

**WILLIAMSBURG SETTLEMENT MAINTENANCE
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2022

ELAINE WELLS COMBS, CPA

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WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

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Independent Auditor's Report

To The Board of Directors
of Williamsburg Settlement Maintenance Association, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Williamsburg Settlement Maintenance Association, Inc., which comprise the statement of assets, liabilities, and equity as of December 31, 2022, and the related statement of revenues and expenses and changes in members' equity and cash flow 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 my 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 Williamsburg Settlement Maintenance Association, Inc. as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information is presented for the 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.

Elaine Wells Combs

Elaine Wells Combs, CPA
Houston, Texas

June 5, 2023

**WILLIAMSBURG SETTLEMENT MAINTENANCE
ASSOCIATION, INC.**

**STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY**

December 31, 2022

ASSETS

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Cash	\$ 140,205	\$ 520,262	\$ 660,467
Certificate of deposits	250,000	100,000	350,000
Assessments receivable	36,852		36,852
Accrued interest	436	452	888
Due from replacement fund	49,413		49,413
Prepaid expenses	902		902
Prepaid insurance	9,253		9,253
	<u>487,061</u>	<u>620,714</u>	<u>1,107,775</u>
TOTAL ASSETS	\$ <u>487,061</u>	\$ <u>620,714</u>	\$ <u>1,107,775</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts payable	22,993		22,993
Due to operating fund		49,413	49,413
Prepaid assessments	212,492		212,492
	<u>235,485</u>	<u>49,413</u>	<u>284,898</u>
TOTAL LIABILITIES	235,485	49,413	284,898
Fund balance	251,576	571,301	822,877
	<u>251,576</u>	<u>571,301</u>	<u>822,877</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u>487,061</u>	\$ <u>620,714</u>	\$ <u>1,107,775</u>

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2022

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Owner assessments	\$ 468,516	\$ 102,984	\$ 571,500
Club income	4,152		4,152
Interest income	1,370	2,695	4,065
Legal fees recovered	2,924		2,924
Late fees and other	4,044		4,044
TOTAL REVENUES	481,006	105,679	586,685
EXPENSES			
Audit and tax preparation	1,900		1,900
Bad debt	37		37
Capital improvements	2,830		2,830
Clubhouse repairs	2,962		2,962
Community events	187		187
Entry gate maintenance	1,355		1,355
Fence repairs	3,875	6,008	9,883
Holiday decorations	2,142		2,142
Insurance	17,314		17,314
Irrigation expenses	3,673		3,673
Landscape expenses	33,211		33,211
Legal and professional	9,301		9,301
Management contract	30,000		30,000
Office expenses	13,383		13,383
Pest control	2,359		2,359

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY**

YEAR ENDED DECEMBER 31, 2022

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
EXPENSES (CONTINUED)			
Pool contract	55,064		55,064
Repairs and maintenance	17,609		17,609
Sanitation	198,779		198,779
Taxes property	9		9
Tennis court maintenance	1,549	14,760	16,309
Utilities	47,601		47,601
Website	372		372
	<u>445,512</u>	<u>20,768</u>	<u>466,280</u>
TOTAL EXPENSES	445,512	20,768	466,280
EXCESS OF (REVENUES OVER EXPENSES)	35,494	84,911	120,405
BEGINNING MEMBERS' EQUITY	209,205	486,390	695,595
PRIOR PERIOD ADJUSTMENT	<u>6,877</u>		<u>6,877</u>
ENDING MEMBERS' EQUITY	<u>\$ 251,576</u>	<u>\$ 571,301</u>	<u>\$ 822,877</u>

See accompanying notes to financial statements.

**WILLIAMSBURG SETTLEMENT MAINTENANCE
ASSOCIATION, INC.**

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ 35,494	\$ 84,911	\$ 120,405
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(10,725)		(10,725)
Accrued interest	(436)	(452)	(888)
Due to/due from funds	(11,153)	11,153	
Prepaid insurance	(2,141)		(2,141)
Prepaid expenses	(902)		(902)
Increase (decrease) in:			
Accounts payable	(5,120)		(5,120)
Prior period adjustment	6,877		6,877
Prepaid assessments	(22,340)		(22,340)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(45,940)	10,701	(35,239)
NET INCREASE (DECREASE) IN CASH	(10,446)	95,612	85,166
CASH AT BEGINNING OF YEAR	<u>400,651</u>	<u>524,650</u>	<u>925,301</u>
CASH AT END OF YEAR	<u>\$ 390,205</u>	<u>\$ 620,262</u>	<u>\$ 1,010,467</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

A. ORGANIZATION

Williamsburg Settlement Maintenance Association, Inc. (“the Association”) is a statutory homeowners’ association organized as a Texas non-profit corporation. The Association is responsible for operation and maintenance of the common property, preservation, and architectural control of the Association subject to the Declaration of Covenants, Conditions and Restrictions applicable to the Association. The Association consists of 762 residential lots located in Harris County, Texas. The Association was incorporated in July 1977.

B. DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition of disclosure through June 5, 2023 the date that the financial statements were available to be issued.

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. 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 accumulate financial resources designated for future major repairs and replacements.

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the obligations are incurred.

