcreek Owners' Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Villages of Westcreek Owners' Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 12, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Report on Summarized Comparative Information

We have previously reviewed the Villages of Westcreek Owners' Association, Inc.'s 2020 financial statements, and we expressed a conclusion on those reviewed financial statements in our report dated April 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

April 12, 2022

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Operating Fund	Replacement Fund	Totals	
			2021	2020
ASSETS				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 207,864	\$ 277,127	\$ 484,991	\$ 337,503
Certificate of Deposit	2,764	-	2,764	2,747
Accounts Receivable	313,406	-	313,406	290,047
Allowance for Doubtful Accounts	(93,957)	-	(93,957)	(72,482)
Prepaid Insurance	21,615	-	21,615	18,581
Prepaid Expenses	2,463	-	2,463	4,878
Due to Replacement Fund	(91,186)	91,186	-	-
<i>Total Current Assets</i>	<u>362,969</u>	<u>368,313</u>	<u>731,282</u>	<u>581,274</u>
<i>Property and Equipment:</i>				
Land	250,000	-	250,000	250,000
Community Center	2,021,505	-	2,021,505	2,021,505
Buildings & Equipment	298,857	-	298,857	290,801
Office Equipment	107,417	-	107,417	107,417
Furniture & Fixtures	4,263	-	4,263	4,263
Accumulated Depreciation	(968,863)	-	(968,863)	(897,926)
<i>Total Property and Equipment</i>	<u>1,713,179</u>	<u>-</u>	<u>1,713,179</u>	<u>1,776,060</u>
TOTAL ASSETS	<u>\$ 2,076,148</u>	<u>\$ 368,313</u>	<u>\$ 2,444,461</u>	<u>\$ 2,357,334</u>

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

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Operating Fund	Replacement Fund	Totals	
			2021	2020
LIABILITIES AND FUND BALANCE				
<i>Current Liabilities:</i>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 10,164
Prepaid Assessments	271,671	-	271,671	248,535
Payroll Taxes Payable	-	-	-	2,323
Spectrum Collections	57,075	-	57,075	67,202
Other Liabilities	256	-	256	-
Note Payable - Current Portion	116,862	-	116,862	110,067
<i>Total Current Liabilities</i>	<u>445,864</u>	<u>-</u>	<u>445,864</u>	<u>438,291</u>
<i>Long-Term Liabilities:</i>				
Note Payable - Long Term	50,628	-	50,628	205,335
<i>Total Long-Term Liabilities</i>	<u>50,628</u>	<u>-</u>	<u>50,628</u>	<u>205,335</u>
<i>Total Liabilities</i>	<u>496,492</u>	<u>-</u>	<u>496,492</u>	<u>643,626</u>
<i>Fund Balance:</i>				
Unrestricted	1,579,656	368,313	1,947,969	1,713,708
<i>Total Fund Balance</i>	<u>1,579,656</u>	<u>368,313</u>	<u>1,947,969</u>	<u>1,713,708</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,076,148</u>	<u>\$ 368,313</u>	<u>\$ 2,444,461</u>	<u>\$ 2,357,334</u>

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

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Operating Fund	Replacement Fund	Totals	
			2021	2020
REVENUES				
Homeowners Assessments	\$ 1,350,941	\$ -	\$ 1,350,941	\$ 1,349,551
Recreation Program Income	114,123	-	114,123	48,415
Late Charges and Collection Fees	13,904	-	13,904	12,995
Fireworks Stand Income	14,000	-	14,000	6,500
Pavillion & Community Center Rental	27,145	-	27,145	1,090
Pool Income	5,308	-	5,308	180
Interest Income	50	377	427	527
Other Income	18,581	-	18,581	49
TOTAL REVENUES	<u>1,544,052</u>	<u>377</u>	<u>1,544,429</u>	<u>1,419,307</u>
EXPENSES				
<i>Corporate Administration:</i>				
Personnel Expenses	452,884	-	452,884	449,718
Programs and Events	93,121	-	93,121	41,417
Depreciation	70,937	-	70,937	74,504
Management Fee	54,000	-	54,000	54,000
General Administrative	51,209	-	51,209	58,649
Insurance	34,696	-	34,696	33,506
Bad Debt Expense	27,134	-	27,134	19,279
Office Supplies and Equipment	14,602	-	14,602	23,641
Professional Fees	10,282	-	10,282	9,385
Interest Expense	10,097	-	10,097	21,272
Meetings	1,770	-	1,770	6,785
Taxes	598	-	598	707
<i>Total Corporate Administration</i>	<u>821,330</u>	<u>-</u>	<u>821,330</u>	<u>792,863</u>
<i>Recreation Area Operations:</i>				
Security Monitors	145,996	-	145,996	84,730
General Maintenance	74,812	58,085	132,897	156,312
Landscaping	92,705	-	92,705	87,581
Utilities	82,856	-	82,856	62,268
Pool Maintenance	23,104	-	23,104	37,522
Community Center Maintenance	11,280	-	11,280	10,060
<i>Total Recreation Area Operations</i>	<u>430,753</u>	<u>58,085</u>	<u>488,838</u>	<u>438,473</u>
TOTAL EXPENSES	<u>1,252,083</u>	<u>58,085</u>	<u>1,310,168</u>	<u>1,231,336</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	291,969	(57,708)	234,261	187,971
BEGINNING FUND BALANCE	<u>1,287,687</u>	<u>426,021</u>	<u>1,713,708</u>	<u>1,525,737</u>
ENDING FUND BALANCE	<u>\$ 1,579,656</u>	<u>\$ 368,313</u>	<u>\$ 1,947,969</u>	<u>\$ 1,713,708</u>

