

**Meyerland Community
Improvement Association
(A Texas Non-Profit Corporation)**

Financial Statements

December 31, 2019

Caren Canady P.C.
Certified Public Accountants
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Independent Auditor's Report

**The Board of Directors of
Meyerland Community Improvement Association**

Report on the Financial Statements

We have audited the accompanying financial statements of Meyerland Community Improvement Association, which comprise the balance sheet as of December 31, 2019, and related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the 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 risks 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.

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

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**The Board of Directors of
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meyerland Community Improvement Association 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 Supplementary Information

Management has omitted the information about the estimates of future costs of major repairs and replacements 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, who considers it to be an essential part of financial reporting 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.

Caren Canady P.C.

Sugar Land, Texas
November 10, 2020

Meyerland Community Improvement Association
Balance Sheet
December 31, 2019

Assets

Cash	\$	194,771
Certificates of deposit		411,413
Assessments receivable, net of allowance for doubtful acct of \$ 3,000		56,945
Prepaid security expenses		43,425
Deposits		1,000
Land		161,518
Prepaid insurance		<u>3,458</u>
Total Assets	\$	<u><u>872,530</u></u>

Liabilities and Members' Equity

Accounts payable	\$	7,391
Escrow fees		12,302
Assessments received in advance		<u>45,645</u>
Total Liabilities		65,338
Members' Equity		<u>807,192</u>
Total Liabilities and Members' Equity	\$	<u><u>872,530</u></u>

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

Meyerland Community Improvement Association
Statement of Revenues, Expenses and Changes in Members' Equity
For the Year Ended December 31, 2019

Revenues	
Security assessments	\$ 559,861
Maintenance assessments	551,131
Other	87,269
Transfer fee	31,000
Interest	16,494
Total Revenues	1,245,755
 Expenses	
Security	563,649
Landscape	213,484
Salaries	171,532
Legal	67,490
Office expense	36,551
Temporary employment	39,968
Insurance	35,700
Payroll taxes	13,348
MCIA events	12,710
Audit and tax preparation	10,500
Utilities	9,577
Building cost	5,827
Committees and annual meeting	3,665
Consulting	3,000
Contribution	2,800
Bad debt	177
Ad valorem taxes	7
Total Expenses	1,189,985
Excess of revenues over expenses	55,770
Members' equity - Beginning of year	751,422
Members' equity - End of year	\$ 807,192

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

Meyerland Community Improvement Association
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities	
Excess of revenues over expenses	\$ 55,770
Adjustments to reconcile deficit of revenues over expenses to net cash provided (used) by operating activities:	
(Increase) in:	
Assessments receivable	(30,886)
(Decrease) increase in:	
Accounts payable	(12,698)
Assessments received in advance	<u>30,982</u>
Net cash provided by operating activities	43,168
Net cash (used) by financing activities	
Certificates of deposit	<u>(11,413)</u>
Net increase in cash and cash equivalents	31,755
Cash and cash equivalents, beginning of year	<u>163,016</u>
Cash and cash equivalents, end of year	<u><u>\$ 194,771</u></u>
Supplemental disclosure	
Income taxes paid	\$ -
Interest paid	\$ -

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

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2019

Note 1 - Organization

Meyerland Community Improvement Association (the Association) is a Texas non-profit corporation incorporated in September 1954 for the purpose of providing for maintenance, preservation and architectural control of the properties that may be brought within the jurisdiction of the Association. The Association is comprised of 2,306 residential units in the Houston, Texas.

Note 2 - Management's Review

In preparing the financial statements, the Association has evaluated the events and transactions for potential recognition or disclosure through November 10, 2020, the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit members. Any excess assessments at year end are retained by the Association for use in the succeeding year. Income received in advance is deferred and amortized over the period to which it relates.

Assessments for Security Services

The Association amended all twenty-two deed restrictions to allow for an assessment for security services to be due annually on January 1. In addition to secure payment of the assessment for security services, a lien against each lot shall be imposed and retained in the same manner as the maintenance fees. The Association shall apply the total funds arising from such assessments toward the payment of expenses incurred for security services. The fee was \$243 per lot for the year ended December 31, 2019.

Federal Income Tax

The Association has a ruling for tax-exempt status from the Internal Revenue Service and is therefore a non-taxable entity for federal income tax purposes under section 501(c) (4).

The Association adopted the new accounting for uncertainty for income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for year 2017, 2018 and 2019 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2019

Note 3 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Certificates of deposits and all highly liquid financial instruments purchased with an initial maturity of three months or less is considered to be cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Association's financial instruments are cash and cash equivalents. The recorded values of the cash and cash equivalents approximate their fair values based on their short-term nature.

Note 4 - Assessments Receivable

Assessments receivable represents fees billed prior to December 31, 2019.

Note 5 – Assessments Received in Advance

Assessments received in advance consisted of 2020 maintenance fees received by the Association prior to January 1, 2020.

Note 6 - Fixed Assets

The Association is responsible for preserving and maintaining the common area properties. Major classifications of property and equipment and their respective lives are summarized below.

<u>Description</u>	<u>Cost</u>	<u>Method</u>
Office Building and Property	\$ 51,221	SL - 5-10 yrs
Machines and Equipment	12,453	SL - 5 yrs
	63,674	
Accumulated Depreciation	(63,674)	
	<u>\$ -</u>	
<hr/>		
Association land		
.5716 acres of land	\$ 151,518	N/A
Easement for noise wall	10,000	N/A
	<u>\$ 161,518</u>	

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2019

Note 7 - State Franchise Tax and Sales Tax

The Association is exempt from Texas franchise tax as specified under Section 171.082 of the Texas Tax Code as a homeowners' association. The Association is exempt from sales tax as 501(c) (4).

Note 8 - Escrow Fund

The escrow fund was created as a result of the Association's agreement to subordinate its lien securing payment of the annual maintenance assessment against property purchased by loans which are insured by the FHA, VA and FNMA. For granting the subordination, the property owner deposits with the Association a sum of money to be held in escrow. A portion of that sum plus the interest earned on the balance of the deposit shall be applied as a credit (payment) to the future annual maintenance assessments against such property. If the amount earned on a deposit exceeds the amount of the annual maintenance assessment in any given year, the Association has the right to retain such excess as reimbursement of cost and expense of administration and accounting for the deposit and as future consideration for granting the subordination of lien. The escrow agreement provides for circumstances whereby additional deposits may be required from a property owner and whereby a return of the unused deposit may be made to a property owner.

Note 9 - Future Major Repairs and Replacements

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements, but such determination can be made by the Board of Directors. The purpose of the annual assessment is to (1) provide the working capital necessary to meet the Association's annual operating expenses and (2) maintain a reserve for repair and replacement of the general common elements of the Association.

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The board has also not developed a plan to fund those needs. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments in accordance with the Consumer Price Index based on a 1979 basis, or delay major repairs and replacements until funds are available. The effect on the future assessments has not been determined at this time.

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2019

Note 10 - Litigation

The Association is party to various legal actions normally associated with homeowner associations, such as collection of delinquent assessments, covenant compliance and other matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Note 11 - Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain.