

**MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**Year Ended**

**December 31, 2013**

# **FRANK IRUELA, CPA**

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## **Independent Auditor's Report**

February 25, 2014

To the Board of Directors and Owners of  
Meadow Creek Subdivision Owners' Association, Inc.  
High Point, North Carolina

I have audited the accompanying financial statements of Meadow Creek Subdivision Owners' Association, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadow Creek Subdivision Owners' Association, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted the required supplementary information about future major repairs and replacements 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. My opinion on the basic financial statements is not affected by the missing information.



Certified Public Accountant  
Greenboro, North Carolina

February 25, 2014

**MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.**  
**Balance Sheet**  
**December 31, 2013**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and Equivalents	\$ 13,932	\$ 23,167	\$ 37,099
Certificates of Deposit	0	11,944	11,944
Assessments Receivable	825	0	825
Other Receivables	793	0	793
Due From (To) Other Funds	5,955	(5,955)	0
Prepaid Insurance	<u>635</u>	<u>0</u>	<u>635</u>
Total Assets	<u>\$ 22,140</u>	<u>\$ 29,156</u>	<u>\$ 51,296</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Prepaid Owner Assessments	\$ <u>9,571</u>	\$ <u>0</u>	\$ <u>9,571</u>
Total Liabilities	9,571	0	9,571
Fund Balance	<u>12,569</u>	<u>29,156</u>	<u>41,725</u>
Total Liabilities and Fund Balance	<u>\$ 22,140</u>	<u>\$ 29,156</u>	<u>\$ 51,296</u>

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

**MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.**  
**Statement of Revenues, Expenses, and Changes in Fund Balance**  
**Year Ended December 31, 2013**

	Operating Fund	Replacement Fund	Totals
<b>Revenues:</b>			
Assessments	\$ 34,390	\$ 6,790	\$ 41,180
Late Fee Income	1,295	0	1,295
Miscellaneous Income	806	0	806
Interest	0	159	159
	<u>36,491</u>	<u>6,949</u>	<u>43,440</u>
Total Revenues			
<b>Operating Expenses:</b>			
Management Fees	9,600	0	9,600
Audit Fees	550	0	550
Legal Fees	41	0	41
Postage & Mail	187	0	187
Insurance	1,325	0	1,325
Office Supplies	209	0	209
Resident Activities	858	0	858
Website	190	0	190
Miscellaneous	214	0	214
Building Maintenance	481	0	481
Utilities	830	0	830
Grounds Maintenance	2,340	0	2,340
Repairs and Maintenance	324	0	324
Pond maintenance	560	0	560
Sign Maintenance	96	0	96
Landscaping	13,160	0	13,160
Drainage Improvements	0	1,740	1,740
Entrance Landscapes	0	2,481	2,481
	<u>30,965</u>	<u>4,221</u>	<u>35,186</u>
Total Operating Expenses			
<b>Net Revenues Over (Under) Expenses</b>	5,526	2,728	8,254
<b>Fund Balance, beginning of period</b>	<u>7,043</u>	<u>26,428</u>	<u>33,471</u>
<b>Fund Balance, end of period</b>	<u>\$ 12,569</u>	<u>\$ 29,156</u>	<u>\$ 41,725</u>

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

**MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Totals
<b>Cash flows from operating activities:</b>			
Revenues Over (Under) Expenses	5,526	2,728	8,254
Reconciliation of Revenues Over (Under) Expenses to Net Cash Provided (Used) by Operations:			
(Increase) decrease in assets:			
Accounts Receivable	1,421	0	1,421
Due From (To) Other Funds	(5,925)	5,955	30
Prepaid Expenses	(72)	0	(72)
Increase (decrease) in liabilities:			
Other Current Liabilities	(1,234)	0	(1,234)
Net cash provided (used) by operating activities	(284)	8,683	8,399
<b>Cash flows from investing activities</b>			
Interest income reinvested	0	(99)	(99)
Net cash (used) provided by investing activities	0	(99)	(99)
<b>Net increase (decrease) in cash and equivalents</b>	(284)	8,584	8,300
<b>Cash and cash equivalents--beginning of year</b>	14,215	14,583	28,798
<b>Cash and cash equivalents--end of year</b>	13,931	23,167	37,098

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

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

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1. NATURE OF ORGANIZATION

Meadow Creek Subdivision Owners' Association, Inc. was organized in June, 2000 under the laws of the State of North Carolina for the purpose of administering the operations and maintenance of the common areas within the development. The Association consists of 194 single family homes located in High Point, North Carolina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The Association's governing documents provide guidelines for maintaining financial activities. To ensure observance of the restrictions placed on financial resources, the Association uses fund accounting. The following funds are used to account for the financial resources of the Association:

*Operating Fund* - This fund accounts for the general operations of the Association. Disbursements from this fund are at the discretion of the property manager and Board of Directors.

*Replacement Fund* - This fund accumulates resources which will be used for designated future major repairs and replacements. Capital disbursements are generally made for designated purposes and require the approval of the Board of Directors.

B. Owner Assessments

Association members are subject to monthly assessments which provide funds for the Association's operations and future capital replacements and repairs. Assessments receivable at the balance sheet date represent fees due from unit owners and are considered fully collectible. The Association's governing documents allow certain remedies by the Association against members for delinquent assessments, including placing liens on the properties of the members. Any excess assessments at year end are retained by the Association for use in future years.

C. Property and Equipment

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. The real property and common areas of the Association are not depreciated and are not recorded in the Association's financial statements because they are owned by the individual unit owners in common and not by the Association.

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Income Taxes

The Association may be taxed as a homeowners association or as a regular corporation. For the year ended December 31, 2013, the Association elected to be taxed as a homeowners association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. The Association must report unrelated business income for state income tax purposes.

On January 1, 2009, the Association adopted the new accounting for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances. The Association's federal and state income tax returns for 2010, 2011, and 2012 are subject to examination by the appropriate tax authorities, generally for three years after they were filed. However, no examinations are in progress or anticipated.

E. Cash Flows

For the Statement of Cash Flows, the Association considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents allow for funds for future major repairs and replacements to be acquired through a special assessment when needed or through an accumulation of regular assessments. The board of directors has chosen to establish a replacement fund. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

The Association has not conducted a formal study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The board is funding for future major repairs and replacements based on an informal plan. If additional funds are needed, however, the Association has the right, subject to board approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.



MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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4. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. MANAGEMENT SERVICES

Golden Property Management, the managing agent for the Association, or one of its affiliates, provides various services to the Association when authorized by the Board of Directors. In addition to the management of the Association, these services may include maintenance.

6. CONCENTRATIONS OF CREDIT RISK

The Association maintains cash and certificate of deposit balances at a financial institution located in Raleigh, North Carolina. The balances at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Association did not have any cash balances that exceeded the insured amount.

7. DATE OF MANAGEMENT REVIEW

In preparing the financial statements, The Association has evaluated events and transactions for potential recognition or disclosure through February 25, 2014, the date that the financial statements were available to be issued.