

GREENBRIAR TOWNHOMES ASSOCIATION

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Years Ended
December 31, 2013 and 2012**

NAGESH & CARTER, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREENBRIAR TOWNHOMES ASSOCIATION

TABLE OF CONTENTS

		Page
1	Independent Auditor's Report	1
2	Balance Sheets December 31, 2013 and 2012	3
3	Statements of Assessments, Revenues and Expenses, and Changes in Fund Balance Years Ended December 31, 2013 and 2012	4
4	Statements of Cash Flows Years Ended December 31, 2013 and 2012	5
5	Notes to Financial Statements	6
6	Supplemental Schedules	
a	Analysis of Assessments, Revenues and Expenses per Average Home owner and as a Percentage of Total Assessments Year Ended December 31, 2013	10
b	Comparison of Actual to Budgeted Assessments, Revenues and Expenses Year Ended December 31, 2013	11
c	Analysis of Assessments, Revenues and Expenses Years Ended December 31, 2013 to 2009	12
d	Schedule of Renovations, Repairs and Improvements Years ended December 31, 2013 to 2009	13

NAGESH & CARTER, PLLC

Certified Public Accountants

2000 S. Dairy Ashford, Suite 660, Houston, TX 77077

Telephone (281) 584-9922, Fax (281) 584-9933

E-Mail: ks@nagesh-cpa.com



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Balance Sheets of GREENBRIAR TOWNHOMES ASSOCIATION, as of December 31, 2013 and 2012 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, 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 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 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.

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, 2013 and 2012 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.

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 10 through 13 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.

Other Matter

Management has omitted the information on future major repairs on 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, 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.

Nagesh & Carter, PLLC

Nagesh & Carter, PLLC
Houston, Texas
June 2, 2014

GREENBRIAR TOWNHOMES ASSOCIATION

BALANCE SHEETS

As of December 31, 2013 and 2012

	Operating Fund	Replacement Fund	Totals 31-Dec-13	Memo Totals 31-Dec-12
<u>ASSETS</u>				
Cash	\$16,471	\$26,208	\$42,679	\$46,747
Accounts receivable	5,007	-	5,007	4,866
Prepaid Insurance	1,587	-	1,587	1,695
Total assets	\$23,065	\$26,208	\$49,273	\$53,308
<u>LIABILITIES AND FUND BALANCE</u>				
Prepaid maintenance fees	\$348	-	\$348	\$201
Total current liabilities	348	-	348	201
Fund balance	22,717	\$26,208	48,925	\$53,107
Total liabilities and fund balance	\$23,065	\$26,208	\$49,273	\$53,308

*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, 2013 and 2012

	Operating	Replacement	Totals	Memo Totals
	Fund	Fund	31-Dec-13	31-Dec-12
Assessments and revenues				
Maintenance fees	\$41,700	-	\$41,700	\$41,700
Adjustments and write offs	(1,989)	-	(1,989)	(2,927)
Tennis and swim fees	5,700	-	5,700	5,700
Late fees and other assessments	618	-	618	857
Interest income	12	\$46	58	82
Other income	(103)	-	(103)	186
Capital reserve transfers	(12,020)	12,020	-	-
Total revenues	33,918	12,066	45,984	45,598
Operating expenses				
Administrative expenses	17,332	-	17,332	16,456
Utilities	1,270	-	1,270	1,382
Contract services	8,440	-	8,440	7,540
Maintenance and repairs	3,333	-	3,333	3,445
Insurance	3,968	-	3,968	3,963
Renovations, repairs and improvements	-	15,823	15,823	6,367
Total expenses	34,343	15,823	50,166	39,153
Revenue over (under) expenses	(425)	(3,757)	(4,182)	6,445
Fund balance, beginning of the year	23,142	29,965	53,107	46,662
Fund balance, end of the year	\$22,717	\$26,208	\$48,925	\$53,107

