

**NOTTINGHAM COUNTRY COMMUNITY
IMPROVEMENT ASSOCIATION, INC.**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Nottingham Country Community Association, Inc.

We have audited the accompanying financial statements of Nottingham Country Community Association, Inc., which comprise the balance sheet as of December 31, 2020, 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

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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nottingham Country Community Association, Inc. as of December 31, 2020, 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.

Other Matter

Management has omitted the Schedule of 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. Our opinion on the basic financial statements is not affected by the missing information.

Cox CPA Services, Inc.

Cox CPA Services, Inc.
Houston, Texas
August 20, 2021

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

BALANCE SHEET

December 31, 2020

ASSETS

Current Assets

Cash	\$	697,527
Certificates of deposit		626,654
Certificates of deposit, designated		137,330
Assessments receivable, net of an allowance for doubtful accounts of \$31,500		25,181
Prepaid expenses		<u>35,860</u>
TOTAL CURRENT ASSETS		1,522,552

Property and Equipment

Land		<u>110,579</u>
TOTAL ASSETS	\$	<u><u>1,633,131</u></u>

LIABILITIES AND FUND BALANCES

Current Liabilities

Accounts payable	\$	9,826
Prepaid assessments		<u>303,048</u>
TOTAL LIABILITIES		312,874

FUND BALANCE		<u>1,320,257</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>1,633,131</u></u>

See accompanying notes to financial statements.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2020

REVENUES

Assessments - operating	\$	639,194
Assessment - community service		54,556
Interest income		14,629
Other income		62,545
TOTAL REVENUES		<u>770,924</u>

EXPENSES

Administrative		25,129
Alley repairs		108,375
Community activities		3,788
Insurance		17,905
Irrigation repairs		12,873
Landscaping		72,095
Legal and professional		47,336
Maintenance and repair		6,626
Management		63,656
Patrol		297,291
Pest control		7,875
Utilities		18,157
TOTAL EXPENSES		<u>681,106</u>

EXCESS (DEFICIT) OF REVENUES OVER EXPENSES 89,818

BEGINNING FUND BALANCE 1,230,439

ENDING FUND BALANCE \$ 1,320,257

See accompanying notes to financial statements.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Excess (deficit) of revenues over expenses	\$	89,818
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Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:

(Increase) decrease in:

Assessments receivable		10,747
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Prepaid expenses		(1,932)
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Increase (decrease) in:

Accounts payable		(39,762)
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Prepaid assessments		(57,856)
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		<u>1,015</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Certificates of deposit-purchases and reinvestment of interest income		<u>(12,906)</u>
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NET INCREASE (DECREASE) IN CASH		(11,891)
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CASH AT BEGINNING OF YEAR		<u>709,418</u>
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CASH AT END OF YEAR	\$	<u><u>697,527</u></u>
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SUPPLEMENTAL DISCLOSURE

Income taxes paid	\$	-
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Interest paid	\$	-
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See accompanying notes to financial statements.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A—NATURE OF ORGANIZATION

Nottingham Country Community Improvement Association, Inc. (“the Association”) is a homeowners association organized as a Texas non-profit corporation on August 18, 1982 to provide for the promotion, improvement and protection of the health and safety, property rights, recreation, facilities maintenance and preservation of the common property, and social and general welfare of the homeowners and residents of Nottingham Country single family residential areas as recorded in the Official Records of Harris County, Texas. The Association consists of 2,313 residential lots.

NOTE B—DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 20, 2021, the date that the financial statements were available to be issued.

NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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.

Member Assessments

Association members are subject to assessments to provide funds for the Association’s operating expenses, future capital acquisitions, 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 and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Management analyzes the collectability of assessments receivable on a regular basis and allows for bad debt expense for those it feels are not collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Cash and Cash Equivalents

The Association considers all short-term investments with a maturity of three months or less to be cash equivalents.

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. The Association capitalizes personal property at cost and depreciates it using the straight-line method over the estimated useful life.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Assessments

Prepaid assessments represent payments received from association members during the current year which relate to assessments for the subsequent year.

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.

Concentration of Credit Risk

The Association maintains a majority of its cash balances at one financial institution. Accounts at this institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. There was approximately \$48,830 of uninsured balances as of December 31, 2020.

NOTE D—INCOME TAXES

The Association was granted tax exempt status from Federal income tax under Section 501 (c) (4) of the Internal Revenue Service Code. Under this form the organization, all income other than unrelated business income is exempt, including interest income. Information return Form 990 is required to be filed each year. Accordingly, no provision for federal tax is made in the financial statements.

The Association recognizes and discloses its tax positions in accordance with accounting standards which requires the disclosure of uncertain tax positions and related penalties and interest recognized in the financial examination by a taxing authority. Accordingly, no related penalties or interest were recognized in the financial statements.

The tax years ending 2018, 2019 and 2020 are still open to audit.

NOTE E—FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements, but such determination can be made by the Board of Directors. The Association had a replacement study performed in 2004 to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Association has not updated the study nor followed the guidelines for allocations therefore a supplemental schedule is not included. The effect on future assessments has not been determined at this time.

NOTTINGHAM COUNTRY COMMUNITY IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE E—FUTURE MAJOR REPAIRS AND REPLACEMENTS – continued

When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments (pending approval of 60% of the homeowners) or delay major repair and replacements until funds are available.

NOTE F - NEW REVENUE RECOGNITION ACCOUNTING PRONOUNCEMENT

Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (“ASC”) establishes broad, principles-based standards with no specific guidance for Associations. As such, there must be an interpretation of how the new standards should apply, or if they apply to the assessment revenues of Associations. The Association’s interpretation of the new standard is that the relationship between the Association and the member with respect to assessment revenues is not that of a customer under ASC 606 since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Furthermore, the Association’s interpretation of ASC 606 is that the nature of the governing documents of the Association as it relates to the billing and collection of assessment revenue from the member does not meet the definition of a contract under the new standard. Based on these interpretations, it has been concluded that ASC 606 does not apply to assessment revenues of Associations, and therefore there is no change to the method of recognizing the assessment revenue for the operating fund nor the replacement fund.

NOTE G – SUBSEQUENT EVENTS

The Association has completed approximately \$89,000 of alleyway repairs in 2021.