

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

For the Year Ended  
December 31, 2023

Nagesh & Associates, PLLC  
Certified Public Accountants



PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.

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### **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
of PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.

#### **Opinion**

We have audited the accompanying financial statements of PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC. (the "Association"), which comprise the Balance Sheet as of December 31, 2023, and the related Statement of Assessments, Revenues and Expenses, and Changes in Fund Balances and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association, as of December 31, 2023, 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.

#### **Basis for Opinion**

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

#### ***Emphasis of Matter - Future Major Repairs and Replacements***

*As disclosed in Note 4, the Association has not conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. As of December 31, 2023, the Association has accumulated \$13,632, for future major repairs and replacements. The Association property was constructed in 1979 and consists of 2,228 homes and an apartment complex. As the funds accumulated by the Association are not adequate, when funds are required for major repairs and replacements, the Association has to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined, and our opinion is not modified with respect to this matter.*

## **Report on Summarized Comparative Information**

We have previously audited the Association's December 31, 2022, financial statements, and our report dated November 29, 2023, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

## **Responsibilities of Management 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, 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgement 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 the Association'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 the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance of the Association 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**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 12 and 13, as identified in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Regulatory Requirements - Omission of Required Supplementary Information about Future Major Repairs and Replacements**

Management has omitted the information on 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 and 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.

*Nagesh & Associates, PLLC*

Houston, Texas

May 21, 2024

**PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.**  
**BALANCE SHEETS**  
**As of December 31, 2023**  
**With Summarized Comparative Information as of December 31, 2022**

	Operating Fund	Replacement Fund	Property and Equipment Fund	Totals 31-Dec-23	Summarized Totals 31-Dec-22
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$170,340	\$13,632	-	\$183,972	\$140,675
Accounts receivable	84,463	-	-	84,463	26,999
Allowance for doubtful accounts	(6,433)	-	-	(6,433)	(4,114)
Prepaid expenses	14,770	-	-	14,770	33,589
<b>Total current assets</b>	<b>263,140</b>	<b>13,632</b>	<b>-</b>	<b>276,772</b>	<b>197,149</b>
<b><u>PROPERTY AND EQUIPMENT</u></b>					
Furniture and equipment	-	-	\$50,773	\$50,773	\$50,773
Improvements	-	-	118,099	118,099	118,099
Computer software	-	-	1,545	1,545	1,545
Community service vehicle	-	-	23,452	23,452	23,452
Christmas wreaths & accessories	-	-	85,722	85,722	85,722
Land	-	-	1	1	1
Accumulated depreciation	-	-	(247,982)	(247,982)	(241,647)
<b>Total assets</b>	<b>\$263,140</b>	<b>\$13,632</b>	<b>\$31,610</b>	<b>\$308,382</b>	<b>\$235,094</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities					
Accounts payable	\$24,503	-	-	\$24,503	\$35,175
Prepaid maintenance fees	171,449	-	-	171,449	97,332
<b>Total liabilities</b>	<b>195,952</b>	<b>-</b>	<b>-</b>	<b>195,952</b>	<b>132,507</b>
Fund balance	67,188	\$13,632	\$31,610	112,430	102,587
<b>Total liabilities and fund balance</b>	<b>\$263,140</b>	<b>\$13,632</b>	<b>\$31,610</b>	<b>\$308,382</b>	<b>\$235,094</b>

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

**PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2023**  
**With Summarized Comparative Information for the Year Ended December 31, 2022**