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

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Operating Fund	Replacement Fund	<u>Totals</u>	
			2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over (under) expenses	\$ 291,969	\$ (57,708)	\$ 234,261	\$ 187,973
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:				
Depreciation	70,937	-	70,937	74,504
(Increase) Decrease in:				
Accounts Receivable, Net of Allowance	(1,884)	-	(1,884)	(39,485)
Prepaid Insurance	(3,034)	-	(3,034)	1,380
Prepaid expenses	2,415	-	2,415	(4,878)
Increase (Decrease) in:				
Accounts Payable	(10,164)	-	(10,164)	(7,668)
Prepaid Assessments	23,136	-	23,136	29,717
Payroll Taxes Payable	(2,323)	-	(2,323)	-
Spectrum Collections	(10,128)	-	(10,128)	2,937
Other Liabilities	256	-	256	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>361,180</u>	<u>(57,708)</u>	<u>303,472</u>	<u>244,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	(17,968)	-	(17,968)	-
Disposal of Property and Equipment	9,913	-	9,913	-
Investment in Certificate of Deposit	(17)	-	(17)	(16)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(8,072)</u>	<u>-</u>	<u>(8,072)</u>	<u>(16)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Due To Replacement Fund	(138,371)	138,371	-	-
Principal Payments on Note Payable	(147,912)	-	(147,912)	(149,245)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(286,283)</u>	<u>138,371</u>	<u>(147,912)</u>	<u>(149,245)</u>
NET INCREASE (DECREASE) IN CASH	66,825	80,663	147,488	95,219
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>141,039</u>	<u>196,464</u>	<u>337,503</u>	<u>242,284</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 207,864</u>	<u>\$ 277,127</u>	<u>\$ 484,991</u>	<u>\$ 337,503</u>
SUPPLEMENTAL DISCLOSURE:				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -
Interest Expense Paid	\$ 10,097	\$ -	\$ 10,097	\$ 21,272

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

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 -- NATURE OF ORGANIZATION

The Villages of Westcreek Owners' Association, Inc. was incorporated February 14, 1994, and operations commenced April 1, 1994. The incorporation was the result of combining the Villages of Westcreek Property Owners Association and the Villages of Westcreek Homeowners Association. The Association is responsible for the upkeep, maintenance and repair of the common areas and improvements owned by the Association, which are primarily the Sports Park and subdivision entrances; payment of utilities used in the common area; taxes assessed upon common areas; insurance covering Association property for general hazards and liability; and management and administration of the Association. The Association is located in west central Bexar County, Texas, on approximately 1,250 acres of which the Sports Park is 18.9 acres. The Association consists of 3,428 homeowners. These financial statements have been prepared in accordance with generally accepted accounting principles.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

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:

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. CASH AND CASH EQUIVALENTS

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

C. MEMBER ASSESSMENTS

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over the period of the assessment on a monthly pro-rata basis using the input method. The performance obligations related to replacement fund assessments for specific repairs are satisfied when these funds are expended for their designated purpose.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2021

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

C. MEMBER ASSESSMENTS (Cont.)

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. An allowance for doubtful accounts has been established in the amount of \$93,957 as of December 31, 2021 per management's estimate. Because of the Association's legal standing to enforce payment, the Association considers the collection of assessments levied to be probable. The balances of assessments receivable as of the beginning and end of the year are \$289,927 and \$313,189, respectively.

D. PROPERTY AND EQUIPMENT

Real property and common areas donated by the developer are not capitalized on the Association's financial statements. The property includes, but is not limited to, land, swimming pool, tennis courts, children's play area, jogging track, basketball goals, and a baseball backstop.

Real and personal property purchased with Association funds, to which the Association holds the title, will be capitalized at cost and depreciated over its estimated useful life using the straight-line method of depreciation. The Association's current capitalization policy would include items that cost \$500 or more and that provide future benefit greater than one year to the Association.

The Association held title to the following assets at year-end:

<u>Capital Asset</u>	<u>Estimated Useful Lives</u>
Community Center	37 years
Buildings and Improvements	3 - 27 years
Office Equipment	3 - 4 years
Furniture & Fixtures	7 years

E. CONTRACT LIABILITIES

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations. The balances of contract liabilities (stated as prepaid assessments on the balance sheet) as of the beginning and end of the year are \$248,535 and \$271,671, respectively.

F. ACCRUED VACATION

Employees can earn vacation leave at varying rates depending on length of service. Amounts earned for vacation that are not taken by employees may carry over to the following year up to 240 hours.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2021

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

G. SPECTRUM COLLECTIONS

The Association's management company bills fees directly to delinquent homeowners for collection efforts. These fees are paid to Spectrum upon collection. Uncollected fees are reported as a liability on the balance sheet.

H. 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.

I. SUBSEQUENT EVENTS

Subsequent events were considered through April 12, 2022, 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 future major repair and replacement of Common Area components. This reserve is to be funded by regular assessments. Accumulated funds should be accounted for in separate certificates of deposit and savings accounts.

Reserve Advisors, Inc. assisted the Board of Directors in preparing an update to the Reserve Study in 2021 to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the unaudited supplementary information is based on this study.

Funding is based on estimates, actual needs may vary significantly from the study and this 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 to raise regular assessments or levy a special assessment, subject to membership approval, to meet these needs.

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2021

NOTE 4 -- NOTE PAYABLE

In a previous year, the Association took out a note to construct the Community Center. In 2014, the Association refinanced the note payable with Community National Bank for a lower interest rate. The scheduled maturity date is October 1, 2026, however, additional payments have been made to advance that date. Long-term debt as of December 31, 2021, consisted of the following:

4.50%	Note payable to Community National Bank in monthly installments of \$10,168.39, secured by two tracts of land of approximately 43.88 acres.	<u>\$ 167,490</u>
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Requirements to amortize all long-term debt over the remaining term are as follows:

	Principal	Interest	Total
2022	\$ 116,862	\$ 5,146	\$ 122,008
2023	50,628	575	51,203
	<u>\$ 167,490</u>	<u>\$ 5,721</u>	<u>\$ 173,211</u>

NOTE 5 -- INTERFUND BORROWING

During the normal course of operations, transactions occur between funds, which may result in amounts payable between funds at the end of the year. As of December 31, 2021, the operating fund owed \$91,186 to the replacement fund. This amount is recorded as Due to Replacement Fund on the balance sheet.

NOTE 6 -- INCOME TAXES

The Association qualifies as a tax-exempt association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance, and care of Association property. The net non-exempt income from earned interest and nonmember fees is taxed at 21% or 30% by the federal government, dependent upon certain filing elections made. The Association can also elect to file as a regular corporation if it is in their best interest. For 2021, the Association filed IRS Form 1120-H resulting in a tax expense of \$0.

Accounting principles generally accepted in the United States of America require the Association management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition as a liability (or asset) or disclosure in the financial statements. The Association is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2018.

NOTE 7 -- LITIGATION

Association management is not aware of any other pending or threatened litigation

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGES OF WESTCREEK OWNERS' ASSOCIATION, INC.
 FUTURE MAJOR REPAIRS & REPLACEMENTS
 DECEMBER 31, 2021

Reserve Advisors, Inc. conducted a reserve study in 2021, using a database of current construction costs and material lives from authoritative literature, to estimate the remaining useful lives and the replacement costs of the components of common property. Estimated current replacement costs were computed using a 2.8% inflation rate to the time of replacement. The estimates are based on the reserve study and 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 Cost	Components of Fund Balance at 12/31/2021
Asphalt	5-9	\$ 164,480	\$ -
Fencing	2-22	174,740	-
Irrigation System	4-28	324,000	-
Other Property Site Elements	0-24	238,875	-
Signage	5-23	445,700	-
Furniture	3-15	108,000	-
Sport Courts	1-11	157,570	-
Community Center	2-23	438,200	-
Pool Elements	0-28	721,064	-
Undesignated		-	368,313
		<u>2,772,629</u>	<u>368,313</u>
Reserve Study Anticipated Balances at Year End			<u>\$ 282,096</u>
Percent of Anticipated Balances on Hand			131%
Reserve Study Recommended Future Contributions: (Based on Updated Projections)			
	2022	\$ 205,500	
	2023	\$ 205,500	
	2024	\$ 205,500	