

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.

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DECEMBER 31, 2025

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## TIMOTHY, DeVOLT AND COMPANY, P. C.

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Preston Highlands North Estates Homeowners Association, Inc.  
Frisco, Texas

#### **Opinion**

We have audited the financial statements of Preston Highlands North Estates Homeowners Association, Inc., which comprise of the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance 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 Preston Highlands North Estates Homeowners Association, Inc. as of December 31, 2025, 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 Preston Highlands North Estates Homeowners 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 Preston Highlands North Estates Homeowners Association, Inc.'s ability to continue as a going concern for December 31, 2025 set by the applicable financial reporting framework.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Preston Highlands North Estates Homeowners 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Preston Highlands North Estates Homeowners Association, Inc.'s ability to continue as an ongoing 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.

## **Report on Supplementary Information**

As discussed in Footnote 7, the Association's Management (The Board of Directors) has not conducted a reserve study on future major repairs and replacements, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by the missing information.

Very truly yours,

Timothy, DeVolt and Company, P.C.  
Certified Public Accountants  
XXXXXXXX XX, XXXX

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2025

ASSETS			
	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>CURRENT ASSETS</b>			
Cash, including interest-bearing deposits	\$ 155,059	\$ 59,585	\$ 214,644
Certificates of deposit		95,200	95,200
Assessments receivable, less allowance for credit losses of \$ 21,039	63,838		63,838
Accounts receivable - other	796		796
Prepaid insurance	11,099		11,099
Prepaid expense - other	582		582
<b>TOTAL CURRENT ASSETS</b>	<b>231,374</b>	<b>154,785</b>	<b>386,159</b>
<b>PROPERTY AND EQUIPMENT, AT COST</b>			
Furniture & fixtures	3,842		3,842
Less: accumulated depreciation	(501)		(501)
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>3,341</b>	<b>-</b>	<b>3,341</b>
<b>OTHER ASSETS</b>			
Utility deposits	2,200		2,200
<b>TOTAL OTHER ASSETS</b>	<b>2,200</b>	<b>-</b>	<b>2,200</b>
<b>TOTAL ASSETS</b>	<b>\$ 236,915</b>	<b>\$ 154,785</b>	<b>\$ 391,700</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 12,816	\$	\$ 12,816
Assessments received in advance	93,557		93,557
<b>TOTAL CURRENT LIABILITIES</b>	<b>106,373</b>	<b>-</b>	<b>106,373</b>
<b>TOTAL LIABILITIES</b>	<b>106,373</b>	<b>-</b>	<b>106,373</b>
<b>FUND BALANCES / (DEFICITS)</b>	<b>130,542</b>	<b>154,785</b>	<b>285,327</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 236,915</b>	<b>\$ 154,785</b>	<b>\$ 391,700</b>

See the accompanying Independent Auditors' Report  
and the Footnotes to the Financial Statements.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2025

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Regular assessments	\$ 220,694	\$ 32,026	\$ 252,720
Violation fines	70,850		70,850
Leased unit fee	16,800		16,800
Interest income	3,489	3,802	7,291
Late/collection charges	4,861		4,861
Developer funding	2,800		2,800
Other income	865		865
Rental / vending income	735		735
Miscellaneous owner fees	255		255
TOTAL REVENUES	321,349	35,828	357,177
OPERATING EXPENSES			
Landscaping & lawn maintenance	55,051		55,051
Utilities expense	43,204		43,204
Credit loss expense	3,441		3,441
Repairs - pavillion / patio	37,044		37,044
Management fees - contract	22,800		22,800
Pool maintenance & repairs	19,116		19,116
Office supplies & admin. costs	18,955		18,955
Insurance expense	13,430		13,430
Legal & professional fees	12,572		12,572
Repairs - irrigation	11,770		11,770
Repairs - janitorial supplies	6,950		6,950
Repairs - other	3,504		3,504
Social events	1,935		1,935
Cable / telephone expense	1,734		1,734
Depreciation expense	501		501
Taxes - real property	309		309
TOTAL OPERATING EXPENSES	252,316	-	252,316
EXCESS REVENUES / (EXPENSES)	\$ 69,033	\$ 35,828	\$ 104,861
BEGINNING FUND BALANCE / (DEFICIT)	61,509	118,957	180,466
ENDING FUND BALANCE / (DEFICIT)	\$ 130,542	\$ 154,785	\$ 285,327