	Operating Fund	Replacement Fund	Property and Equipment Fund	Totals 31-Dec-23	Summarized Totals 31-Dec-22
<b>Assessment and revenues</b>					
Maintenance fees	\$465,652	-	-	\$465,652	\$465,652
Maintenance fees south grand apartments	22,734	-	-	22,734	22,734
Late fees and fines	23,025	-	-	23,025	12,050
Interest income	185	\$175	-	360	25
Adjustments and write-off	(2,400)	-	-	(2,400)	(2,410)
Transfer fees	9,185	-	-	9,185	13,156
Other income	150	-	-	150	5,758
<b>Total assessments and revenues</b>	<b>518,531</b>	<b>175</b>	<b>-</b>	<b>518,706</b>	<b>516,965</b>
<b>Operating expenses</b>					
Administrative expenses	144,918	-	-	144,918	147,411
Contract	169,228	-	-	169,228	171,960
Facility maintenance	76,640	-	-	76,640	64,547
Utilities	93,603	-	-	93,603	106,794
Community events	6,008	-	-	6,008	34,962
Contributions	1,000	-	-	1,000	1,000
Depreciation	-	-	\$6,335	6,335	7,811
Insurance	11,131	-	-	11,131	10,796
<b>Total operating expenses</b>	<b>502,528</b>	<b>-</b>	<b>6,335</b>	<b>508,863</b>	<b>545,281</b>
<b>Revenue over (under) expenses</b>	<b>16,003</b>	<b>175</b>	<b>(6,335)</b>	<b>9,843</b>	<b>(28,316)</b>
Fund balance, beginning of the year	51,185	13,457	37,945	102,587	130,903
<b>Fund balance, end of the year</b>	<b>\$67,188</b>	<b>\$13,632</b>	<b>\$31,610</b>	<b>\$112,430</b>	<b>\$102,587</b>

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

**PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended December 31, 2023**  
**With Summarized Comparative Information for the Year Ended December 31, 2022**

	Operating Fund	Replacement Fund	Property and Equipment Fund	Totals 31-Dec-23	Summarized Totals 31-Dec-22
<b>Operations</b>					
Assessments and revenues over (under) expenses	\$16,003	\$175	(\$6,335)	\$9,843	(\$28,316)
Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations					
Accounts receivable	(57,464)	-	-	(57,464)	58,196
Allowance for doubtful accounts	2,319	-	-	2,319	2,400
Prepaid expenses	18,819	-	-	18,819	(16,704)
Accounts payable	(10,672)	-	-	(10,672)	4,215
Prepaid maintenances fees	74,117	-	-	74,117	(64,643)
Depreciation	-	-	6,335	6,335	7,811
<b>Total from operations</b>	<b>43,122</b>	<b>175</b>	<b>-</b>	<b>43,297</b>	<b>(37,041)</b>
<b>Increase (decrease) in cash</b>	<b>43,122</b>	<b>175</b>	<b>-</b>	<b>43,297</b>	<b>(37,041)</b>
Cash and cash equivalents, beginning of the year	127,218	13,457	-	140,675	177,716
<b>Cash and cash equivalents, end of the year</b>	<b>\$170,340</b>	<b>\$13,632</b>	<b>-</b>	<b>\$183,972</b>	<b>\$140,675</b>

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



**1. NATURE OF ORGANIZATION**

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC. (the "Association") was incorporated in the State of Texas as a not-for-profit corporation on March 5, 1979. The Association is organized for the purposes of providing for maintenance preservation, and architectural control of the residences and common properties within the Pecan Grove subdivision, a community of 2,228 homes and an apartment complex, in Fort Bend County, Texas, and to promote the recreation, health, safety, and welfare of the owners, residents, and tenants.

**2. DATE OF MANAGEMENT REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 21, 2024, the date that the financial statements were available to be issued.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FUND ACCOUNTING**

The Association's governing documents provide certain guidelines for 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 for future major repairs and replacements.

Property Fund – This fund is used to account for the property owned by the Association.

**MEMBER ASSESSMENTS**

Association members are subject to assessments based on an annual budget as adopted by the Board of Directors (the "Board"), and pursuant to the governing documents of the Association. The assessments are to provide funds for the Association's operating expenses and major repairs and replacements. The allocation of assessments between operating expenses and major repairs and replacements are determined by the governing documents or the Board. The Association recognizes assessments from its members as the related performance obligations are satisfied.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEMBER ASSESSMENTS – OPERATING EXPENSES**

The Association's performance obligations related to its operating assessments are satisfied on a daily pro-rata basis.

**MEMBER ASSESSMENTS - MAJOR REPAIRS AND REPLACEMENT EXPENSES**

The assessments designated by the Association's governing documents, designated by the Board, or separately assessed for major repairs and replacement expenses from amounts assessed for normal operations are recorded as Contract Liability. The performance obligations related to the assessments designated for major repairs and replacement expenses are satisfied when these funds are expended for their designated purpose.

