

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

**Financial Statements
December 31, 2023**

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Independent Auditor's Report

To the Board of Directors and Members
Meyerland Community Improvement Association

Opinion

We have audited the accompanying financial statements of Meyerland Community Improvement Association (the "Association"), which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance and 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 accordance 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 8 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 judgment 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 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 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted information about the estimated 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.

CRYSTAL CHANG, CPA

Houston, Texas
September 13, 2024

Meyerland Community Improvement Association
Balance Sheet
December 31, 2023

Assets

Cash and cash equivalents	\$	70,017
Certificate of deposit		540,000
Assessments receivable, net of allowance for doubtful account of \$ 3,000		80,640
Other receivable		1,055
Prepaid security expense		54,320
Prepaid insurance		10,495
Land		161,518
Total Assets	\$	918,045

Liabilities and Fund Balance

Accounts payable and accrued expense	\$	72,951
Assessment received in advance		82,604
Escrow fund		7,393
Total Liabilities		162,948
Fund Balance		755,097
Total Liabilities and Fund balance	\$	918,045

See accompanying notes to financial statements.

Meyerland Community Improvement Association
Statements of Revenues, Expenses and Changes in Fund Balances
For the Years Ended December 31, 2023

Revenues

Maintenance assessments	\$ 631,517
Security assessments	627,098
Miscellaneous income	122,697
Transfer fee	22,800
Interest income	19,447
Total Revenues	<u>1,423,559</u>

Expenses

Security	576,896
Payroll	363,634
Landscaping	226,059
Professional fees	94,189
Office expense	74,280
Insurance	51,222
Utility	11,454
Other expense	7,208
MCIA events	5,296
Building expense	3,715
Bad debt	139
Taxes	6
Total Expenses	<u>1,414,098</u>

Excess (deficit) of

Revenues over Expenses	9,461
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Fund Balance

Beginning of year	<u>745,636</u>
Ending of year	<u>\$ 755,097</u>

See accompanying notes to financial statements.

Meyerland Community Improvement Association
Statement of Cash Flows
For the Years ended December 31, 2023

Cash Flows From Operating Activities	
Excess of revenues over expenses	\$ 9,461
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:	
Bad debt	139
(Increase) decrease in:	
Assessments receivable	(15,629)
Other receivable	(1,055)
Prepaid security expense	(2,578)
Prepaid insurance	(2,870)
Increase (decrease) in:	
Accounts payable	(109,675)
Assessments received in advance	(74,689)
Net cash provided (used) by operating activities	<u>(196,896)</u>
 Cash Flows From Investing Activities	
Certificate of deposits	<u>(100,000)</u>
Net cash provided (used) by investing activities	<u>(100,000)</u>
 Net increase in cash and cash equivalents	 (296,896)
 Cash and cash equivalents, beginning of year	 <u>366,913</u>
Cash and cash equivalents, end of year	<u><u>\$ 70,017</u></u>
 Supplemental Disclosures:	
Income Tax Paid	\$ -
Interest Paid	\$ -

See accompanying notes to financial statements.

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2023

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 - Date of Management's Review

In preparing the financial statements, the Association has evaluated the events and transactions for potential recognition or disclosure through September 13, 2024 the date the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Fund Accounting

The Association maintains an Operating Fund. The operating Fund is used for the payment of current operating expenses including normal maintenance of common areas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby income is recognized when earned and costs and expenses are recognized when the obligations are incurred.

Cash and Cash Equivalents

Cash includes cash and cash equivalents, defined as liquid investments with maturities of three months or less. The Association maintains its cash balances in financial institutions secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2023, all cash balances were insured by the FDIC.

Assessments Received in Advance

Assessments received in advance at the balance sheet date represent payments received from association members during the current year, which relate to maintenance assessments for the subsequent year.

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, accounts receivable, prepaid expenses and accounts payable. The recorded values of the financial instruments approximate their fair values based on their short-term nature.

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2023

Note 3 - Summary of Significant Accounting Policies (Continued)

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments are recognized for the period assessed. 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 owners, at the discretion of the Board of Directors. The Association assesses the collectability of the receivables based on a review of the individual receivable accounts. At December 31, 2023, the allowance for doubtful account in the amount of \$3,000 is considered sufficient.

The Association treats uncollectible assessments as variable consideration. 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.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes significant real and personal property to which it has title or other evidence of ownership at cost. At December 31, 2023 the Association has not capitalized such property.

Contract Liabilities (Assessments received in advance – replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$ -0- and \$ -0- respectively.

Note 4 - 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.

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2023

Note 4 - Fixed Assets (continued)

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

Note 5 - 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 2021, 2022 and 2023 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.

Note 6 - 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 7 - 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.

Meyerland Community Improvement Association
Notes to Financial Statements
December 31, 2023

Note 8 – 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.

Note 9 - 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 10 – Subsequent Events

Upon evaluation, the Association notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.