

2016 Audited Financial Statements

PECAN GROVE PLANTATION
PROPERTY OWNERS' ASSOCIATION, INC.
Financial Statements
December 31, 2016 and 2015

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RONALD L.
BRIGGS, P.C.

Certified Public Accountant

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Pecan Grove Plantation Property Owner's Association Inc., which comprise the balance sheet as of December 31, 2016, and the related statements of owners' support, revenue and expenses, changes in fund balances and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

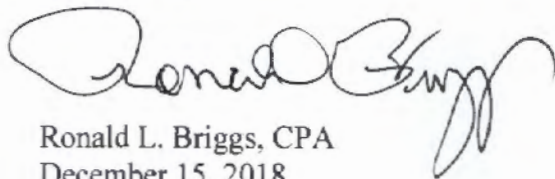
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pecan Grove Plantation Property Owners' Association, Inc. as of December 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Pecan Grove Plantation Property Owners' Association December 31, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted supplementary information about future major repairs and replacements of common property that 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



Ronald L. Briggs, CPA
December 15, 2018

PECAN GROVE PLANTATION PROPERTY OWENRS' ASSOCIATION, INC
BALANCE SHEET
DECEMBER 31, 2016 AND 2015

Assets	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2016 Total All Funds</u>	<u>2015 Total All Funds</u>
Current Assets				
Cash and cash equivalents	\$ 377,235	\$ 24,692	\$ 401,927	\$ 472,666
Member assessments receivable	7,879		7,879	10,246
Other receivables	18,872		18,872	9,145
Prepaid expenses	<u>5,350</u>		<u>5,350</u>	<u>4,433</u>
Total current assets	<u>409,336</u>	<u>24,692</u>	<u>434,028</u>	<u>496,490</u>
Property and equipment				
Furniture & Equipment	43,475		43,475	37,665
Improvements	107,109		107,109	107,109
Computer software	1,545		1,545	1,545
Community service vehicle	23,419		23,419	23,419
Playground equipment	43,282		43,282	43,282
Christmas decorations	56,600		56,600	56,600
Land	1		1	1
Less: accumulated depreciation	<u>(231,946)</u>		<u>(231,946)</u>	<u>(222,906)</u>
Total fixed assets	<u>43,485</u>		<u>43,485</u>	<u>46,715</u>
Total assets	<u>\$ 452,821</u>	<u>\$ 24,692</u>	<u>\$ 477,513</u>	<u>\$ 543,205</u>
 Liabilities and Fund Balances				
Current liabilities				
Accounts payable	\$ 9,821	\$	\$ 9,821	\$ 8,056
Prepaid member assessments	127,846		127,846	164,528
Payroll taxes payable	2,212		2,212	1,418
Deferred income - advertising	5,857		5,857	6,237
Prepaid contract deputy patrol	<u>10,102</u>		<u>10,102</u>	<u>2,860</u>
Total current liabilities	<u>155,838</u>		<u>155,838</u>	<u>183,099</u>
Fund balances				
Operating fund balance	296,983		296,983	331,554
Reserve fund balance		<u>24,692</u>	<u>24,692</u>	<u>28,552</u>
Total fund balance	<u>296,983</u>	<u>24,692</u>	<u>321,675</u>	<u>360,106</u>
Total liabilities and fund balances	<u>\$ 452,821</u>	<u>\$ 24,692</u>	<u>\$ 477,513</u>	<u>\$ 543,205</u>

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENTS OF OWNERS' SUPPORT, REVENUE AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Operating Fund	Reserve Fund	2016 Total All Funds	2015 Total All Funds
Revenues				
Member assessments	\$ 442,477		\$ 442,477	\$ 450,534
Transfer and other fees	27,372		27,372	20,444
Newsletter and advertising fees	36,619		36,619	35,365
Interest earned	1,039		1,039	901
Total revenues	507,507		507,507	507,244
Maintenance and operating expenses				
Community events	24,049		24,049	10,570
Esplanade Maintenance	49,641		49,641	43,756
Newsletter	30,651		30,651	30,148
Contract deputy program	145,676		145,676	131,053
Utilities	109,868		109,868	91,345
Total maintenance and operating expenses	359,885		359,885	306,872
General and administrative expenses				
Accounting and audit	42,636		42,636	37,238
Bad debts	9,045		9,045	3,401
Collection fees	4,058		4,058	10,286
Contributions	2,666		2,666	8,050
Depreciation	9,040		9,040	8,799
Election	6,280		6,280	6,097
Legal	1,954		1,954	1,695
Liability insurance	7,931		7,931	9,745
Meeting costs	648		648	-
Office expenses	27,636		27,636	19,365
Postage	1,765		1,765	2,567
Rent	5,760		5,760	5,760
Repairs	5,630		5,630	7,220
Service charges	845		845	1,472
Telephone	2,304		2,304	2,181
Salary	36,162		36,162	37,241
Service vehicle cost	15,323		15,323	11,789
Taxes - payroll	3,651		3,651	4,812
Taxes - other	2,719		2,719	1,047
Total general and administrative expenses	186,053		186,053	178,765
Total expenses	545,938		545,938	485,637
Excess of revenues over (under) expenses	(38,431)		(38,431)	21,877
Interfund transfers	3,860	(3,860)	-	
Fund balances, beginning of year	331,554	28,552	360,106	338,229
Fund balances, end of year	<u>\$ 296,983</u>	<u>\$ 24,692</u>	<u>\$ 321,675</u>	<u>\$ 360,106</u>