There were no assessments for major repairs and replacement expenses, and accordingly no contract liabilities for designated major repairs and replacement expenses as of December 31, 2023, and 2022.

**TRANSFER FEES**

Transfer fees are assessed upon the sale or transfer of title to any lot, to provide account information upon sale of the property or refinance of the property. The Association's performance obligation related to its Transfer fee revenues are satisfied, when the Association resolves the old account balance, if any, and transfers the account to the new owner in the event of a sale.

**ACCOUNTS RECEIVABLE AND ALLOWANCE FOR ADJUSTMENTS AND WRITE-OFFS**

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 homeowners whose assessments are thirty days or more delinquent. The Association estimates the allowance for doubtful accounts based on various factors with an emphasis on the age of past due accounts and the current collection status of the accounts.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*ACCOUNTS RECEIVABLE AND ALLOWANCE FOR ADJUSTMENTS AND WRITE-OFFS, Continued*

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. At December 31, 2023, and 2022 the Association had accounts receivable of \$84,463, and \$26,999, respectively, and allowances for doubtful accounts of \$6,433 and \$4,114, respectively.

*PROPERTY AND EQUIPMENT*

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the homes. Property and equipment acquired by the Association are recorded at cost and property contributed by the developer is recorded at fair value at the date of the contribution.

The Association's capitalized property and equipment is depreciated over its estimated useful life using the straight-line method of depreciation.

<b>Asset</b>	<b>Estimated Useful Life (Years)</b>
Equipment	5 – 7
Furniture and fixture	5 – 10
Community service vehicle	6-10
Computer software	5
Land improvement	20

*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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

For the purposes of reporting cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less as cash and cash equivalents in the accompanying balance sheet.

The portion of deposits in excess of limited Federal Deposit Insurance Coverage ("FDIC") of up to \$250,000 per financial institution represents a credit risk to the Association. As of December 31, 2023, the Association did not have any bank deposits in excess of the FDIC limits.

**4. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. Although the Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements, the Board has established a fund for this purpose. As of December 31, 2023, and 2022, the Association had \$13,632 and \$13,457, respectively, accumulated for future major repairs and replacements. These funds are held in a separate account and are generally not available for operating expenses.

When funds are required for major repairs and replacements, and the funds accumulated by the Association are not adequate, the Association has to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

**5. FEDERAL INCOME TAXES**

The Internal Revenue Service (the "IRS") has granted the Association tax-exempt status as a not-for-profit social welfare organization, pursuant to Internal Revenue Code ("IRC") Section 501(c)(4). Accordingly, the Association is exempt from federal income tax except on any "unrelated business income."

Because of its federal 501(c)(4) status, the Association is also exempt from Texas sales and use tax on its purchases, and from Texas franchise tax.

Annually, the Association files Form 990 – Return of Organization Exempt from Income Tax, with the IRS. The Association is not required to file any Texas tax returns.

The Association is subject to audit by both federal and state taxing authorities. Returns and tax status for 2023, 2022, 2021, and 2020 remain open to examination. The Association believes that it complies with the requirements of IRC Section 501(c)(4), and that accordingly, no significant tax liability would result from any such audits.

**5. SUMMARIZED COMPARATIVE INFORMATION**

The financial statements include certain prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**SUPPLEMENTAL SCHEDULES**

Nagesh & Associates, PLLC  
Certified Public Accountants

<b>PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.</b> <b>ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES</b> <b>AVERAGE PER HOME PER YEAR AND AS A PERCENTAGE OF TOTAL ASSESSMENTS AND REVENUES</b> <b>For the Year Ended December 31, 2023</b>			
	Amount	Average Per Home Per Year	%age of Total Revenues
<b>Assessments and Revenues</b>			
Maintenance fees	\$465,652	\$209.00	89.77%
Maintenance fees south grand apartments	22,734	10.20	4.38%
Late fees and fines	23,025	10.33	4.44%
Interest income	360	0.16	0.07%
Adjustments and write-off	(2,400)	(1.08)	-0.46%
Transfer fees	9,185	4.12	1.77%
Other income	150	0.07	0.03%
<b>Total assessments and revenues</b>	<b>518,706</b>	<b>232.81</b>	<b>100.00%</b>
<b>Administrative expenses</b>			
Accounting	29,299	13.15	20.22%
Audit	1,500	0.67	1.04%
Legal and collections	19,048	8.55	13.14%
Salaries	41,687	18.71	28.77%
Rent	14,400	6.46	9.94%
Taxes and payroll	3,915	1.76	2.70%
Administrative expenses - other	35,069	15.74	24.20%
<b>Total administrative expenses</b>	<b>144,918</b>	<b>65.04</b>	<b>27.94%</b>
<b>Contract</b>			
Deputy patrol	137,598	61.76	26.53%
Motor cycle patrol	31,630	14.20	6.10%
<b>Total contract</b>	<b>169,228</b>	<b>75.96</b>	<b>32.63%</b>
<b>Facility maintenance</b>			
Parks and esplanades maintenance	66,984	30.06	12.91%
Community vehicle service	4,156	1.87	0.80%
Other maintenance	5,500	2.47	1.06%
<b>Total facility maintenance</b>	<b>76,640</b>	<b>34.40</b>	<b>14.78%</b>
<b>Utilities</b>	<b>93,603</b>	<b>42.01</b>	<b>18.05%</b>
<b>Community events</b>	<b>6,008</b>	<b>2.70</b>	<b>1.16%</b>
<b>Contributions</b>	<b>1,000</b>	<b>0.45</b>	<b>0.19%</b>
<b>Depreciation</b>	<b>6,335</b>	<b>2.84</b>	<b>1.22%</b>
<b>Insurance</b>	<b>11,131</b>	<b>5.00</b>	<b>2.15%</b>
<b>Total expenses</b>	<b>508,863</b>	<b>228.39</b>	<b>98.10%</b>
<b>Net assessments and revenue over expenses</b>	<b>\$9,843</b>	<b>\$4.42</b>	<b>1.90%</b>
<i>The foregoing notes are an integral part of these financial statements.</i>			

**PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.**  
**ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES**  
**For the Years Ended December 31, 2023 and 2022**

	31-Dec-23	31-Dec-22
<b>Assessments and Revenues</b>		
Maintenance fees	\$465,652	\$465,652
Maintenance fees south grand apartments	22,734	22,734
Late fees and fines	23,025	12,050
Interest income	360	25
Adjustments and write-off	(2,400)	(2,410)
Transfer fees	9,185	13,156
Other income	150	5,758
<b>Total assessments and revenues</b>	<b>518,706</b>	<b>516,965</b>
<b>Administrative expenses</b>		
Accounting	29,299	34,271
Audit	1,500	7,500
Legal and collections	19,048	7,998
Salaries	41,687	46,339
Newsletter	-	2,917
Rent	14,400	15,160
Taxes and payroll	3,915	4,966
Administrative expenses - other	35,069	28,260
<b>Total administrative expenses</b>	<b>144,918</b>	<b>147,411</b>
<b>Contract</b>		
Deputy patrol	137,598	141,820
Motor cycle patrol	31,630	30,140
<b>Total contract</b>	<b>169,228</b>	<b>171,960</b>
<b>Facility maintenance</b>		
Parks and esplanades maintenance	66,984	51,243
Community vehicle service	4,156	12,554
Other maintenance	5,500	750
<b>Total facility maintenance</b>	<b>76,640</b>	<b>64,547</b>
<b>Utilities</b>	<b>93,603</b>	<b>106,794</b>
<b>Community events</b>	<b>6,008</b>	<b>34,962</b>
<b>Contributions</b>	<b>1,000</b>	<b>1,000</b>
<b>Depreciation</b>	<b>6,335</b>	<b>7,811</b>
<b>Insurance</b>	<b>11,131</b>	<b>10,796</b>
<b>Total expenses</b>	<b>508,863</b>	<b>545,281</b>
<b>Net assessments and revenue over expenses</b>	<b>\$9,843</b>	<b>(\$28,316)</b>

*The foregoing notes are an integral  
part of these financial statements.*