

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

For the Year Ended
December 31, 2024

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, 2024, 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, 2024, 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, 2024, the Association has accumulated \$0, 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, 2023, 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, 2023, 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

June 25, 2025

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
BALANCE SHEETS
As of December 31, 2024
With Summarized Comparative Information as of December 31, 2023

	Operating Fund	Replacement Fund	Property and Equipment Fund	Totals 31-Dec-24	Summarized Totals 31-Dec-23
<u>ASSETS</u>					
Cash and cash equivalents	\$244,599	-	-	\$244,599	\$183,972
Accounts receivable	66,404	-	-	66,404	84,463
Allowance for doubtful accounts	(8,833)	-	-	(8,833)	(6,433)
Prepaid expenses	29,464	-	-	29,464	14,770
Total current assets	331,634	-	-	331,634	276,772
<u>PROPERTY AND EQUIPMENT</u>					
Land	-	-	1	1	1
Furniture and equipment	-	-	\$50,773	50,773	\$50,773
Improvements	-	-	133,099	133,099	118,099
Computer software	-	-	1,545	1,545	1,545
Community service vehicle	-	-	2,292	2,292	23,495
Christmas wreaths & accessories	-	-	85,722	85,722	85,722
Accumulated depreciation	-	-	(232,942)	(232,942)	(247,982)
Total assets	\$331,634	\$0	\$40,490	\$372,124	\$308,425
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts payable	\$28,837	-	-	\$28,837	\$24,503
Prepaid maintenance fees	145,202	-	-	145,202	171,449
Total liabilities	174,039	-	-	174,039	195,952
Fund balance	157,595	\$0	\$40,490	198,085	112,473
Total liabilities and fund balance	\$331,634	\$0	\$40,490	\$372,124	\$308,425

*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
As of December 31, 2024
With Summarized Comparative Information as of December 31, 2023

	Operating Fund	Replacement Fund	Property and Equipment Fund	Totals 31-Dec-24	Summarized Totals 31-Dec-23
Assessment and revenues					
Maintenance fees	\$512,217	-	-	\$512,217	\$465,652
Maintenance fees south grand apartments	26,088	-	-	26,088	22,734
Late fees and fines	63,175	-	-	63,175	23,025
Interest income	2,431	129	-	2,560	360
Adjustments and write-off	(2,400)	-	-	(2,400)	(2,400)
Transfer fees	21,137	-	-	21,137	9,185
Other income- Gain on disposal of vehicle	1,700	-	-	1,700	150
Total assessments and revenues	624,348	129	-	624,477	518,706
Operating expenses					
Operating expenses	378,796	-	6,163	384,959	364,527
Administrative expenses	153,906	-	-	153,906	144,336
Total operating expenses	532,702	-	6,163	538,865	508,863
Revenue over (under) expenses	91,646	129	(6,163)	85,612	9,843
Fund balance, beginning of the year	67,188	13,632	31,653	112,473	102,630
Fund Transfer	(1,239)	(13,761)	15,000	-	-
Fund balance, end of the year	\$157,595	\$0	\$40,490	\$198,085	\$112,473

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

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
As of December 31, 2024
With Summarized Comparative Information as of December 31, 2023

	Operating Fund	Replacement Fund	Property and Equipment Fund	Totals 31-Dec-24	Summarized Totals 31-Dec-23
Operations					
Assessments and revenues over (under) expenses	\$91,646	\$129	(\$6,163)	\$85,612	\$9,843
Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations					
Accounts receivable	18,059	-	-	18,059	(57,464)
Allowance for doubtful accounts	2,400	-	-	2,400	2,319
Prepaid expenses	(14,694)	-	-	(14,694)	18,819
Accounts payable	4,334	-	-	4,334	(10,672)
Prepaid maintenances fees	(26,247)	-	-	(26,247)	74,117
Depreciation	-	-	6,163	6,163	6,335
Transfer between funds	(1,239)	(13,761)	15,000	-	-
Total from operations	74,259	(13,632)	15,000	75,627	43,297
Investment activity					
Acquisition of equipment	-	-	(15,000)	(15,000)	
Total asset activities	-	-	(15,000)	(15,000)	-
Increase (decrease) in cash	74,259	(13,632)	-	60,627	43,297
Cash and cash equivalents, beginning of the year	170,340	13,632	-	183,972	140,675
Cash and cash equivalents, end of the year	\$244,599	\$0	-	\$244,599	\$183,972

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 June 25, 2025, 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.

