

# 2013 Audited Financial Statements

PECAN GROVE PLANTATION  
PROPERTY OWNERS' ASSOCIATION, INC.  
Financial Statements  
December 31, 2013 and 2012

Ronald L. Briggs, P.C.  
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RONALD L.  
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*Certified Public Accountant*

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Pecan Grove Plantation Property Owners' Association, Inc.  
Richmond, TX 77469

We have audited the accompanying balance sheets of Pecan Grove Plantation Property Owners' Association, Inc. as of December 31, 2013 and 2012, and the related statements of support, revenue and expenses, fund balances, and cash flows for the years 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 misstatement. 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 above present fairly, in all material respects, the financial position of Pecan Grove Plantation Property Owners' Association, Inc. as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ronald L. Briggs, CPA  
December 10, 2014

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**Member**

American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2013 AND 2012

	<u>12/31/13</u>	<u>12/31/12</u>
ASSETS		
CASH	\$ 395,457	\$ 332,772
ASSESSMENTS RECEIVABLE, NET	13,632	10,665
OTHER RECEIVABLES	14,875	7,068
PREPAID EXPENSES	<u>12,520</u>	<u>12,666</u>
	436,484	363,171
PROPERTY AND EQUIPMENT:		
EQUIPMENT	268,011	260,989
ACCUMULATED DEPRECIATION	<u>(205,166)</u>	<u>(196,373)</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>62,845</u>	<u>64,616</u>
TOTAL ASSETS	<u>\$ 499,329</u>	<u>\$ 427,787</u>
LIABILITIES		
ACCOUNTS PAYABLE	\$ 7,621	\$ 15,076
SUTA PAYABLE	13	4
FIT PAYABLE	0	293
FICA/MED PAYABLE	0	409
FUTA PAYABLE	97	112
DEFERRED INCOME - ADVERTISING	4,975	4,381
PREPAID MAINTENANCE FEES	<u>161,492</u>	<u>84,084</u>
TOTAL LIABILITIES	<u>174,198</u>	<u>104,359</u>
FUND BALANCES		
OPERATING FUND BALANCE	272,948	271,245
RESERVED FUND BALANCE	<u>52,183</u>	<u>52,183</u>
TOTAL FUND BALANCES	<u>325,131</u>	<u>323,428</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 499,329</u>	<u>\$ 427,787</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.

STATEMENTS OF OWNERS' SUPPORT, REVENUE AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>12/31/13</u>	<u>12/31/12</u>
OWNERS' SUPPORT & REVENUE		
MAINTENANCE FEES	\$ 450,734	\$ 428,198
TRANSFER AND OTHER FEES	20,754	18,836
NEWSLETTER ADVERTISING FEES	38,429	32,732
INTEREST EARNED	<u>781</u>	<u>1,151</u>
TOTAL OWNERS' SUPPORT & REVENUE	<u>510,698</u>	<u>480,917</u>
MAINTENANCE AND OPERATING EXPENSES		
COMMUNITY EVENTS	10,519	7,087
ESPLANADE MAINTENANCE	48,684	46,071
NEWSLETTER	30,457	26,212
CONTRACT DEPUTY PROGRAM	152,122	152,277
UTILITIES	<u>97,294</u>	<u>93,985</u>
TOTAL MAINTENANCE AND OPERATING EXPENSES	<u>339,076</u>	<u>325,632</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
ACCOUNTING AND AUDIT	30,022	36,977
BAD DEBTS	2,400	2,400
COLLECTION FEES	4,171	3,609
CONTRIBUTIONS	10,400	3,300
DEPRECIATION	8,793	12,574
ELECTION	5,930	5,908
LEGAL	15,382	16,274
LIABILITY INSURANCE	9,934	7,290
MEETING COSTS	0	576
OFFICE EXPENSES	20,890	20,175
POSTAGE	1,599	1,807
RENT	5,685	5,685
REPAIRS	344	758
SERVICE CHARGES	960	650
TELEPHONE	2,418	2,423
SALARY	35,335	33,438
SERVICE VEHICLE COST	11,577	13,854
TAXES - PAYROLL	3,557	3,480
TAXES - OTHER	<u>523</u>	<u>1,058</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>169,920</u>	<u>172,236</u>
TOTAL EXPENSES	<u>508,996</u>	<u>497,868</u>
EXCESS (DEFICIENCY) OF OWNERS' SUPPORT AND REVENUE OVER EXPENSES	<u>\$ 1,703</u>	<u>\$ (16,950)</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>
BALANCE, JANUARY 1, 2012	\$ 287,970	\$ 52,183
EXCESS OF OWNERS' SUPPORT AND REVENUE OVER EXPENSES	<u>(16,725)</u>	<u>0</u>
BALANCE, DECEMBER 31, 2012	271,245	52,183
EXCESS OF OWNERS' SUPPORT AND EXPENSES OVER REVENUE	<u>1,703</u>	<u>0</u>
BALANCE, DECEMBER 31, 2013	<u>\$ 272,948</u>	<u>\$ 52,183</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	12/31/2013	12/31/2012
	<u>                    </u>	<u>                    </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENSES \$	1,703	\$ (16,725)
ADJUSTMENTS TO RECONCILE EXCESS OF SUPPORT AND REVENUE OVER EXPENSES TO CASH PROVIDED BY OPERATIONS:		
DEPRECIATION	8,793	12,574
(INCREASE) DECREASE IN:		
ACCOUNTS RECEIVABLE	(2,967)	2,509
OTHER RECEIVABLE	(7,809)	3,155
PREPAID EXPENSES	147	4,459
INCREASE (DECREASE) IN:		
ACCOUNTS PAYABLE	(7,455)	5,530
DEFERRED INCOME - ADVERTISING	595	2,398
PREPAID MAINTENANCE FEES	77,408	(77,313)
PAYROLL TAXES PAYABLE	<u>(708)</u>	<u>(274)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	69,707	(63,689)
CASH FLOWS FROM INVESTING ACTIVITIES:		
ACQUISITION OF EQUIPMENT	<u>(7,022)</u>	<u>(10,233)</u>
NET CASH PROVIDED (UTILIZED) BY INVESTING ACTIVITIES	<u>(7,022)</u>	<u>(10,233)</u>
NET INCREASE (DECREASE) IN CASH	62,685	(73,922)
CASH AT BEGINNING OF YEAR	<u>332,772</u>	<u>406,694</u>
CASH AT END OF YEAR	<u>\$ 395,457</u>	<u>\$ 332,772</u>

