

PECAN GROVE PLANTATION  
PROPERTY OWNERS' ASSOCIATION, INC.  
Financial Statements  
December 31, 2019 and 2018

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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

### **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, 2019, 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**

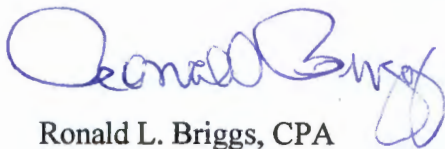
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pecan Grove Plantation Property Owners' Association, Inc. as of December 31, 2019 and the results of its operations and its cash flows for the year then ended in conformity with 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, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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, 2020

PECAN GROVE PLANTATION PROPERTY OWENRS' ASSOCIATION, INC  
BALANCE SHEET  
DECEMBER 31, 2019 AND 2018

| Assets  | <u>Operating<br/>Fund</u> | <u>Reserve<br/>Fund</u> | <u>2019<br/>Total<br/>All Funds</u> | <u>2018<br/>Total<br/>All Funds</u> |
|---|---------------------------|-------------------------|-------------------------------------|-------------------------------------|
| <b>Current Assets</b>   |                           |                         |                                     |                                     |
| Cash and cash equivalents   | \$ 302,532                | \$ 14,512               | \$ 317,044                          | \$ 353,817                          |
| Member assessments receivable (Net<br>of Allowance for Doubtful Accounts) | 25,389                    |                         | 25,389                              | 4,984                               |
| Prepaid expenses  | <u>16,106</u>             |                         | <u>16,106</u>                       | <u>12,287</u>                       |
| Total current assets  | <u>344,027</u>            | <u>14,512</u>           | <u>358,539</u>                      | <u>371,088</u>                      |
| <b>Property and equipment</b>   |                           |                         |                                     |                                     |
| Furniture & Equipment   | 50,773                    |                         | 50,773                              | 45,175                              |
| Improvements  | 118,099                   |                         | 118,099                             | 118,099                             |
| Computer software   | 1,545                     |                         | 1,545                               | 1,545                               |
| Community service vehicle   | 23,452                    |                         | 23,452                              | 23,419                              |
| Playground equipment  | 43,282                    |                         | 43,282                              | 43,282                              |
| Christmas decorations   | 85,722                    |                         | 85,722                              | 85,722                              |
| Land  | 1                         |                         | 1                                   | 1                                   |
| Less: accumulated depreciation  | <u>(258,948)</u>          |                         | <u>(258,948)</u>                    | <u>(249,424)</u>                    |
| Total fixed assets  | <u>63,926</u>             |                         | <u>63,926</u>                       | <u>67,819</u>                       |
| Total assets  | <u>\$ 407,953</u>         | <u>\$ 14,512</u>        | <u>\$ 422,465</u>                   | <u>\$ 438,907</u>                   |
| <br>Liabilities and Fund Balances   |                           |                         |                                     |                                     |
| <b>Current liabilities</b>  |                           |                         |                                     |                                     |
| Accounts payable  | \$ 13,950                 | \$                      | \$ 13,950                           | \$ 7,726                            |
| Prepaid member assessments  | 151,666                   |                         | 151,666                             | 142,923                             |
| Payroll taxes payable   | 1,463                     |                         | 1,463                               | 4,039                               |
| Deferred income - advertising   | 1,828                     |                         | 1,828                               | 6,124                               |
| Prepaid contract deputy patrol  | <u>9,905</u>              |                         | <u>9,905</u>                        | <u>10,590</u>                       |
| Total current liabilities   | <u>178,812</u>            |                         | <u>178,812</u>                      | <u>171,402</u>                      |
| <b>Fund balances</b>  |                           |                         |                                     |                                     |
| Operating fund balance  | 229,141                   |                         | 229,141                             | 252,993                             |
| Reserve fund balance  |                           | <u>14,512</u>           | <u>14,512</u>                       | <u>14,512</u>                       |
| Total fund balance  | <u>229,141</u>            | <u>14,512</u>           | <u>243,653</u>                      | <u>267,505</u>                      |
| Total liabilities and fund balances                                       | <u>\$ 407,953</u>         | <u>\$ 14,512</u>        | <u>\$ 422,465</u>                   | <u>\$ 438,907</u>                   |