See the accompanying Independent Auditors' Report  
and the Footnotes to the Financial Statements.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2025

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES:			
Excess revenues/ (expenses)	\$ 69,033	\$ 35,828	\$ 104,861
Add: Depreciation	501	-	501
Decrease / (Increase) in:			
Accounts receivable	(63,838)	-	(63,838)
Accounts receivable - other	(796)	-	(796)
Prepaid expenses	(2,878)	-	(2,878)
Deposits	1,100	-	1,100
Increase / (Decrease) in:			
Accounts payable	(1,666)	-	(1,666)
Assessments received in advance	17,019	-	17,019
NET CASH PROVIDED/ (USED) BY OPERATIONS	18,475	35,828	54,303
CASH FLOW FROM INVESTING ACTIVITIES:			
Investment in certificates of deposit	-	(43,996)	(43,996)
Retirement / (Purchase) of property and equipment	(3,842)	-	(3,842)
NET CASH PROVIDED/ (USED) BY INVESTING	(3,842)	(43,996)	(47,838)
NET INCREASE/ (DECREASE) IN CASH	14,633	(8,168)	6,465
CASH BALANCE, BEGINNING OF YEAR	140,426	67,753	208,179
CASH BALANCE, END OF YEAR	\$ 155,059	\$ 59,585	\$ 214,644
SUPPLEMENTAL DISCLOSURE:			
Cash paid during the year for:			
Federal Income Tax	\$ -	\$ -	\$ -
Interest Expense	\$ -	\$ -	\$ -

See the accompanying Independent Auditors' Report  
and the Footnotes to the Financial Statements.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025

FOOTNOTE 1: Preston Highlands North Estates Homeowners Association, Inc. is a Texas non-profit corporation formed February 12, 1996. The purpose of the Association is to operate and maintain the Preston Highlands North Estates homeowners project. The project consists of 486 units and associated common areas located in Frisco, Texas.

FOOTNOTE 2: In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through XXXXXXXX XX, XXXX, the date that the financial statements were available to be issued.

FOOTNOTE 3: The books and records for Preston Highlands North Estates Homeowners Association, Inc. are presented on the accrual basis 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 rate for members' assessments and the amount of any special assessments due are determined by the vote of the Board of Directors.

REPLACEMENT FUND ASSESSMENT REVENUES: The Association has applied ASC 605 revenue recognition whereby "rules based" specific guidance was defined for CIRAs rather than ASC 606 which provides "principles based" broad standards that do not include specific guidance for CIRAs. Furthermore, Replacement Fund Assessments cannot apply the following four tests required under ASC 606: (1.) Assessments are not related to a "customer or customers" (2.) Assessments do not have a performance obligation (3.) There is no transaction price for replacement expenses (4.) Cannot allocate Assessments to a future performance obligation. As a result, we do not believe that the application of ASC 606 would fairly present the financial position to the CIRA financial readers.

See the accompanying Independent Auditors' Report.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025

FOOTNOTE 3: (CONTINUED):

**EXPENDITURES:** Expenditures are recognized when incurred, rather than when paid. Unbudgeted, non-emergency expenditures must be approved by the President, Treasurer, or other member of the Board. All other expenditures, projects and services are contracted for using competitive bidding policies. The Board of Directors has the final approval on all contracts.

**ACCOUNTS RECEIVABLE:** Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. The annual budget and members assessments are determined by the Board of Directors and 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 time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

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 delinquent. The balances of assessments receivable as of the beginning and end of the year are \$ 21,607 and \$ 84,877, respectively.

The Association treats uncollectible assessments as credit losses. The Association evaluates the collectability of assessments receivable based on current conditions, past experience, and forecasts of future events. Based on these factors, the Association does not believe that all of its assessments receivable are collectible. Accordingly, an allowance for credit losses is needed at the end of the year in the amount of \$ 21,039.