ASSESSMENTS RECEIVED IN ADVANCE – OPERATING FUND

Assessments received in advance - Operating fund consists of amounts received which are applicable to 2025 assessments. The balances of assessments received in advance - Operating fund as of December 31, 2024, and 2023, were \$145,202, and \$171,449 respectively.

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, 2024. During the year Dec 31, 2024, the association transferred \$13,761 from its replacement account to operating account for purchase of property & equipment.

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.

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.

MEMBER ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Member 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 credit losses based on various factors with an emphasis on the age of past due accounts and the current collection status of the accounts. The Association treats uncollectible assessments as credit losses.

As of December 31, 2024, and 2023, the Association had member assessments receivable of \$66,404 and \$84,463, respectively, and allowances for credit losses of \$8,833 and \$6,433, respectively.

CAPITALIZATION POLICY

In accordance with industry standards, 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 disposition of these properties is restricted, and they are not used to generate revenues from members or nonmembers. Common property not capitalized consists of the grounds, parks and esplanade. Common property land is land not within the plotted lots of the residential owners, held in the name of the Association, and available for the enjoyment of the members. The Association is responsible for maintenance and preservation of the common property. The Association has no restrictions on the disposal of the common property.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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..

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, 2023, from which the summarized information was derived.

SUPPLEMENTAL SCHEDULES

NAGESH & ASSOCIATES, PLLC

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES
AVERAGE PER HOME PER YEAR AND AS A PERCENTAGE OF TOTAL ASSESSMENTS AND REVENUES
As of December 31, 2024

	Amount	Average Per Home Per Year	%age of Total Revenues
Assessments and Revenues			
Maintenance fees	\$512,217	\$229.90	82.02%
Maintenance fees south grand apartments	26,088	11.71	4.18%
Interest income	2,560	1.15	0.41%
Late fees and fines	63,175	28.36	10.12%
Transfer fees	21,137	9.49	3.38%
Other income- Gain on disposal of vehicle	1,700	0.76	0.27%
Adjustments and write-off	(2,400)	(1.08)	-0.38%
Total assessments and revenues	624,477	280.29	100.00%
Operating expenses			
Community events	21,318	9.57	3.41%
Parks and esplanades maintenance	77,353	34.72	20.09%
Legal and collections	49,805	22.35	12.94%
Deputy patrol	110,430	49.56	28.69%
Motor cycle patrol	31,325	14.06	8.14%
Utilities	92,317	41.43	23.98%
Community vehicle service	2,411	1.08	0.63%
Total operating expenses	384,959	172.78	61.65%
Administrative expenses			
Accounting and audit	41,943	18.83	6.72%
Contributions	1,000	0.45	0.16%
Depreciation	6,163	2.77	0.99%
Insurance	10,622	4.77	1.70%
Salaries	47,354	21.25	7.58%
Rent	14,400	6.46	2.31%
Payroll taxes	(3,002)	(1.35)	-0.48%
Administrative expenses - other	35,426	15.90	5.67%
Total administrative expenses	153,906	69.08	24.65%
Total expenses	538,865	241.86	86.29%
Net assessments and revenue over expenses	\$85,612	\$38.43	13.71%

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

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES
For the Years Ended December 31, 2024 and 2023

	31-Dec-24	31-Dec-23
Assessments and Revenues		
Maintenance fees	\$512,217	\$465,652
Maintenance fees south grand apartments	26,088	22,734
Interest income	2,560	360
Late fees and fines	63,175	23,025
Transfer fees	21,137	9,185
Other income- Gain on disposal of vehicle	1,700	150
Adjustments and write-off	(2,400)	(2,400)
Total assessments and revenues	624,477	518,706
Operating expenses		
Community events	21,318	6,008
Parks and esplanades maintenance	77,353	66,984
Legal and collections	49,805	19,048
Deputy patrol	110,430	137,598
Motor cycle patrol	31,325	31,630
Utilities	92,317	93,603
Community vehicle service	2,411	9,656
Total operating expenses	384,959	364,527
Administrative expenses		
Accounting and audit	41,943	30,799
Contributions	1,000	1,000
Depreciation	6,163	6,335
Insurance	10,622	11,131
Salaries	47,354	41,687
Rent	14,400	14,400
Payroll taxes	(3,002)	3,915
Administrative expenses - other	35,426	35,069
Total administrative expenses	153,906	144,336
Total expenses	538,865	508,863
Net assessments and revenue over expenses	\$85,612	\$9,843

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