

Creekmont Community Association, Inc.
(A Texas Non-profit Corporation)

Financial Statements

December 31, 2010

Canady & Canady P.C.
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Independent Auditor's Report

To the Board of Directors
Creekmont Community Association, Inc.

We have audited the accompanying balance sheet of Creekmont Community Association, Inc. (the "Association") as of December 31, 2010 and the related statement of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those 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 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 the Association as of December 31, 2010, 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.

The Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented estimates of future major repairs and replacements of all existing components, estimated lives, estimated current or future replacements costs or amounts accumulated for each component that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Canady & Canady P.C.

April 21, 2011

Creekmont Community Association, Inc.
Balance Sheet
December 31, 2010

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 141,281	\$ 99,401	\$ 240,682
Assessments receivable, net of allowance for doubtful accounts of \$ 7,000	16,784		16,784
Prepaid expenses	<u>7,850</u>		<u>7,850</u>
 Total assets	 <u>\$ 165,915</u>	 <u>\$ 99,401</u>	 <u>\$ 265,316</u>
 Liabilities and Fund Balances			
Accounts payable	\$ 7,882		\$ 7,882
Assessments received in advance	<u>39,168</u>		<u>39,168</u>
Total liabilities	<u>47,050</u>		<u>47,050</u>
 Fund balances	 <u>118,865</u>	 <u>99,401</u>	 <u>218,266</u>
 Total liabilities and fund balances	 <u>\$ 165,915</u>	 <u>\$ 99,401</u>	 <u>\$ 265,316</u>

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

Creekmont Community Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2010

	Operating Fund	Replacement Fund	Total
Revenues			
Assessments	\$ 183,754	\$ 3,900	\$ 187,654
Legal fees rebilled	14,044		14,044
Interest	472	279	751
Other income	1,703		1,703
Rental income	1,450		1,450
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Total Revenues	201,423	4,179	205,602
Expenses			
Recreation center	50,819		50,819
Utilities	31,766		31,766
Landscaping	31,459		31,459
Legal and professional	14,449		14,449
Management	12,000		12,000
Maintenance and repairs	7,505		7,505
Allowance for bad debt	7,000		7,000
Insurance	5,718		5,718
Administrative	5,179		5,179
Other expenses	2,506		2,506
Bad debt	815		815
Audit and tax preparation	480		480
Capital improvements		101	101
Property taxes	16		16
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Total Expenses	169,712	101	169,813
Excess (deficit) of revenues over			
Expenses	31,711	4,078	35,789
Fund balances			
Beginning of year	74,860	75,323	150,183
Prior period adjustments	12,294	20,000	32,294
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End of year	\$ 118,865	\$ 99,401	\$ 218,266
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The accompanying notes are an integral part of the financial statements.

Creekmont Community Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2010

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess (deficit) of revenues over expenses	\$ 31,711	\$ 4,078	\$ 35,789
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Bad debt	815		815
Allowance for bad debt	7,000		7,000
(Increase) decrease in:			
Assessments receivable	(14,160)		(14,160)
Prepaid expenses	(785)		(785)
Increase (decrease) in:			
Accounts payable	(29,936)		(29,936)
Assessments received in advance	8,530		8,530
Net cash (used) provided by operating activities	<u>3,175</u>	<u>4,078</u>	<u>7,253</u>
Cash flows from financing activities			
Prior period adjustments	<u>12,294</u>	<u>20,000</u>	<u>32,294</u>
Net cash (used) provided by financing activities	<u>12,294</u>	<u>20,000</u>	<u>32,294</u>
Net increase (decrease) in cash and cash equivalents	15,469	24,078	39,547
Cash and cash equivalents, beginning of year	<u>125,812</u>	<u>75,323</u>	<u>201,135</u>
Cash and cash equivalents, end of year	<u>\$ 141,281</u>	<u>\$ 99,401</u>	<u>\$ 240,682</u>
Supplemental Disclosures:			
Income taxes paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -

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

Creekmont Community Association, Inc.
Notes to Financial Statements
December 31, 2010

Note 1 - Organization

The Association was incorporated in the state of Texas on under the Non-Profit Corporation Act in 1986. The Association was formed to provide and maintain the common areas, facilities, and services of overall benefit to owners, residents, and occupants of the land subject to the Declaration of Covenants, Conditions and Restrictions. The Association which is anticipated to consist of 493 lots when complete, is located in Fort Bend County, Texas.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Association's policy is to prepare its financial statements under the accrual method of accounting. Revenue is recognized as earned and expenses are recognized when the obligation is incurred.

Funds

The Association maintains an Operating Fund and a Replacement Fund. The Operating Fund is used for the payment of current operating expenses including normal maintenance of common areas. The Replacement Fund is used to fund anticipated major repairs and capital improvements over normal expected life of building improvements. Part of the monthly assessments is allocated to the Replacement Fund.

Assessments

Association members are subject to annual assessments to provide funds for operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel to file notices of liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Common Property

Real property and common areas acquired from the developer and related improvements to such property are not capitalized in the Association's financial statements because those properties are not subject to sale and are not used to generate revenues from nonmembers.

Estimates

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

Creekmont Community Association, Inc.
Notes to Financial Statements
December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

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

Note 3 - Federal Income Taxes

Annually, the Association may elect to be taxed as either a homeowners association (Form 1120H) or regular corporation (Form 1120). In 2009, the Association elected to file as a homeowners association in accordance with the Internal Revenue Service code section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. The Association's investment income and other non-exempt income were subject to tax to the extent they exceeded related expenses.

Note 4 - Cash and cash equivalents

The Association's cash and cash equivalents are defined as liquid investments with maturities of three months or less.

Note 5 - Assessments Receivable

Assessments receivable represents fees billed prior to each year-end. Accounts are deemed delinquent when payment is not received within 30 days of billing. Accounts are charged to operations when they are deemed uncollectible based upon periodic reviews of aging and collections. Bad debts are provided on the allowance method based on management's evaluation of outstanding accounts receivable. \$7,000 allowance for doubtful accounts is considered necessary at December 31, 2010.

Note 6 - Prior period adjustments

Prior period adjustments are related to the beginning fund balances, and it has no effect on federal income tax.

Creekmont Community Association, Inc.
Notes to Financial Statements
December 31, 2010

Note 7 – Developer

The Association is under developer control. Under the Declaration, no Residential lot owned by the developer shall be subject to Assessments. However, residential lots deeded to builders are subject to assessment at 50% of the assessment rate. As of December 31, 2010, there were no outstanding receivables or payables, including sales, purchases, loans, transfers, leasing agreements, and guarantees that are due to/from the developer.

Note 8 - Future Major Repairs and Replacements

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that will be required in the future, nor has the board of directors developed a plan to fund those needs. Accordingly, the Association is unable to disclose that information. Actual expenditures may be greater than funds accumulated for those purposes. When replacement funds are needed for those purposes, the Association may increase maintenance assessments, delay replacement until funds are available, or levy special assessments, subject to member approval. The effect on future assessments has not been determined at this time.