

GREENBRIAR TOWNHOMES ASSOCIATION

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended
December 31, 2011**

NAGESH & CARTER, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREENBRIAR TOWNHOMES ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of the
GREENBRIAR TOWNHOMES ASSOCIATION

We have audited the accompanying Balance Sheets of GREENBRIAR TOWNHOMES ASSOCIATION, as of December 31, 2011 and 2010 and the related Statements of Assessments, Revenues, Expenses, and Changes in Fund Balances as well as the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards as generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GREENBRIAR TOWNHOMES ASSOCIATION, as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GREENBRIAR TOWNHOMES ASSOCIATION has not estimated the remaining lives and replacement cost of common property and, therefore, has not presented the estimates of future costs of major repairs and replacements. The American Institute of Certified Public Accountants has determined the estimates are required to supplement, but are not required to be part of, the basic financial statements.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 8 through 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

K. S. Nagesh

Nagesh & Carter, PLLC

Houston, Texas

June 13, 2012

GREENBRIAR TOWNHOMES ASSOCIATION**BALANCE SHEETS****As of December 31, 2011 and 2010**

	Memo			
	Operating Fund	Replacement Fund	Totals 31-Dec-11	Totals 31-Dec-10
<u>ASSETS</u>				
Cash	\$14,637	\$24,203	\$38,840	\$30,126
Accounts receivable	6,186	-	6,186	7,343
Prepaid Insurance	1,636	-	1,636	1,388
Total assets	\$22,459	\$24,203	\$46,662	\$38,857
<u>LIABILITIES AND FUND BALANCE</u>				
Total current liabilities	-	-	-	-
Fund balance	22,459	\$24,203	46,662	38,857
Total liabilities and fund balance	\$22,459	\$24,203	\$46,662	\$38,857

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

GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCES
For The Years Ended December 31, 2011 and 2010

	Operating	Replacement	Totals	Memo
	Fund	Fund	31-Dec-11	31-Dec-10
Assessments and revenues				
Maintenance fees	\$41,700	-	\$41,700	\$41,700
Adjustments and write offs	(2,549)	-	(2,549)	(7,111)
Tennis and swim fees	5,700	-	5,700	5,700
Late fees and other assessments	750	-	750	164
Interest income	-	\$45	45	21
Other income	584	-	584	-
Capital reserve transfers	(14,060)	14,060	-	-
Total revenues	32,125	14,105	46,230	40,474
Operating expenses				
Administrative expenses	17,871	-	17,871	15,412
Utilities	952	-	952	1,513
Contract services	6,840	-	6,840	6,840
Maintenance and repairs	2,526	-	2,526	5,080
Insurance	3,149	-	3,149	3,509
Renovations, repairs and improvements	-	7,087	7,087	1,849
Total expenses	31,338	7,087	38,425	34,203
Revenue over (under) expenses	787	7,018	7,805	6,271
Fund balance, beginning of the year	21,672	17,185	38,857	32,586
Fund balance, end of the year	\$22,459	\$24,203	\$46,662	\$38,857

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GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2011 and 2010

	Operating	Replacement	Totals	Memo
	Fund	Fund	31-Dec-11	Totals 31-Dec-10
Cash flow from (to) operations				
Assessments and revenues over (under) expenses	\$787	\$7,018	\$7,805	\$6,271
Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations				
Interfund transfers				
Accounts receivable	1,157	-	1,157	8,748
Prepaid insurance	(248)	-	(248)	141
Prepaid assessments	-	-	-	(474)
Total cash flow from (to) operations	1,696	7,018	8,714	14,686
Increase (decrease) in cash	1,696	7,018	8,714	14,686
Cash, beginning of the year	12,941	17,185	30,126	15,440
Cash, end of the year	\$14,637	\$24,203	\$38,840	\$30,126

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GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011 and 2010

1. ORGANIZATION

GREENBRIAR TOWNHOMES ASSOCIATION ("the Association") was incorporated in the State of Texas as a not-for-profit corporation on January 5, 1995.

The Association is the governing body for the homeowners of Greenbriar Townhomes Association, a 25-unit townhome complex in Houston, Texas. The specific and primary purpose for which this corporation is organized is to enforce the terms of that certain instrument entitled "Declaration of Amended Covenants, Conditions, Restrictions and Easements for Greenbriar Townhomes.

The affairs of the Association are managed and controlled by its Board of Directors. These Directors are empowered to exercise, on behalf of the Association, all of the powers, duties, and authorities vested or delegated to it by virtue of the Association's By-Laws, Articles of Incorporation, Declarations and/or Covenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The Association is a not-for-profit organization, which employs the fund method of accounting on an accrual basis in order to properly account for restrictions on the expenditures resulting from actions of the Board or the homeowners.

