

*Grayson Lakes Community Association, Inc.*

*Financial Statements*

*December 31, 2011*

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**Independent Accountant's Compilation Report**

To the Board of Directors  
Grayson Lakes Community Association, Inc.  
Houston, Texas

We have compiled the accompanying Balance Sheet of Grayson Lakes Community Association, Inc. as of December 31, 2011, the related statement of revenue, expenses and changes in fund balances and statement of cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Canady & Canady P. C.*

April 27, 2012

**Grayson Lakes Community Association, Inc.**  
**Balance Sheet**  
**December 31, 2011**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 132,469	\$ 4,010	\$ 136,479
Assessments receivable	52,636		52,636
Total assets	\$ 185,105	\$ 4,010	\$ 189,115
 <b>Liabilities and Fund Balances</b>			
Assessments received in advance	\$ 99,291	_____	\$ 99,291
Total liabilities	99,291	_____	99,291
Fund balances	85,814	4,010	89,824
Total liabilities and fund balances	\$ 185,105	\$ 4,010	\$ 189,115

See accompanying notes and accountant's compilation report.

**Grayson Lakes Community Association, Inc.**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2011**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenues</b>			
Maintenance assessment	\$ 515,393		\$ 515,393
Legal fees recovered	26,236		26,236
Interest on delinquent accounts	3,050		3,050
Other income	672		672
Rental income	650		650
Interest	66		66
Total revenues	<u>546,067</u>	<u>-</u>	<u>546,067</u>
<b>Expenses</b>			
Grounds keeping	190,950		190,950
Repair and maintenance	90,485		90,485
Water	63,606		63,606
Electricity	41,432		41,432
Legal fees	29,601		29,601
Management fees	21,737		21,737
Insurance	16,098		16,098
Administrative	15,527		15,527
Pool maintenance	11,067		11,067
Lake management	9,600		9,600
Accounting	8,950		8,950
Property taxes	7,575		7,575
Pest control	2,616		2,616
Phone	1,212		1,212
Total Expenses	<u>510,456</u>	<u>-</u>	<u>510,456</u>
Excess of revenue over (under) expenses	35,611	-	35,611
<b>Fund Balance</b>			
Beginning of year	<u>50,203</u>	<u>4,010</u>	<u>54,213</u>
End of year	<u>\$ 85,814</u>	<u>\$ 4,010</u>	<u>\$ 89,824</u>

See accompanying notes and accountant's compilation report.

**Grayson Lakes Community Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2011**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Excess (deficiency) of revenues over expenses	\$ 35,611	\$ -	\$ 35,611
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(19,174)		(19,174)
Increase (decrease) in:			
Prepaid assessments	<u>(35,924)</u>		<u>(35,924)</u>
Net cash (used) provided by operating activities	<u>(19,487)</u>	<u>-</u>	<u>(19,487)</u>
 Net increase (decrease) in cash and cash equivalents	 (19,487)	 -	 (19,487)
Cash and cash equivalents, beginning of year	<u>151,956</u>	<u>4,010</u>	<u>155,966</u>
Cash and cash equivalents, end of year	<u>\$ 132,469</u>	<u>\$ 4,010</u>	<u>\$ 136,479</u>
<b>Supplemental Disclosures:</b>			
Taxes Paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -

See accompanying notes and accountant's compilation report.

**Grayson Lakes Community Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note 1 - Organization**

Grayson Lakes Community Association, Inc. (the Association) is a Texas non-profit corporation incorporated on November 27, 2001 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 530 residential units in Katy, Texas.

**Note 2 - Summary of Significant Accounting Policies**

**Fund Accounting**

The Association uses fund accounting which requires funds allocated for future major repairs and replacements be classified separately from funds available for general operations. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to account for financial resources designated for future repairs and replacements.

**Assessments**

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit members. Any excess assessments at year end are retained by the Association for use in the succeeding year. Income received in advance is deferred and amortized over the period to which it relates. No assessments for future major repairs and replacements have been assessed to date.

A contribution is made, by or on behalf of the purchaser, to the working capital of the Association in an amount equal to one-sixth of the annual base assessment per unit upon sale to the first owner other than the Developer or builder.

**Federal Income Tax**

The Association is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code.

**Grayson Lakes Community Association, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Property and Equipment**

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

**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 cash and cash equivalents, investments, accounts receivable, prepaid expenses and accounts payables approximate their fair values based on their short-term nature.

**Note 3 - Assessments Receivable**

Assessments receivable represents fees billed prior to December 31, 2011. The Association's policy is to retain legal counsel to pursue collection matters when assessments become past due.