

GREENBRIAR TOWNHOMES ASSOCIATION

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For The Year Ended
December 31, 2015**

Nagesh & Carter, PLLC

GREENBRIAR TOWNHOMES ASSOCIATION

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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 financial statements of GREENBRIAR TOWNHOMES ASSOCIATION, which comprises the balance sheets as of December 31, 2015 and 2014 and the related Statements of Assessments, Revenues, Expenses, and Changes in Fund Balances and 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, 2015 and 2014 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 performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included under supplemental schedules on pages 10 through 13, as identified in the Table of Contents, is presented for purposes of additional analysis and is 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

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 3, 2016

GREENBRIAR TOWNHOMES ASSOCIATION

BALANCE SHEETS

As of December 31, 2015 and 2014

	Operating Fund	Replacement Fund	Totals 31-Dec-15	Memo Totals 31-Dec-14
<u>ASSETS</u>				
Cash and cash equivalents	\$9,342	\$38,467	\$47,809	\$42,651
Accounts receivable	19,201	-	19,201	10,987
Prepaid Insurance	1,658	-	1,658	1,682
Total assets	\$30,201	\$38,467	\$68,668	\$55,320
<u>LIABILITIES AND FUND BALANCE</u>				
Accounts payable	-	-	-	\$337
Prepaid maintenance fees	\$316	-	\$316	740
Total current liabilities	316	-	316	1,077
Fund balance	29,885	\$38,467	68,352	\$54,243
Total liabilities and fund balance	\$30,201	\$38,467	\$68,668	\$55,320
	-	-	-	-
<i>The accompanying notes are an integral part of these financial statements.</i>				

GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCES
For The Years Ended December 31, 2015 and 2014

	Operating	Replacement	Totals	Memo
	Fund	Fund	31-Dec-15	31-Dec-14
Assessments and revenues				
Maintenance fees	\$41,700	-	\$41,700	\$41,700
Tennis and swim fees	5,700	-	5,700	5,700
Late fees and other assessments	1,282	-	1,282	880
Interest income	16	\$45	61	58
Other income	715	-	715	156
Capital reserve transfers	(10,226)	10,226	-	-
Total revenues	39,187	10,271	49,458	48,494
Operating expenses				
Administrative expenses	15,468	-	15,468	16,398
Utilities	1,145	-	1,145	1,166
Contract services	8,700	-	8,700	8,640
Maintenance and repairs	5,773	-	5,773	2,891
Insurance	4,055	-	4,055	3,992
Renovations, repairs and improvements	-	208	208	10,089
Total expenses	35,141	208	35,349	43,176
Revenue over (under) expenses	4,046	10,063	14,109	5,318
Fund balance, beginning of the year	25,839	28,404	54,243	48,925
Fund balance, end of the year	\$29,885	\$38,467	\$68,352	\$54,243

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

GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2015 and 2014

	Operating Fund	Replacement Fund	Totals 31-Dec-15	Memo Totals 31-Dec-14
Cash flow from (to) operations				
Assessments and revenues over (under) expenses	\$4,046	\$10,063	\$14,109	\$5,318
<i>Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations</i>				
Accounts receivable	(8,214)	-	(8,214)	(5,980)
Prepaid insurance	24	-	24	(95)
Accounts payable	(337)	-	(337)	337
Prepaid assessments	(424)	-	(424)	392
Total cash flow from (to) operations	(4,905)	10,063	5,158	(28)
Increase (decrease) in cash	(4,905)	10,063	5,158	(28)
Cash and cash equivalents, beginning of the year	14,247	28,404	42,651	42,679
Cash and cash equivalents, end of the year	\$9,342	\$38,467	\$47,809	\$42,651

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

GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For The Years Ended December 31, 2015 and 2014

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, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For the purposes of reporting cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less as cash and cash equivalents in the accompanying balance sheet. The Association has interest bearing deposits in financial institutions that maintained FDIC insurance in full for all accounts and limited coverage up to \$250,000 per financial institution. The portion of deposits in excess of this amount is not subject to such insurance and represents a credit risk to the Association. At times, balances held at each financial institution may exceed \$250,000 which represents a credit risk to the Association.

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 3, 2016, 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, 2015 and 2014

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, 2015 and 2014 the Association had assessments receivable of \$19,201 and \$10,987, respectively. It is the opinion of the management that the Association will prevail against the homeowners whose assessments are delinquent and that the net uncollectible assessments from any one year is insignificant, and, accordingly no allowance for uncollectible accounts is deemed necessary.