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, capital acquisitions, major repairs and replacements and deed restriction enforcement. Assessments receivable at the balance sheet date represent fees due from property owners. As of December 31, 2022, there is \$ 36,852 in outstanding account receivables.

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.

Determination of cash equivalents

The Association considers cash in operating accounts and short-term certificates of deposit (defined as those with an original maturity date of three months or less) as cash and cash equivalents. At December 31, 2022, the Association had no certificate of deposits with a maturity date of three months or less.

Fair value of financial instruments

The Association's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

Income Taxes

On February 1, 2016, the Association was granted tax exempt status under Section 501(c)(4) of the Internal Revenue Code with an effective date of February 18, 2015. The Association has no tax liability for year ending December 31, 2022.

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Association's federal income tax returns for 2019, 2020 and 2021 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

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 owners in common and not by the Association.

D. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association documents require a funding program for anticipated major repairs and capital replacements over the expected life of the building improvements and all items of the Association's capital infrastructure. A fund was established based on a study performed in 1987 and is reviewed and updated on an annual basis. To confirm its continued integrity, in 2019 Association Reserves was commissioned to conduct an independent reserve study, the results of which validated the adequacy of the replacement funding program and is now being used as a revised baseline for the 2022 and future annual updates.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on their study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts as accumulated in the replacement fund may not be adequate to meet major repair and replacement needs. If additional funds are needed, however, the Association has the right to increase regular assessments, or levy additional assessments, or it may delay major repairs and replacements until funds are available.

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

D. FUTURE MAJOR REPAIRS AND REPLACEMENTS (continued)

As of December 31, 2022, accumulated funds aggregate \$ 620,262. Funds contributed for future repair and replacement uses are held in a separate account and generally not available for operating purposes. During 2022, the Association allocated \$ 102,984 to the reserve fund. There were \$ 20,768 in expenditures towards capital repairs.

E. UNINSURED CASH BALANCES

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects the funds depositors place in banks and savings associations. FDIC insurance is backed by the full faith and credit of the United States government.

FDIC insurance covers all deposit accounts, including:

- Checking accounts
- Savings accounts
- Money market deposit accounts
- Certificates of deposit
- FDIC insurance does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities, or securities.
- The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.
- At December 31, 2022, the Association had no uninsured balances.

F. COMMITMENTS AND CONTINGENCIES

The Association routinely enters into various contracts with vendors for management and other services. All contracts generally have a one-year term and are cancelable with a 30-60-day notification by either party.

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

F. COMMITMENTS AND CONTINGENCIES (continued)

From time to time, the Association may be subject to litigation in the ordinary course of business and seeks the advice from legal counsel to assist in estimation of the potential risk of loss. The Association did not experience any losses from litigation during the year ending December 31, 2022 and the board of directors is not aware of any significant litigation or claims outstanding as of that date.

G SUBSEQUENT EVENTS

Upon evaluation, the Association notes that there were no material subsequent events between the date of the financial statements and the date that the financial statements were issued or available to be issued.

H. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance, as ASU 2014-09. Revenue from Contracts with Customers (Topic 606). ASU 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral the Effective Date and ASU 2016-10. Revenue from Contracts with Customers (Topic 606); Identifying Performance Obligations and Licensing, that created Topic 606, Revenue from Contracts with Customers in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB-ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition, and require the recognition of revenue when promised goods or services that satisfy the performance obligation are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association has applied ASC 605 revenue recognition whereby “rules based” specific guidance was defined for Common Interest Realty Associations (CIRAs) rather than ASC 606 which provides “principles based” broad standards that do not include specific guidance for CIRAs. Furthermore, Replacement Fund Assessments cannot apply the following four tests required under ASC 606:

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

H. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (cont'd)

- Assessments are not related to a “customer or customers”
- Assessments do not have a performance obligation
- There is no transaction price for replacement expenses
- Cannot allocate Assessments to a future performance obligation

As a result, I do not believe that the application of ASC 606 would fairly present the financial position to the CIRA financial readers.

I. PREPAID ASSESSMENTS

In certain instances, annual assessments are received in advance of the year they are due. Such fees are shown as a prepaid liability of the Association and recognized as income in the following year. At December 31, 2022, the balance is \$ 212,492.

J. PREPAID INSURANCE

Certain of the premiums on the Association’s insurance policies are due annually, in advance. Prepaid insurance, therefore, represents the unexpired portion of the various insurance premiums.

SUPPLEMENTARY INFORMATION

WILLIAMSBURG SETTLEMENT MAINTENANCE ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (UNAUDITED)
 DECEMBER 31, 2022

The Association’s board of directors conducted an initial study to estimate the remaining useful lives and the replacement costs of the components of common property and these have been updated annually. In 2019, the board commissioned Association Reserves to inspect the property and perform an independent validation of the Association’s reserve study to serve as a baseline for the future updates. Each year the review and update includes a 30-year cash flow to estimate by how much the replacement fund should be increased to allow for the effects of both inflation and the expected return on the invested funds during this 30-year period. This amount is then included in the annual forecast of operating expense budget as money to be transferred monthly to the replacement fund. The following table is based on the latest study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost
Site	2 – 20	\$ 556,052
Clubhouse	3 – 38	136,495
Pool/Park/Tennis	0 - 17	414,346
HVAC equipment	10 - 13	19,292
TOTAL		\$1,126,185