These financial statements segregate the accounting for such funds into operating and capital reserve or replacement funds. The disbursements from the operating fund are generally at the discretion of the Board and property managers and are used for operating expenses. The disbursements from the capital reserve or replacement fund generally may only be utilized in accordance with the purposes established.

OWNERS ASSESSMENTS

The assessments or maintenance fees assessed are based on an annual budget as adopted by the Board pursuant to the governing documents of the Association.

CASH AND CASH EQUIVALENTS

The Association considers cash on hand and cash in banks and all other highly liquid debt instruments purchased with original maturities of three (3) months or less to be cash equivalents.

CAPITALIZATION POLICY

The replacements and improvements to the real property and common areas are expensed in the year incurred.

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011 and 2010

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. ACCOUNTS RECEIVABLE

The Association's accounts receivable represents payments due from delinquent homeowners. The balances are from a few homeowners, some of whom are seriously delinquent. The Association anticipates collecting these balances through its collection efforts, including filing liens and legal actions against these homeowners. The collection of these amounts will be affected by the foreclosure of liens superior to the lien by the homeowner's association such as mortgage lien holders, delinquent property tax liens, and/or bankruptcies by the homeowners.

When the assessments are deemed not collectible, as result of foreclosure, bankruptcy, etc., the Association writes off the account as bad debts. Generally accepted accounting principles require that the management estimate the accounts that may have to be written off and provide an allowance for doubtful accounts and include that as bad debts expense each year. In light of the complexity of the various liens, the management of the Association does not believe they can predict the outcome of the collections. Accordingly, management cannot estimate an allowance for estimated write offs on the past due accounts. Further, management has not determined the effect of writing off accounts as they become uncollectible versus the results that would have been obtained under the allowance method, but believes the results would not be significantly different.

As of December 31, 2011 and 2010 the Association had assessments receivable of \$6,186 and \$7,343 respectively.

4. FEDERAL INCOME TAXES

Homeowners' Associations may be taxed either as Homeowners' Associations or regular Corporations.

As a regular Corporation, membership income is exempt from taxation if the required elections are made (such as returning to homeowners excess funds or reducing future assessments). Then the Association is taxed only on its non-membership income (such as interest earnings) at regular federal corporate income tax rates. The Corporate tax rates are graduated based on income levels from a minimum of 15% to a maximum rate of 39%.

As a Homeowners' Association, the Association is taxed on its non-exempt function income (such as interest earnings) at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011 and 2010

The Association elected to file its tax return as a Homeowners' Association for the year ended December 31, 2011.

5. MEMO CAPTIONS

The "Memo" captions, when used on the columns of the combined statements, means totals are presented as an overview and for informational purposes only. They present the financial position, results of operations and statement of cash flows for the Association as a whole but do not present in detail the amounts of the various funds.

6. REPLACEMENT FUNDING PROGRAM

The Association is responsible for repairs and replacement of common property. The support provided by the owners towards these expenses are segregated and accounted for as capital reserve or replacement funds. These funds are held in separate investment accounts, and are generally not used for normal operating expenses.

An independent study to determine the costs and funding program for the replacement of the Association's common areas has not been conducted. Accordingly, the current program may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association, pursuant to the by-laws, may have to increase the monthly assessments, pass special assessments, borrow, or delay replacement until funds are available.

SUPPLEMENTAL SCHEDULES

GREENBRIAR TOWNHOMES ASSOCIATION
Analysis of Assessments, Revenues and Expenses
Per Home Owner and as Percent of Assessments
For the Year Ended December 31, 2011

