

COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.

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DECEMBER 31, 2005

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**DeVOLT and COMPANY, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

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ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
Cochran Hollow  
Homeowners Association, Inc.  
Dallas, Texas

The accompanying Balance Sheet of the Cochran Hollow Homeowners Association, Inc. as of December 31, 2005 and the related Statements of Revenues, Expenses and Changes in Fund Balance and Cash Flows for the year then ended have been compiled by us, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited the accompanying financial statements and accordingly, do not express an opinion or any other form of assurance on them.

As discussed in Note 4, the Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that will be required in the future that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Very truly yours,

*DeVOLT and Company, P.C.*

DeVOLT and Company, P.C.  
Certified Public Accountants  
February 20, 2006

COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2005

ASSETS			
	OPERATING FUND	REPLACEMENT FUND	TOTAL
CURRENT ASSETS			
Cash, including interest-bearing deposits	\$ 7,952	\$ 5,080	\$ 13,032
Assessments receivable, less allowance for doubtful accounts of \$ -	354		354
Prepaid insurance	161		161
TOTAL CURRENT ASSETS	<u>8,467</u>	<u>5,080</u>	<u>13,547</u>
TOTAL ASSETS	<u>\$ 8,467</u>	<u>\$ 5,080</u>	<u>\$ 13,547</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	\$ 1,020	\$	\$ 1,020
Assessments received in advance	10		10
Construction deposits payable	1,000		1,000
TOTAL CURRENT LIABILITIES	<u>2,030</u>	<u>-</u>	<u>2,030</u>
TOTAL LIABILITIES	<u>2,030</u>	<u>-</u>	<u>2,030</u>
FUND BALANCES / (DEFICITS)	<u>6,437</u>	<u>5,080</u>	<u>11,517</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,467</u>	<u>\$ 5,080</u>	<u>\$ 13,547</u>

See the accompanying Accountants' Compilation Report  
and the Footnotes to the Financial Statements.

COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUES	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular assessments	\$ 34,600	\$ 5,000	\$ 39,600
Miscellaneous income	1,017		1,017
Late/collection charges	344		344
Interest income	237	80	317
<b>TOTAL REVENUES</b>	<u>36,198</u>	<u>5,080</u>	<u>41,278</u>
OPERATING EXPENSES			
Landscaping & lawn maintenance	15,792		15,792
Management fees	4,395		4,395
Repairs - electrical	4,103		4,103
Utilities expense	2,245		2,245
Porter service	2,078		2,078
Insurance expense	1,830		1,830
Bad debt expense	1,824		1,824
Legal & professional fees	1,804		1,804
Controlled access system	1,196		1,196
Telephone expense	631		631
Office supplies & admin. Costs	615		615
Insurance repairs	499		499
Repairs - other	377		377
<b>TOTAL OPERATING EXPENSES</b>	<u>37,389</u>	<u>-</u>	<u>37,389</u>
<b>EXCESS REVENUES / (EXPENSES) FROM OPERATIONS</b>	<u>\$ (1,191)</u>	<u>\$ 5,080</u>	<u>\$ 3,889</u>
<b>EXCESS REVENUES / (EXPENSES)</b>	<u>\$ (1,191)</u>	<u>\$ 5,080</u>	<u>\$ 3,889</u>
<b>BEGINNING FUND BALANCE / (DEFICIT)</b>	<u>7,628</u>	<u>-</u>	<u>7,628</u>
<b>ENDING FUND BALANCE / (DEFICIT)</b>	<u>\$ 6,437</u>	<u>\$ 5,080</u>	<u>\$ 11,517</u>

See the accompanying Accountants' Compilation Report  
and the Footnotes to the Financial Statements.

COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Excess revenues/ (expenses)	\$ (1,191)	\$ 5,080	\$ 3,889
Add: Depreciation	-	-	-
Decrease / (Increase) in:			
Accounts receivable	3,570	-	3,570
Prepaid expenses	1,197	-	1,197
Increase / (Decrease) in:			
Accounts payable	(2,296)	-	(2,296)
Prepaid assessments	(549)	-	(549)
Deposits payable	1,000	-	1,000
<b>NET CASH PROVIDED/ (USED) BY OPERATIONS</b>	<u>1,731</u>	<u>5,080</u>	<u>6,811</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Increase / (Decrease) in:			
Insurance notes payable	(969)	-	(969)
<b>NET CASH PROVIDED/ (USED) BY FINANCING</b>	<u>(969)</u>	<u>-</u>	<u>(969)</u>
<b>NET INCREASE/ (DECREASE) IN CASH</b>	<u>762</u>	<u>5,080</u>	<u>5,842</u>
CASH BALANCE, DECEMBER 31, 2004	7,190	-	7,190
CASH BALANCE, DECEMBER 31, 2005	<u>\$ 7,952</u>	<u>\$ 5,080</u>	<u>\$ 13,032</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>			
Cash paid during the year for:			
Federal Income Tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest Expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Accountants' Compilation Report  
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COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

FOOTNOTE 1: The Cochran Hollow Homeowners Association, Inc. is a Texas non-profit corporation formed October 10, 2000. The purpose of the Association is to operate and maintain the Cochran Hollow homeowners project. The project consists of 30 lots and associated common elements located in Dallas, Texas.

FOOTNOTE 2: The books and records for the Cochran Hollow Homeowners Association, Inc. are maintained on the cash basis of accounting. For the purposes of these financial statements, they have been converted to the accrual method of accounting.

FUND ACCOUNTING: The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restriction 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 future major repairs and replacements.

CASH AND CASH EQUIVALENTS: For the purposes of these financial statements, cash and cash equivalents are deemed to be cash in bank checking, savings and money market accounts and time deposits with a maturity date of ninety days or less.

REVENUES: Revenues are accrued each month as the member assessments become due. Both the rates for members' assessments and the amount of any special assessments due are determined by the vote of the Board of Directors.

EXPENDITURES: Expenditures are recognized when incurred, rather than when paid. Non-emergency expenditures require the approval of Board members. All large expenditures, projects and services are contracted for using competitive bidding policies. The Board of Directors has the final approval on all contracts.

See the accompanying Accountants' Compilation Report.

COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

FOOTNOTE 2: (CONTINUED):

ACCOUNTS RECEIVABLE: Monthly maintenance assessments from the homeowners are accrued each month as they become due to the Association. The Association has a lien right against each lot until all dues or assessments are paid, such liens being subordinate to governmental and mortgage liens and legal fees associated with foreclosure proceedings.

PROPERTY AND EQUIPMENT: The Association assumed, from the developer, the responsibility to maintain and preserve the common areas of the project. Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because the Association cannot dispose of this property. The Association capitalizes personal property, if any, at cost and depreciates it using the straight-line method, over applicable useful lives.

FEDERAL INCOME TAX: The Association must make an annual election to file its Federal Income Tax return either under the provisions of the Internal Revenue code dealing specifically with Homeowners' Associations (Section 528) or Sub-Chapter A, dealing with corporations in general. Section 528 would impose a tax rate of 30% to the extent of the Association's non-exempt function net income. Alternatively, Sub-Chapter A imposes a graduated tax on the Association's overall net income, if any.

As a result of the Association's operations for the year ended December 31, 2005, the Association has elected to file under Section 528. Income tax for the year was \$0.00.

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.

FOOTNOTE 3: COMMITMENTS: The Association enters into various contracts for management and accounting, lawn maintenance, and other services. These contracts are generally for a term of one year, and may generally be canceled by either party giving 30 day's notice.

See the accompanying Accountants' Compilation Report.

COCHRAN HOLLOW HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

FOOTNOTE 4: REPLACEMENT FUND: The Association has not conducted a study to determine the amount of future major repairs and replacements. The Association's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. For the year ended December 31, 2005, the Association added approximately \$ 5,000, before earnings of \$ 80 to the replacement fund. Accumulated funds, which aggregate approximately \$ 5,080 at December 31, 2005, are held in separate accounts and are generally not available for operating purposes. If cash amounts are not sufficient to fund future major repairs and replacements, The Association may levy special assessments or increase regular assessments. Additionally, the Association may postpone needed repairs until funds are available.

See the accompanying Accountants' Compilation Report.