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

GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2013 and 2012

	Operating Fund	Replacement Fund	Totals 31-Dec-13	Memo Totals 31-Dec-12
Cash flow from (to) operations:				
Assessments and revenues over (under) expenses	(\$425)	(\$3,757)	(\$4,182)	\$6,445
<i>Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations:</i>				
Interfund transfers				
Accounts receivable	(141)	-	(141)	1,320
Prepaid insurance	108	-	108	(59)
Prepaid assessments	147	-	147	201
Total cash flow from (to) operations	(311)	(3,757)	(4,068)	7,907
Increase (decrease) in cash	(311)	(3,757)	(4,068)	7,907
Cash, beginning of the year	16,782	29,965	46,747	38,840
Cash, end of the year	\$16,471	\$26,208	\$42,679	\$46,747

The accompanying notes are an integral part of these financial statements

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

1. NATURE OF 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.

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association. The disbursements from the operating fund are generally at the discretion of the Board and property managers and are used for operating expenses.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements. The disbursements from the capital reserve or replacement fund generally may only be utilized in accordance with the purposes established.

OWNERS ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. 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.

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 2, 2014, the date that the financial statements were available to be issued.

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.

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

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.

As of December 31, 2013 and 2012 the Association had assessments receivable of \$5,007 and \$4,866 respectively.

4. REPLACEMENT FUNDING PROGRAM

The Association's common property consists of street lights and common area landscape. The Association is responsible for repairs and replacement of the common property, and the support provided by owners should include amounts to provide for funding of common area expenses. The support provided by the owners for these future expenses are segregated and accounted for as capital reserve or replacement funds, 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.

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2013 and 2012

5. FEDERAL INCOME TAXES

Homeowners' Associations may be taxed either as Homeowners' Associations under Section 528 of the Internal Revenue Code or regular Corporations as a membership organization under Section 277 of the Internal Revenue Code.

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) in excess of \$100 at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, are not taxable.

The Association elected to file its tax return as a Homeowners' Association for the year ended December 31, 2013.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2013, 2012, and 2011 remain open to examination by the Internal Revenue Service; state franchise returns for 2014, 2013 and 2012 are open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

SUPPLEMENTAL SCHEDULES

Nagesh & Carter, PLLC

GREENBRIAR TOWNHOMES ASSOCIATION
Analysis of Assessments, Revenues and Expenses
Per Average Homeowner and as a Percentage of Total Assessments
For the Year Ended December 31, 2013

	Total Amount	Average Per Month	As a % of Assessment
Assessments and Revenues			
Maintenance fees	\$41,700	\$139.00	100.00%
Adjustments and write offs	(1,989)	(6.63)	-4.77%
Tennis and swim fees	5,700	19.00	13.67%
Late fees and other assessments	618	2.06	1.48%
Interest income	58	0.19	0.14%
Other income	(103)	(0.34)	-0.25%
Total assessments and revenues	45,984	153.28	110.27%
Administrative Services			
Professional management	6,240	20.80	14.96%
Professional fees - auditing	950	3.17	2.28%
Professional fees - legal, net of recovery	1,021	3.40	2.45%
Office supplies and postage	3,421	11.40	8.20%
Tennis and swim dues	5,700	19.00	13.67%
Total administrative services	17,332	57.77	41.56%
Utilities			
Electricity	1,270	4.23	3.05%
Total utilities	1,270	4.23	3.05%
Contract services			
Landscaping contract	8,440	28.13	20.24%
Total contract services	8,440	28.13	20.24%
Maintenance and repairs			
Maintenance repairs and supplies	1,632	5.44	3.91%
Portering expenses	1,701	5.67	4.08%
Total maintenance and repairs	3,333	11.11	7.99%
Insurance	3,968	13.23	9.52%
Renovations and improvements	15,823	52.74	37.94%
Total expenses	50,166	167.22	120.30%
Net assessments, revenues over (under) expenses	(\$4,182)	(\$13.94)	-10.03%

*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, 2013

	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
Assessments and Revenues			
Maintenance fees	\$41,700	\$41,700	-
Adjustments and write offs	(1,989)	(2,400)	\$411
Tennis and swim fees	5,700	5,700	-
Late fees and other assessments	618	720	(102)
Interest income	58	12	46
Other income	(103)	84	(187)
Total assessments and revenues	45,984	45,816	168
Administrative Services			
Professional management	6,240	6,240	-
Professional fees - auditing	950	1,056	106
Professional fees - legal, net of recovery	1,021	1,032	11
Office supplies and postage	3,421	4,044	623
Tennis and swim dues	5,700	5,700	-
Total administrative services	17,332	18,072	740
Utilities			
Electricity	1,270	1,440	170
Total utilities	1,270	1,440	170
Contract services			
Landscaping contract	8,440	7,596	(844)
Total contract services	8,440	7,596	(844)
Maintenance and repairs			
Maintenance repairs and supplies	1,632	4,692	3,060
Portering expenses	1,701	1,560	(141)
Total maintenance and repairs	3,333	6,252	2,919
Insurance	3,968	4,104	136
Renovations and improvements	15,823	8,352	(7,471)
Total expenses	50,166	45,816	(4,350)
Net assessments, revenues over (under) expenses	(\$4,182)	\$0	(\$4,182)

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

GREENBRIAR TOWNHOMES ASSOCIATION
Comparative Analysis of Assessments, Revenues and Expenses
For the Years Ended December 31, 2013 to 2009

	31-Dec-13	Memo 31-Dec-12	Memo 31-Dec-11	Memo 31-Dec-10	Memo 31-Dec-09
Assessments and Revenues					
Maintenance fees	\$41,700	\$41,700	\$41,700	\$41,700	\$41,700
Adjustments and write offs	(1,989)	(2,927)	(2,549)	(7,111)	(8,343)
Tennis and swim fees	5,700	5,700	5,700	5,700	5,700
Late fees and other assessments	618	857	750	164	286
Interest income	58	82	45	21	39
Other income	(103)	186	584	-	-
Total assessments and revenues	45,984	45,598	46,230	40,474	39,382
Administrative Services					
Professional management	6,240	6,240	6,240	6,240	6,240
Professional fees - auditing	950	1,100	1,000	1,050	50
Professional fees - legal, net of recovery	1,021	(182)	2,340	617	1,634
Office supplies and postage	3,421	3,598	2,591	1,805	2,136
Tennis and swim dues	5,700	5,700	5,700	5,700	5,700
Total administrative services	17,332	16,456	17,871	15,412	15,760
Utilities					
Electricity	1,270	1,382	952	1,513	1,394
Total utilities	1,270	1,382	952	1,513	1,394
Contract services					
Landscaping contract	8,440	7,540	6,840	6,840	6,840
Total contract services	8,440	7,540	6,840	6,840	6,840
Maintenance and repairs					
Maintenance repairs and supplies	1,632	2,355	866	3,165	8,569
Portering expenses	1,701	1,090	1,660	1,915	2,054
Total maintenance and repairs	3,333	3,445	2,526	5,080	10,623
Insurance	3,968	3,963	3,149	3,509	2,959
Renovations and improvements	15,823	6,367	7,087	1,849	8,062
Total expenses	50,166	39,153	38,425	34,203	45,638
Net assessments, revenues over (under) expenses	(\$4,182)	\$6,445	\$7,805	\$6,271	(\$6,256)

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

GREENBRIAR TOWNHOMES ASSOCIATION
Schedule of Renovations, Major Repairs and Improvements
For the Years Ended December 31, 2013 to 2009

	2013	2012	2011	2010	2009
Storage shed	-	-	-	-	-
Roof repairs	\$2,795	\$3,570	\$4,690	-	\$2,086
Carport/Sidewalk repairs	4,335	695	-	-	2,103
Concrete repairs	-	695	-	-	1,089
Siding repairs	6,350	1,407	-	-	2,783
Rotten wood repairs	-	-	1,147	-	-
Window/Door repairs	1,793	-	-	-	-
Brick repairs	550	-	-	-	-
Painting	-	-	-	\$1,100	-
Plumbing	-	-	1,250	749	-
Total renovations and improvements	\$15,823	\$6,367	\$7,087	\$1,849	\$8,061

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