

GREENBRIAR TOWNHOMES ASSOCIATION

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended
December 31, 2009**

***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, 2009 and 2008 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, 2009 and 2008 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.

Nagesh & Carter, PLLC

Houston, Texas

July 1, 2010

GREENBRIAR TOWNHOMES ASSOCIATION
BALANCE SHEETS
As of December 31, 2009 and 2008

	Operating Fund	Replacement Fund	Totals 31-Dec-09	Totals 31-Dec-08
<u>ASSETS</u>				
Current Assets				
Cash	\$10,681	\$4,759	\$15,440	\$16,575
Accounts receivable	16,091	-	16,091	22,020
Prepaid Insurance	1,529	-	1,529	1,305
Total assets	\$28,301	\$4,759	\$33,060	\$39,900
<u>LIABILITIES AND FUND BALANCE</u>				
Current liabilities				
Accounts payable	-	-	-	\$900
Prepaid assessments	\$474	-	\$474	158
Total current liabilities	474	-	474	1,058
Fund balance	27,827	\$4,759	32,586	38,842
Total liabilities and fund balance	\$28,301	\$4,759	\$33,060	\$39,900

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

GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES
For The Years Ended December 31, 2009 and 2008

	Operating Fund	Replacement Fund	Totals 31-Dec-09	Totals 31-Dec-08
Assessments and revenues				
Maintenance fees	\$41,700	-	\$41,700	\$41,700
Adjustments and write offs	(8,343)	-	(8,343)	-
Interest income	-	\$39	39	73
Late fees	286	-	286	1,757
Capital reserve transfers	(4,183)	4,183	-	-
Total revenues	29,460	4,222	33,682	43,530
Operating expenses				
Administrative expenses	10,060	-	10,060	10,387
Contract services	6,840	-	6,840	6,840
Maintenance and repairs	10,623	-	10,623	8,535
Utilities	1,394	-	1,394	1,905
Insurance	2,959	-	2,959	3,985
Renovations and improvements	-	8,062	8,062	1,345
Total expenses	31,876	8,062	39,938	32,997
Assessments and revenues over (under) expenses	(2,416)	(3,840)	(6,256)	10,533
Fund balance, beginning of the year	30,243	8,599	38,842	28,309
Fund balance, end of the year	\$27,827	\$4,759	\$32,586	\$38,842

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part of these financial statements*

GREENBRIAR TOWNHOMES ASSOCIATION
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2009 and 2008

	Operating Fund	Replacement Fund	Totals 31-Dec-09	Totals 31-Dec-08
From (to) operations				
Assessments and revenues over (under) expenses	(\$2,416)	(\$3,840)	(\$6,256)	\$10,533
<i>Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations</i>				
Accounts payable	(900)	-	(900)	150
Prepaid assessments	316	-	316	-
Accounts receivable	5,929	-	5,929	(3,587)
Prepaid insurance	(224)	-	(224)	812
Total from operations	2,705	(3,840)	(1,135)	7,908
Increase (decrease) in cash	2,705	(3,840)	(1,135)	7,908
Cash, beginning of the year	7,976	8,599	16,575	8,667
Cash, end of the year	\$10,681	\$4,759	\$15,440	\$16,575

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GREENBRIAR TOWNHOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

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 by-laws 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, 2009 and 2008

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, the Association records bad debts using the direct write off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. The management of the Association however, believes that the net uncollectible assessments from any one year is insignificant, and the effect of using the direct write off method is not materially different from the results that would have been obtained under the allowance method.

As of December 31, 2009 and 2008 the Association had assessments receivable of \$16,091 and \$22,020 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. 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, 2009 and 2008

The Association elected to file its tax return as a Homeowners' Association for the year ended December 31, 2009.

