

CHAPEL HILLS COMMUNITY ASSOCIATION

COMPILED FINANCIAL STATEMENTS

DECEMBER 31, 2013

Graham and Associates, CPAs  
Alabaster, Alabama

CHAPEL HILLS COMMUNITY ASSOCIATION  
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# ***Graham & Associates***

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## Accountant's Compilation Report

To the Board of  
Chapel Hills Community Association  
Pelham, AL 35124

We have compiled the accompanying statement of assets, liabilities and equity - income tax basis of Chapel Hills Community Association (a homeowners association) as of December 31, 2013, and the related statements of revenues, expenses and retained earnings - income tax basis for the year then ended. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Graham & Associates, CPAs*

May 5, 2014

***Members: American Institute of CPAs; Alabama Society of CPAs***

CHAPEL HILLS COMMUNITY ASSOCIATION  
STATEMENT OF ASSETS, LIABILITIES AND EQUITY  
INCOME TAX BASIS  
DECEMBER 31, 2013

ASSETS

|                           |    |                |
|---------------------------|----|----------------|
| Current Assets            |    |                |
| Cash on Hand and in Banks | \$ | 33,875         |
| Accounts Receivable       |    | <u>100,503</u> |
| Total Current Assets      |    | 134,378        |
| Noncurrent Assets         |    |                |
| Playground Equipment      |    | <u>4,321</u>   |
| Total Noncurrent Assets   |    | <u>4,321</u>   |
| Total Assets              | \$ | <u>138,699</u> |

LIABILITIES & EQUITY

|                              |    |                |
|------------------------------|----|----------------|
| Liabilities                  |    |                |
| Accounts Payable             | \$ | <u>361</u>     |
| Total Liabilities            |    | 361            |
| Equity                       |    |                |
| Retained Earnings            |    | 124,457        |
| Net Income                   |    | <u>13,881</u>  |
| Total Equity                 |    | 138,338        |
| Total Liabilities and Equity | \$ | <u>138,699</u> |

See accompanying notes and accountant's compilation report

CHAPEL HILLS COMMUNITY ASSOCIATION  
STATEMENT OF REVENUES AND EXPENSES  
INCOME TAX BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2013

|                                 |               |                |
|---------------------------------|---------------|----------------|
| Revenue:                        |               |                |
| Current year fees               | \$            | 167,702        |
| Other                           |               | <u>6,769</u>   |
| Total Revenue                   |               | 174,471        |
| Expenses:                       |               |                |
| Administration:                 |               |                |
| Insurance                       | 4,905         |                |
| Professional fees               | 4,050         |                |
| Postage and delivery            | 2,497         |                |
| Property management fees        | 32,830        |                |
| Records storage                 | 60            |                |
| Website                         | 239           |                |
| Newsletter                      | 1,030         |                |
| Miscellaneous                   | <u>1,381</u>  |                |
| Total Administration            | 46,992        |                |
| Club House:                     |               |                |
| Maintenance and repairs         | 11,553        |                |
| Supplies                        | 4,115         |                |
| Security                        | <u>3,890</u>  |                |
| Total Club House                | 19,558        |                |
| Swim and Tennis:                |               |                |
| Maintenance and repairs         | 13,971        |                |
| Pool attendants                 | 1,270         |                |
| Miscellaneous                   | <u>274</u>    |                |
| Total Swim and Tennis           | 15,515        |                |
| Common Area:                    |               |                |
| Landscaping and grounds-keeping | 47,370        |                |
| Maintenance and repairs         | 3,323         |                |
| Property tax                    | <u>2,969</u>  |                |
| Total Common Area               | 53,662        |                |
| Utilities:                      |               |                |
| Electric                        | 16,408        |                |
| Gas                             | 4,476         |                |
| Water and Sewer                 | <u>3,979</u>  |                |
| Total Utilities                 | <u>24,863</u> |                |
| Total Expenses                  |               | <u>160,590</u> |
| Net Income                      | \$            | <u>13,881</u>  |

See accompanying notes and accountant's compilation report

CHAPEL HILLS COMMUNITY ASSOCIATION  
STATEMENT OF RETAINED EARNINGS  
INCOME TAX BASIS  
DECEMBER 31, 2013

|   |    |                |
|---|----|----------------|
| Beginning of Year Retained Earnings, As Previously Reported | \$ | 45,959         |
| Prior Period Adjustment                                     |    | 78,498         |
| Beginning of Year Retained Earnings, As Restated            |    | 124,457        |
| Current Year Net Income                                     |    | <u>13,881</u>  |
| End of Year Retained Earnings                               | \$ | <u>138,338</u> |

See accompanying notes and accountant's compilation report

Chapel Hills Community Association  
Notes to Financial Statements  
For the Year Ended December 31, 2013

NOTE 1: NATURE OF OPERATIONS

The Chapel Hills Community Association (the Association) was formed to ensure that residents of the neighborhood adhere to and enjoy the benefits of abiding by certain self imposed rules and regulations so as to maintain a high quality standard of living within the neighborhood. Additionally, certain amenities, including but not limited to, proper recreational areas are provided for the residents' mutual enjoyment. The Association was formed under the Internal Revenue guidelines relative to housing associations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

The Association uses the income tax basis of accounting, which, for all practicable purposes, also reflects the cash basis of accounting. Therefore, all revenue is recorded when actually received and expenses are recorded at the time that payments are actually made.

PROPERTY AND EQUIPMENT

Due to the nature of the Association as noted in Note 1, all capital improvements are recorded at cost.

ADVERTISING

No advertising costs were incurred in 2013.

INTEREST EXPENSE

The Association has no debt, therefore no interest expense was incurred for 2013.

CASH EQUIVALENTS AND CONCENTRATIONS OF CASH

The Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. All of the Association cash is placed within one local banking institution. At no time during 2013 did the balance on deposit exceed Federally insured limits.

USE OF ESTIMATES

The nature of the accounting basis used for the books and records does not actually lend itself to the use of estimates for financial reporting.

INVENTORIES

Due to its business nature, the Association does not carry inventory of any type.

NOTE 3: RELATED PARTY TRANSACTIONS

No related party transactions were noted during 2013.

NOTE 4: COMPENSATED ABSENCES

The Association has no employees. Therefore the issue of compensated absences is not applicable.

See accountant's compilation report

Chapel Hills Community Association  
Notes to Financial Statements  
For the Year Ended December 31, 2013 (continued)

NOTE 5: INCOME TAXES

As noted in Note 1, the Association is classified as a housing association. Therefore, all such related activities are exempt from Federal and state income taxes.

NOTE 6: LONG LIVED IMPAIRED ASSETS

Since assets consist of only cash, the Association considers that no circumstances exist that would require such an evaluation.

NOTE 7: PRIOR PERIOD ADJUSTMENT

The Association used the cash basis of accounting for reporting purposes in fiscal year 2012 and changed to the accrual basis of accounting for fiscal year 2013. This resulted in a prior period adjustment of \$78,498 which increased beginning retained earnings.