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, 2015 and 2014

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 years ended December 31, 2015 and 2014.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2015, 2014, and 2013 remain open to examination by the Internal Revenue Service; state franchise returns for 2016, 2015 and 2014 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, 2015

	Total Amount	Average Per Month	As a % of Assessment
Assessments and Revenues			
Maintenance fees	\$41,700	\$139.00	100.00%
Tennis and swim fees	5,700	19.00	13.67%
Late fees and other assessments	1,282	4.27	3.07%
Interest income	61	0.20	0.15%
Other income	715	2.38	1.71%
Total assessments and revenues	49,458	164.86	118.60%
Administrative Services			
Professional management	6,240	20.80	14.96%
Professional fees - auditing	1,050	3.50	2.52%
Office supplies and postage	2,478	8.26	5.94%
Tennis and swim dues	5,700	19.00	13.67%
Total administrative services	15,468	51.56	37.09%
Utilities			
Electricity	1,145	3.82	2.75%
Total utilities	1,145	3.82	2.75%
Contract services			
Landscaping contract	8,700	29.00	20.86%
Total contract services	8,700	29.00	20.86%
Maintenance and repairs			
Maintenance repairs and supplies	3,696	12.32	8.86%
Portering expenses	2,077	6.92	4.98%
Total maintenance and repairs	5,773	19.24	13.84%
Insurance	4,055	13.52	9.72%
Renovations and improvements	208	0.69	0.50%
Total expenses	35,349	117.83	84.77%
Net assessments, revenues over (under) expenses	\$14,109	\$47.03	33.83%

*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, 2015

	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
Assessments and Revenues			
Maintenance fees	\$41,700	\$41,700	-
Adjustments and write offs	-	(2,400)	\$2,400
Tennis and swim fees	5,700	5,700	-
Late fees and other assessments	1,282	720	562
Interest income	61	12	49
Other income	715	-	715
Total assessments and revenues	49,458	45,732	3,726
Administrative Services			
Professional management	6,240	6,240	-
Professional fees - auditing	1,050	1,056	6
Professional fees - legal, net of recovery	-	1,080	1,080
Office supplies and postage	2,478	4,116	1,638
Tennis and swim dues	5,700	5,700	-
Total administrative services	15,468	18,192	2,724
Utilities			
Electricity	1,145	1,380	235
Total utilities	1,145	1,380	235
Contract services			
Landscaping contract	8,700	8,700	-
Total contract services	8,700	8,700	-
Maintenance and repairs			
Maintenance repairs and supplies	3,696	6,084	2,388
Portering expenses	2,077	1,980	(97)
Total maintenance and repairs	5,773	8,064	2,291
Insurance	4,055	4,104	49
Renovations and improvements	208	5,292	5,084
Total expenses	35,349	\$45,732	10,383
Net assessments, revenues over (under) expenses	\$14,109	-	\$14,109

*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, 2015 to 2011

	31-Dec-15	Memo 31-Dec-14	Memo 31-Dec-13	Memo 31-Dec-12	Memo 31-Dec-11
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)
Tennis and swim fees	5,700	5,700	5,700	5,700	5,700
Late fees and other assessments	1,282	880	618	857	750
Interest income	61	58	58	82	45
Other income	715	156	(103)	186	584
Total assessments and revenues	49,458	48,494	45,984	45,598	46,230
Administrative Services					
Professional management	6,240	6,240	6,240	6,240	6,240
Professional fees - auditing	1,050	950	950	1,100	1,000
Professional fees - legal, net of recovery	-	507	1,021	(182)	2,340
Office supplies and postage	2,478	3,001	3,421	3,598	2,591
Tennis and swim dues	5,700	5,700	5,700	5,700	5,700
Total administrative services	15,468	16,398	17,332	16,456	17,871
Utilities					
Electricity	1,145	1,166	1,270	1,382	952
Total utilities	1,145	1,166	1,270	1,382	952
Contract services					
Landscaping contract	8,700	8,640	8,440	7,540	6,840
Total contract services	8,700	8,640	8,440	7,540	6,840
Maintenance and repairs					
Maintenance repairs and supplies	3,696	943	1,632	2,355	866
Portering expenses	2,077	1,948	1,701	1,090	1,660
Total maintenance and repairs	5,773	2,891	3,333	3,445	2,526
Insurance	4,055	3,992	3,968	3,963	3,149
Renovations and improvements	208	10,089	15,823	6,367	7,087
Total expenses	35,349	43,176	50,166	39,153	38,425
Net assessments, revenues over (under) expenses	\$14,109	\$5,318	(\$4,182)	\$6,445	\$7,805

*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, 2015 to 2010

		Memo	Memo	Memo	Memo	Memo
	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10
Roof repairs	\$208	\$10,089	\$2,795	\$3,570	\$4,690	-
Carport/Sidewalk repairs	-	-	4,335	695	-	-
Concrete repairs	-	-	-	695	-	-
Siding repairs	-	-	6,350	1,407	-	-
Rotten wood repairs	-	-	-	-	1,147	-
Window/Door repairs	-	-	1,793	-	-	-
Brick repairs	-	-	550	-	-	-
Painting	-	-	-	-	-	\$1,100
Plumbing	-	-	-	-	1,250	749
Total renovations and improvements	\$208	\$10,089	\$15,823	\$6,367	\$7,087	\$1,849

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