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2016 Total</u>	<u>2015 Total</u>
Fund balances, beginning of year	\$ 331,554	\$ 28,552	\$ 360,106	\$ 325,132
Interfund transfers	3,860	(3,860)		
Excess revenues over (under) expenses	<u>(38,431)</u>	<u> </u>	<u>(38,431)</u>	<u>13,097</u>
Fund balances, end of year	<u>\$ 296,983</u>	<u>\$ 24,692</u>	<u>\$ 321,675</u>	<u>\$ 338,229</u>

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Operating Fund	Reserve Fund	2016 Total All Funds	2015 Total All Funds
Cash flow from operating activities				
Excess (Deficiency) of revenues over expenses	\$ (38,431)	\$	\$ (38,431)	\$ 21,877
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used by operating activities):				
Depreciation	9,040		9,040	8,799
(Increase) decrease in:				
Member assessments receivable	2,367		2,367	671
Other receivables	(9,727)		(9,727)	4,009
Prepaid expenses	(917)		(917)	16,766
Increase (decrease) in:				
Accounts payable	1,765		1,765	1,161
Prepaid member assessments	(36,682)		(36,682)	86,853
Payroll taxes payable	794		794	1,324
Deferred income - advertising	(380)		(380)	(25)
Prepaid contract deputy patrol	7,242		7,242	(5,323)
Net cash provided (used) by operating activities	(64,929)	-	(64,929)	136,112
Cash flows from investing activities				
Acquisition of equipment	(5,810)		(5,810)	-
Net cash provided (utilized) by investing activities	(5,810)		(5,810)	-
Cash flows from financing activities				
Interfund transfers	3,860	(3,860)		
Net increase (decrease) in cash	(66,879)	(3,860)	(70,739)	136,112
Cash at beginning of year	444,114	28,552	472,666	395,457
Cash at ending of year	<u>\$ 377,235</u>	<u>\$ 24,692</u>	<u>\$ 401,927</u>	<u>531,569</u>
Supplemental disclosure				
Income taxes paid	-0-			
Interest paid	-0-			

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 2,143 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, 2016 AND 2015

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.

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.

Property and equipment

Real property and common areas acquired from the developer and related improvements to such property are generally not recorded in the Association's financial statements because those properties are owned by the individual owners in common and not by the Association. Common real property which has been acquired by an association and used to generate revenues may be capitalized and presented in the financial statements. The Association follows the practice of capitalizing expenditures in excess of \$2,500 for property and equipment at cost. Depreciation is provided using the straight-line method over estimated useful lives of five to thirty-nine years. The following is a summary of the lives for each class of asset:

Equipment	5-7 years
Furniture and fixtures	5-10 years
Land Improvements	20 years

NOTE 2 - FEDERAL INCOME TAX

The Association has elected to file as a homeowner association in accordance with Code Section 528 of the Internal Revenue Code. As a homeowner association, membership income is exempt from taxation, while the Association is taxed on its non-membership income, such as interest earnings.

The Association is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code of 1986. Entities classified as 501(c)(4) organizations are not qualified to receive donations by the donor as charitable.

Although exempt from federal income tax, the Association is required to file an annual Form 990 information return with the Internal Revenue Service (IRS). The Associations' Form 990 returns have never been audited by the IRS, although returns are subject to audit to the extent of the applicable federal law, generally three years from the date filed.

The Association's federal tax return is subject to audit by the Internal Revenue Service. The tax returns for the current and prior two calendar years remain open for examination by the IRS.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR BAD DEBTS

The Association considers accounts receivable to be fully collectible; accordingly, little allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. The direct write off method is not in accordance with accounting principles generally accepted in the United States of America ("GAAP"); however its use in these financial statements does not constitute a material departure from GAAP.

The Association extends credit to its customers in the normal course of business. An allowance is provided for accounts estimated to be uncollectible. The Association calculates the allowance based on information regarding historical collections and specific knowledge regarding customer accounts. Changes in the Associations' allowance for doubtful accounts are as follows:

	<u>2016</u>	<u>2015</u>
Assessment receivable	\$9,286	\$11,417
Allowance for uncollectible	(500)	(500)
Bad debt expense	(9,044)	(3,401)
Accounts written off, net of recoveries	<u>8,137</u>	<u>2,188</u>
Ending balance	\$7,879	\$ 10,246

NOTE 4 - PREPAID EXPENSES

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

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, 2016, the Association did not exceed the federally insured limits in its account at Wells Fargo Bank of Texas.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board, Fair Value Measurements and Disclosures (FASB ASC 820-10), defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Association's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities : quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Association's only financial instruments are cash and money markets.

NOTE – 8 – SUBSEQUENT EVENTS

The Association did not have any subsequent events through January 4,2018, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2016.