

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

Year Ended

December 31, 2015

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

December 31, 2015

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8

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Independent Auditor's Report

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, 2015, 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, 2015, 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
Jamestown, North Carolina

March 2, 2016

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

Balance Sheet
As of December 31, 2015

	Assets		
	Operating Fund	Replacement Fund	Total
Current Assets			
Cash and Cash Equivalents	\$ 6,955	\$ 18,791	\$ 25,746
Certificates of Deposit	-	11,918	11,918
Assessments Receivable	1,352	-	1,352
Other Receivables	3,957	-	3,957
Prepaid Insurance	708	-	708
Total Assets	\$ 12,972	\$ 30,709	\$ 43,681

Liabilities and Fund Balances

Current Liabilities			
Prepaid Owner Assessments	\$ 5,073	\$ -	\$ 5,073
Total Liabilities	5,073	-	5,073
Fund Balances	7,899	30,709	38,608
Total Liabilities and Fund Balances	\$ 12,972	\$ 30,709	\$ 43,681

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
For the Year Ended December 31, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Member Assessments	\$ 34,920	\$ 5,820	\$ 40,740
Late Fees	2,010	-	2,010
Interest Income	-	39	39
Other Income (Expense)	<u>(19,000)</u>	<u>-</u>	<u>(19,000)</u>
Total Revenues	<u>17,930</u>	<u>5,859</u>	<u>23,789</u>
Expenses			
Management Fees	10,200	-	10,200
Audit Fees	750	-	750
Legal Fees	651	-	651
Bank Charges	240	-	240
Administrative Expenses	1,297	-	1,297
Insurance	1,498	-	1,498
Resident Activities	396	-	396
Website	190	-	190
Building Maintenance	199	-	199
Utilities	851	-	851
Tree Maintenance	984	-	984
Pine Needles	288	-	288
Grounds Maintenance	2,227	-	2,227
General Repairs and Maintenance	777	-	777
Pond Maintenance	2,085	-	2,085
Sign Maintenance	355	-	355
Contract Landscape Maintenance	13,160	-	13,160
Drainage Improvements	-	1,865	1,865
Entrance Landscaping	<u>-</u>	<u>2,435</u>	<u>2,435</u>
Total Expenses	<u>36,148</u>	<u>4,300</u>	<u>40,448</u>
Revenues Over (Under) Expenses	(18,218)	1,559	(16,659)
Fund Balance - Beginning of Year	<u>26,117</u>	<u>29,150</u>	<u>55,267</u>
Fund Balance - End of Year	<u><u>\$ 7,899</u></u>	<u><u>\$ 30,709</u></u>	<u><u>\$ 38,608</u></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, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Revenues Over (Under) Expenses	\$ (18,218)	\$ 1,559	\$ (16,659)
Changes in Operating Accounts:			
Assessments Receivable	1,361	-	1,361
Other Receivables	18,272	-	18,272
Prepaid Expenses	(49)	-	(49)
Assessments Received in Advance	2,077	-	2,077
Net Cash Provided (Used) by Operating Activities	<u>3,443</u>	<u>1,559</u>	<u>5,002</u>
Cash Flows from Investing Activities:			
Adjustment of Prior Accrued Interest Earned on CD	-	14	14
Interest reinvested in certificates of deposit	-	(35)	(35)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(21)</u>	<u>(21)</u>
Net Increase (Decrease) in Cash	3,443	1,538	4,981
Cash and cash equivalents-beginning of year	<u>3,512</u>	<u>17,253</u>	<u>20,765</u>
Cash and cash equivalents-end of year	<u><u>\$ 6,955</u></u>	<u><u>\$ 18,791</u></u>	<u><u>\$ 25,746</u></u>

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

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION

Meadow Creek Subdivision Owners' Association, Inc. (the "Association") was organized on June 28, 2000, under the laws of the State of North Carolina. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 194 single family residences located in High Point, North Carolina.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The Association's governing documents provide guidelines for governing its financial activities. To ensure observance of the restrictions placed on the use of financial resources, the Association maintains its accounts using 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 operating expenses. If the monthly assessments are not paid within 30 days of the due date, the payment of the assessments shall be considered in default. The Association's governing documents allow certain remedies by the Association against members for delinquent assessment, 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. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association monitors the aged owner balance and establishes an allowance for doubtful accounts as deemed necessary.

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Property and Equipment

The Association capitalizes personal property at cost and depreciates it using the straight-line method. Real property and common areas acquired from the developer and any 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. Such property can only be used or disposed of as set forth in the governing documents of the Association.

D. Use of 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.

E. Cash and Cash Equivalents

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

NOTE 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. Accumulated funds should be held in a separate account (replacement fund) and are generally not available for operating purposes. The governing documents do not specify any requirements that funds accumulated for the future repairs and replacements are to be reported separately. As of December 31, 2015, the Association had accumulated \$30,709 in the replacement fund.

The Association has not conducted an official study to determine the estimated remaining useful lives for the components of the common property. The board is funding for future major repairs and replacements based on an informal plan and has the right, with member approval to increase regular assessments, levy special assessments, obtain necessary financing, or delay repairs and replacements if sufficient sources of funds are not available.

MEADOW CREEK SUBDIVISION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances and certificates of deposits at a financial institution based out of Raleigh North Carolina. The balances held at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and did not exceed the FDIC limits at December 31, 2015.

NOTE 5. INCOME TAXES

The Association may elect to be taxed as a regular corporation or as a homeowners association. For the year ended December 31, 2015, 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.

Effective January 1, 2009, the Association implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities.

As of December 31, 2015, the Association had no uncertain tax positions that would require recognition or disclosure in the financial statements. Currently, the statute of limitations remains open subsequent to and including 2012; however, no examinations are in progress or anticipated.

NOTE 6. MANAGEMENT SERVICES

Golden Property Management Company, the managing agent for the Association, 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 repairs and maintenance.

NOTE 7. DATE OF MANAGEMENT REVIEW

In preparing the financial statements, The Association has evaluated events and transactions for potential recognition or disclosure through March 2, 2016, the date that the financial statements were available to be issued.