SEE AUDITOR'S REPORT AND THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Association is a Texas non-profit corporation, Pecan Grove Plantation Property Owners' Association, Inc., that was formed March 5, 1979 and is located in Fort Bend County, Texas in a subdivision known as Pecan Grove Plantation. Pecan Grove Plantation contains 2,141 lots .

The Association is charged with the responsibility of providing community maintenance of the common areas within its boundaries and to enforce the restrictive covenants of the deed restrictions.

Policies are formulated by the Board of Trustees.

The books and records are maintained by an outside bookkeeping service.

ACCOUNTING POLICIES

The Association owns and maintains nine (9) common areas that have been deeded to the Association by the Developer. Two (2) of these common areas are recreational areas. These nine (9) tracts of land are unimproved and therefore are not recorded on the books of the Association nor has a reserve been provided for their future replacement.

The Association voluntarily maintains 19 common areas owned by Fort Bend County.

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments Receivable at the balance sheet date represents fees due from homeowners. The deed restrictions provide for an automatic lien on all property for past due amounts. Any net excess assessments at the end of the year are retained by the Association for future use.

Revenue and expenses are reported on the accrual basis, which means that income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Funds are separated between operating funds and reserved funds. Operating funds are those whose disposition is at the discretion of the Board of Trustees and are generally disbursed for operating expenses. Reserved funds have been set aside for a future use.



PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (continued)

The allowance for doubtful accounts is based on prior years' experience and analysis of possible bad debts.

Property and equipment are recorded at cost. The assets are depreciated over their estimated useful lives using the straight-line method of depreciation.

For purposes of the statement of cash flows, the Association considers all investments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 - FEDERAL INCOME TAX

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2013. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property.

For the year ended December 31, 2013 there is no nonexempt function income, which includes earned interest and revenues received from nonmembers.

NOTE 3 - ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR BAD DEBTS

	<u>2013</u>	<u>2012</u>
CURRENT YEAR	\$ 917	\$ 959
PRIOR YEARS	0	0
LATE, LEGAL, COLLECTION AND MOWING	<u>13,483</u>	<u>13,232</u>
	\$14,400	\$14,191
LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS	<u>768</u>	<u>3,526</u>
TOTAL ASSESSMENTS RECEIVABLE, NET	<u>\$13,632</u>	<u>\$10,665</u>
	=====	=====

NOTE 4 - PREPAID EXPENSES

The Association pays its utility bills, contract deputy program costs, and general liability insurance in advance.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - RESERVED FUND BALANCE

The Association has started a reserve fund for the possibility of providing a multipurpose community facility if the need and opportunity arises and the Board so determines.

NOTE 6 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist of cash. During the year the Association maintained certain bank accounts in excess of the FDIC insured limits. The Association has cash accounts at Wells Fargo and Compass Bank. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Association did not exceed the federally insured limits in its account at Wells Fargo Bank of Texas.