	Total Amount	Average Per Year	Average Per Month	As a % of Assessment
Assessments and Revenues				
Maintenance fees	\$41,700	\$1,668.00	\$139.00	100.00%
Adjustments and write offs	(2,549)	(101.96)	(8.50)	-6.11%
Tennis and swim fees	5,700	228.00	19.00	13.67%
Late fees and other assessments	750	30.00	2.50	1.80%
Interest income	45	1.80	0.15	0.11%
Other income	584	23.36	1.95	1.40%
Total assessments and revenues	46,230	1,849.20	154.10	110.86%
Administrative Services				
Professional management	6,240	249.60	20.80	14.96%
Professional fees - auditing	1,000	40.00	3.33	2.40%
Professional fees - legal, net of recovery	2,340	93.60	7.80	5.61%
Office supplies and postage	2,591	103.64	8.64	6.21%
Tennis and swim dues	5,700	228.00	19.00	13.67%
Total administrative services	17,871	714.84	59.57	42.86%
Utilities				
Electricity	952	38.08	3.17	2.28%
Total utilities	952	38.08	3.17	2.28%
Contract services				
Landscaping contract	6,840	273.60	22.80	16.40%
Total contract services	6,840	273.60	22.80	16.40%
Maintenance and repairs				
Maintenance repairs and supplies	866	34.64	2.89	2.08%
Portering expenses	1,660	66.40	5.53	3.98%
Total maintenance and repairs	2,526	101.04	8.42	6.06%
Insurance	3,149	125.96	10.50	7.55%
Renovations and improvements	7,087	283.48	23.62	17.00%
Total expenses	38,425	1,537.00	128.08	92.15%
Net assessments, revenues over (under) expenses	\$7,805	\$312.20	\$26.02	18.72%

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

GREENBRIAR TOWNHOMES ASSOCIATION
Comparison of Assessments, Revenues and Expenses
Actual to Budget Amount
For the Year Ended December 31, 2011

	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
Assessments and Revenues			
Maintenance fees	\$41,700	41,700	-
Adjustments and write offs	(2,549)	(2,400)	(149)
Tennis and swim fees	5,700	5,700	\$0
Late fees and other assessments	750	636	114
Interest income	45	-	45
Other income	584	48	536
Total assessments and revenues	46,230	45,684	546
Administrative Services			
Professional management	6,240	6,240	-
Professional fees - auditing	1,000	1,056	56
Professional fees - legal, net of recovery	2,340	1,032	(1,308)
Office supplies and postage	2,591	1,872	(719)
Tennis and swim dues	5,700	5,700	-
Total administrative services	17,871	15,900	(1,971)
Utilities			
Electricity	952	1,620	668
Total utilities	952	1,620	668
Contract services			
Landscaping contract	6,840	6,840	-
Total contract services	6,840	6,840	-
Maintenance and repairs			
Maintenance repairs and supplies	866	7,620	6,754
Portering expenses	1,660	1,632	(28)
Total maintenance and repairs	2,526	9,252	6,726
Insurance	3,149	3,600	451
Renovations and improvements	7,087	8,472	1,385
Total expenses	38,425	45,684	7,259
Net assessments, revenues over (under) expenses	\$7,805	\$0	\$7,805

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part of these financial statements*

GREENBRIAR TOWNHOMES ASSOCIATION
Analysis of Assessments, Revenues and Expenses
For the Years Ended December 31, 2011 to 2007

	31-Dec-11	Memo 31-Dec-10	Memo 31-Dec-09	Memo 31-Dec-08	Memo 31-Dec-07
Assessments and Revenues					
Maintenance fees	\$41,700	\$41,700	\$41,700	\$41,700	\$41,748
Adjustments and write offs	(2,549)	(7,111)	(8,343)	-	(91)
Tennis and swim fees	5,700	5,700	5,700	5,700	5,700
Late fees and other assessments	750	164	286	1,757	1,236
Interest income	45	21	39	73	73
Other income	584	-	-	-	-
Total assessments and revenues	46,230	40,474	39,382	49,230	48,666
Administrative Services					
Professional management	6,240	6,240	6,240	6,240	6,240
Professional fees - auditing	1,000	1,050	50	850	825
Professional fees - legal, net of recovery	2,340	617	1,634	833	534
Office supplies and postage	2,591	1,805	2,136	2,464	2,057
Tennis and swim dues	5,700	5,700	5,700	5,700	5,700
Total administrative services	17,871	15,412	15,760	16,087	15,356
Utilities					
Electricity	952	1,513	1,394	1,905	2,310
Total utilities	952	1,513	1,394	1,905	2,310
Contract services					
Landscaping contract	6,840	6,840	6,840	6,840	6,823
Total contract services	6,840	6,840	6,840	6,840	6,823
Maintenance and repairs					
Maintenance repairs and supplies	866	3,165	8,569	4,236	4,332
Portering expenses	1,660	1,915	2,054	4,299	4,423
Total maintenance and repairs	2,526	5,080	10,623	8,535	8,755
Insurance	3,149	3,509	2,959	3,985	5,309
Renovations and improvements	7,087	1,849	8,062	1,345	6,656
Total expenses	38,425	34,203	45,638	38,697	45,209
Net assessments, revenues over (under) expen:	\$7,805	\$6,271	(\$6,256)	\$10,533	\$3,457

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part of these financial statements*