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 HOMEOWNERS AND AS PERCENTAGE OF ASSESMENTS
For The Year Ended December 31, 2009

	Amount	Average Per Home Per Year	Average Per Month Per Home
Assessments and revenues			
Maintenance fees	\$41,700	100.00%	\$139.00
Adjustments and write offs	(8,343)	-20.01%	(27.81)
Interest income	39	0.09%	0.13
Late fees	286	0.69%	0.95
Total revenues	33,682	80.77%	112.27
Administrative Expenses			
Professional management	6,240	14.96%	20.80
Professional fees - auditing	50	0.12%	0.17
Professional fees - legal, net of recovery	1,634	3.92%	5.45
Office supplies and postage	2,136	5.12%	7.12
Total admenistrative expenses	10,060	24.12%	33.53
Contract services			
Landscaping contract	6,840	16.40%	22.80
Total contract services	6,840	16.40%	22.80
Maintenance and repairs			
Maintenance and repairs	8,569	20.55%	28.56
Porter salary	2,054	4.93%	6.85
Total maintenance and repairs	10,623	25.47%	35.41
Utilities			
Electricity	1,394	3.34%	4.65
Water and sewer	0	0.00%	0.00
Telephone	0	0.00%	-
Total utilities	1,394	3.34%	4.65
Insurance	2,959	7.10%	9.86
Renovations and improvements	8,062	19.33%	26.87
Total expenses	39,938	95.77%	133.13
Net revenue over expenses	(\$6,256)	-15.00%	(\$20.85)

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

**GREENBRIAR TOWNHOMES ASSOCIATION
COMPARISON OF ACTUAL TO BUDGETED
ASSESSMENTS, REVENUES AND EXPENSES
For The Year Ended December 31, 2009**

	Actual	Budget	Variance F (UF)
Assessments and revenues			
Maintenance fees	\$41,700	\$41,700	-
Adjustments and write offs	(8,343)	(2,400)	(\$5,943)
Interest income	39	-	39
Late fees	286	-	286
Total revenues	33,682	39,300	(5,618)
Administrative Expenses			
Professional management	6,240	6,240	-
Professional fees - auditing	50	1,000	950
Professional fees - legal, net of recovery	1,634	1,200	(434)
Office supplies and postage	2,136	1,824	(312)
Total administrative expenses	10,060	10,264	204
Contract services			
Landscaping contract	6,840	6,840	-
Total contract services	6,840	6,840	-
Maintenance and repairs			
Maintenance and repairs	8,569	6,180	(2,389)
Porter	2,054	4,584	2,530
Total maintenance and repairs	10,623	10,764	141
Utilities			
Electricity	1,394	1,908	514
Total utilities	1,394	1,908	514
Insurance			
	2,959	5,340	2,381
Capital reserve expenses			
	8,062	4,184	(3,878)
Total expenses	39,938	\$39,300	(638)
Net revenue over expenses	(\$6,256)	-	(\$6,256)
<i>The foregoing notes are an integral part of these financial statements</i>			

GREENBRIAR TOWNHOMES ASSOCIATION
Comparative Analysis of Assessments, Revenues and Expenses
For The Years Ended December 31, 2009 to 2005

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assessments and revenues					
Maintenance fees	\$41,700	\$41,700	\$41,748	\$40,203	\$36,497
Adjustments and write offs	(8,343)	-	(91)	(1,708)	-
Interest income	39	73	73	110	65
Late fees	286	1,757	1,236	777	1,115
Total revenues	33,682	43,530	42,966	39,382	37,677
Administrative Expenses					
Professional management	6,240	6,240	6,240	6,240	6,000
Professional fees - auditing	50	850	825	775	775
Professional fees - legal, net of recovery	1,634	833	534	337	1,509
Payroll processing	-	-	-	-	1,021
Office supplies and postage	2,136	2,464	2,057	2,139	1,196
Tennis and swim fees, net of recovery	-	-	-	-	225
Total administrative expenses	10,060	10,387	9,656	9,491	10,726
Contract services					
Landscaping contract	6,840	6,840	6,823	6,630	6,495
Contract labor	-	-	-	-	-
Total contract services	6,840	6,840	6,823	6,630	6,495
Maintenance and repairs					
Maintenance and repairs	8,569	4,236	4,332	1,162	1,553
Porter	2,054	4,299	4,423	6,254	3,485
Total maintenance and repairs	10,623	8,535	8,755	7,416	5,038
Utilities					
Electricity	1,394	1,905	2,142	2,372	1,879
Water and sewer	-	-	168	504	530
Total utilities	1,394	1,905	2,310	2,876	2,409
Insurance	2,959	3,985	5,309	3,034	4,213
Renovations and improvements	8,062	1,345	6,656	9,855	9,816
Total expenses	39,938	32,997	39,509	39,302	38,697
Net revenue over expenses	(\$6,256)	\$10,533	\$3,457	\$80	(\$1,020)

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