**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, currently of five years. The depreciation expense for the year was \$ 501.

See the accompanying Independent Auditors' Report.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025

FOOTNOTE 3: (CONTINUED):

**FEDERAL INCOME TAX:** The Association received a determination letter from the Internal Revenue Service granting a tax-exempt status under IRC Section 501(c) (4). As a result, the Association filed a form 990 showing no tax due for the year ended December 31, 2025.

Currently, the open tax years available to audit by the IRS are 2023, 2024 and 2025. However, the Association has not been notified that any of these tax return years have been selected for audit by the IRS.

**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 4: 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 days' notice.

**FOOTNOTE 5: FAIR VALUE:** The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements).

The carrying amounts reflected in the December 31, 2025 balance sheet for cash and cash equivalents approximate the respective fair values. All cash and cash equivalents, including money market accounts, are held in banks. The Association currently has no money market accounts with non-federally insured institutions.

See the accompanying Independent Auditors' Report.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.  
FOOTNOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025

FOOTNOTE 6: RESERVE STUDY: The Association has adopted a new reserve study effective in 2026. The new reserve study will be included in subsequent reports.

FOOTNOTE 7: REPLACEMENT FUND: The Association has not conducted a reserve study to determine the amount of future major repairs and replacements. The Association's governing documents generally provide for the levying for 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, 2025, the Association added \$ 32,026, before earnings of \$ 3,802 to the replacement fund. Accumulated cash funds, which aggregate approximately \$ 154,785 at December 31, 2025, are held in separate accounts and are generally not available for operating purposes.

If replacement funds are not sufficient to fund future major repairs and replacements, the Association has the right to increase regular assessments or levy special assessments, or it may postpone needed repairs until funds are available.

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See the accompanying Independent Auditors' Report.

PRESTON HIGHLANDS NORTH ESTATES HOMEOWNERS ASSOCIATION, INC.

Timothy, DeVolt and Company, P.C.  
5525 N. MacArthur Blvd, Ste 940  
Irving, TX 75038

This representation letter is provided in connection with your audit of the financial statements of Preston Highlands North Estates Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 31, 2025, the following representations made to you during your audit.

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter with a signature date of January 13, 2025.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. Any known uncorrected misstatements are attached to the representation letter, if any.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Transfers or designations of fund balance or interfund borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
- Uncollectible interfund loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

### **Information Provided**

- We have provided you with:
  - o Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - o Additional information that you have requested from us for the purpose of the audit.

Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
  - o Invoices
  - o Management
  - o Employees who have significant roles in internal control, or
  - o Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We understand that management is responsible for the Association's choice of filing Form 990 and the consequences thereof.

*James Thomas*

[James Thomas \(Mar 18, 2026 11:51:13 CDT\)](#)

Officer Signature - Preston Highlands North Estates Homeowners Association, Inc.

**President**

\_\_\_\_\_  
Title

**03/18/2026**

\_\_\_\_\_  
Date







# 491 Draft 2025 Audit 022626

Final Audit Report

2026-03-18

Created:	2026-03-18
By:	lauren potter (lpotter@cmamanagement.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAhDjiHINH1cmO-bwxz5Fh51ftbt4ZAh6u

## "491 Draft 2025 Audit 022626" History

-  Document created by lauren potter (lpotter@cmamanagement.com)  
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-  Document emailed to president@phnfrisco.com for signature  
2026-03-18 - 4:23:10 PM GMT
-  Email viewed by president@phnfrisco.com  
2026-03-18 - 4:43:27 PM GMT- IP address: 66.25.138.144
-  Signer president@phnfrisco.com entered name at signing as James Thomas  
2026-03-18 - 4:51:11 PM GMT- IP address: 66.25.138.144
-  Document e-signed by James Thomas (president@phnfrisco.com)  
Signature Date: 2026-03-18 - 4:51:13 PM GMT - Time Source: server- IP address: 66.25.138.144
-  Agreement completed.  
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