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENTS OF OWNERS' SUPPORT, REVENUE AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|  | Operating<br>Fund | Reserve<br>Fund  | 2019<br>Total<br>All Funds | 2018<br>Total<br>All Funds |
|--|-------------------|------------------|----------------------------|----------------------------|
| <b>Revenues</b>                                  |                   |                  |                            |                            |
| Member assessments                               | \$ 445,959        |                  | \$ 445,959                 | \$ 445,660                 |
| Transfer and other fees                          | 28,062            |                  | 28,062                     | 31,020                     |
| Newsletter and advertising fees                  | 38,248            |                  | 38,248                     | 36,151                     |
| Interest earned                                  | 2,150             |                  | 2,150                      | 1,310                      |
| <b>Total revenues</b>                            | <b>514,419</b>    |                  | <b>514,419</b>             | <b>514,141</b>             |
| <b>Maintenance and operating expenses</b>        |                   |                  |                            |                            |
| Community events                                 | 11,637            |                  | 11,637                     | 13,866                     |
| Esplanade Maintenance                            | 53,023            |                  | 53,023                     | 52,772                     |
| Newsletter                                       | 27,581            |                  | 27,581                     | 30,873                     |
| Contract deputy program                          | 146,971           |                  | 146,971                    | 138,709                    |
| Utilities  | 103,227           |                  | 103,227                    | 110,283                    |
| <b>Total maintenance and operating expenses</b>  | <b>342,439</b>    |                  | <b>342,439</b>             | <b>346,503</b>             |
| <b>General and administrative expenses</b>       |                   |                  |                            |                            |
| Accounting and audit                             | 48,732            |                  | 48,732                     | 45,059                     |
| Bad debts  | 6,568             |                  | 6,568                      | 2,400                      |
| Collection fees                                  | 4,787             |                  | 4,787                      | 4,376                      |
| Contributions                                    |                   |                  | -                          | 750                        |
| Depreciation                                     | 9,524             |                  | 9,524                      | 8,399                      |
| Election   | 12,068            |                  | 12,068                     | 6,728                      |
| Legal  | 10,595            |                  | 10,595                     | 6,375                      |
| Liability insurance                              | 6,471             |                  | 6,471                      | 9,610                      |
| Meeting costs                                    | 1,008             |                  | 1,008                      | 900                        |
| Office expenses                                  | 25,424            |                  | 25,424                     | 27,305                     |
| Postage  | 1,740             |                  | 1,740                      | 1,783                      |
| Rent   | 8,400             |                  | 8,400                      | 6,711                      |
| Repairs  | 297               |                  | 297                        | 5,030                      |
| Service charges                                  | 239               |                  | 239                        | 807                        |
| Telephone  | 1,470             |                  | 1,470                      | 2,982                      |
| Salary   | 40,540            |                  | 40,540                     | 37,636                     |
| Service vehicle cost                             | 11,791            |                  | 11,791                     | 10,563                     |
| Taxes - payroll                                  | 5,010             |                  | 5,010                      | 3,635                      |
| Taxes - other                                    | 1,168             |                  | 1,168                      | 133                        |
| <b>Total general and administrative expenses</b> | <b>195,832</b>    |                  | <b>195,832</b>             | <b>181,182</b>             |
| <b>Total expenses</b>                            | <b>538,271</b>    |                  | <b>538,271</b>             | <b>527,685</b>             |
| <b>Excess of revenues over (under) expenses</b>  | <b>(23,852)</b>   |                  | <b>(23,852)</b>            | <b>(13,544)</b>            |
| Interfund transfers                              |                   |                  | -                          |                            |
| Fund balances, beginning of year                 | 252,993           | 14,512           | 267,505                    | 281,049                    |
| Fund balances, end of year                       | <u>\$ 229,141</u> | <u>\$ 14,512</u> | <u>\$ 243,653</u>          | <u>\$ 267,505</u>          |

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|   | Operating<br>Fund | Reserve<br>Fund  | 2019<br>Total<br>All Funds | 2018<br>Total<br>All Funds |
|---|-------------------|------------------|----------------------------|----------------------------|
| <b>Cash flow from operating activities</b>  |                   |                  |                            |                            |
| Excess (Deficiency) of revenues over expenses   | \$ (23,852)       | \$               | \$ (23,852)                | \$ (13,544)                |
| Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used by operating activities): |                   |                  |                            |                            |
| Depreciation  | 9,524             |                  | 9,524                      | 8,399                      |
| (Increase) decrease in:   |                   |                  |                            |                            |
| Member assessments receivable   | (20,405)          |                  | (20,405)                   | (644)                      |
| Other receivables   | -                 |                  | -                          | 5,494                      |
| Prepaid expenses  | (3,819)           |                  | (3,819)                    | (9,859)                    |
| Increase (decrease) in:   |                   |                  |                            |                            |
| Accounts payable  | 6,224             |                  | 6,224                      | (217)                      |
| Prepaid member assessments  | 8,743             |                  | 8,743                      | 23,184                     |
| Payroll taxes payable   | (2,576)           |                  | (2,576)                    | (103)                      |
| Deferred income - advertising   | (4,296)           |                  | (4,296)                    | (1,708)                    |
| Prepaid contract deputy patrol  | (685)             |                  | (685)                      | -                          |
| Net cash provided (used) by operating activities  | (31,142)          | -                | (31,142)                   | 11,002                     |
| <b>Cash flows from investing activities</b>   |                   |                  |                            |                            |
| Acquisition of equipment  | (5,631)           |                  | (5,631)                    | (30,893)                   |
| Net cash provided (utilized) by investing activities  | (5,631)           |                  | (5,631)                    | (30,893)                   |
| <b>Cash flows from financing activities</b>   |                   |                  |                            |                            |
| Interfund transfers   | -                 | -                |                            |                            |
| Net increase (decrease) in cash   | (36,773)          | -                | (36,773)                   | (19,891)                   |
| Cash at beginning of year   | 339,305           | 14,512           | 353,817                    | 373,708                    |
| Cash at ending of year  | <u>\$ 302,532</u> | <u>\$ 14,512</u> | <u>\$ 317,044</u>          | <u>353,817</u>             |
| Supplemental disclosure   |                   |                  |                            |                            |
| Income taxes paid   | -0-               |                  |                            |                            |
| Interest paid   | -0-               |                  |                            |                            |

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

|                                       | <u>Operating<br/>Fund</u> | <u>Reserve<br/>Fund</u> | <u>2019<br/>Total</u> | <u>2018<br/>Total</u> |
|---------------------------------------|---------------------------|-------------------------|-----------------------|-----------------------|
| Fund balances, beginning of year      | \$ 252,993                | \$ 14,512               | \$ 267,505            | \$ 281,049            |
| Interfund transfers                   | -                         | -                       |                       |                       |
| Excess revenues over (under) expenses | <u>(23,852)</u>           | <u>          </u>       | <u>(23,852)</u>       | <u>(13,544)</u>       |
| Fund balances, end of year            | <u>\$ 229,141</u>         | <u>\$ 14,512</u>        | <u>\$ 243,653</u>     | <u>\$ 267,505</u>     |



PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

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, 2019 AND 2018

NOTE 3 - ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR BAD DEBTS

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>2019</u>  | <u>2018</u> |
|---|--------------|-------------|
| Assessment receivable                   | \$25,789     | \$ 7,152    |
| Allowance for uncollectible             | (400)        | (500)       |
| Bad debt expense                        | (6,568)      | (2,400)     |
| Accounts written off, net of recoveries | <u>6,568</u> | <u>732</u>  |
| Ending balance                          | \$25,389     | \$ 4,984    |

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, 2019, the Association did not exceed the federally insured limits in any of their accounts.

PECAN GROVE PLANTATION PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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 December 15, 2020, 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, 2019.