



Reimer, McGuinness & Associates, PC

CPAs & Advisors

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
The Wharf at Clear Lake Maintenance Association, Inc.
League City, Texas

We have reviewed the accompanying financial statements of Wharf at Clear Lake Maintenance Association, Inc., which comprise the statement of assets and liabilities arising from cash transactions as of December 31, 2014, and the related statement of revenue collected and expenses paid for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in these circumstances. Management is also responsible for 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting described in Note 2.

Other Matters

The 2013 financial statements were audited by us, and we expressed an unmodified opinion in our report dated August 22, 2014. We have not performed any auditing procedures since that date.

The Wharf at Clear Lake Maintenance Association, Inc. has not estimated the remaining lives and replacement costs of the common property, and therefore has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not a required part of, the basic financial statements.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Remier McGinnies + Associates, P.C.

Houston, Texas
July 28, 2015

THE WHARF AT CLEAR LAKE MAINTENANCE ASSOCIATION, INC.
Statements of Assets and Liabilities Arising from Cash Transactions
December 31, 2014 and 2013

	2014	2013
	(Reviewed)	(Audited)
Assets		
Cash and cash equivalents	<u>\$ 27,605</u>	<u>\$ 13,960</u>
Total Assets	<u><u>\$ 27,605</u></u>	<u><u>\$ 13,960</u></u>
Liabilities and Fund Balances		
Liabilities		
Line of credit	<u>\$ 65,700</u>	<u>\$ 41,700</u>
Total Liabilities	<u>65,700</u>	<u>41,700</u>
Fund Balances		
Operating fund deficit	<u>(38,095)</u>	<u>(27,740)</u>
Total Fund Deficit Balances	<u>(38,095)</u>	<u>(27,740)</u>
Total Liabilities and Fund Balances	<u><u>\$ 27,605</u></u>	<u><u>\$ 13,960</u></u>

See independent accountants' review report and notes to the financial statements.

THE WHARF AT CLEAR LAKE MAINTENANCE ASSOCIATION, INC.
Statements of Revenue Collected and Expenses Paid
For Years Ended December 31, 2014 and 2013

	2014	2013
	(Reviewed)	(Audited)
Revenues		
Member assessments	\$ 365,637	\$ 366,475
Parking lease income	2,440	1,240
Late penalty and other	718	1,040
	<u>368,795</u>	<u>368,755</u>
Expenses		
Administrative costs	52,896	48,923
Common property maintenance	139,394	107,867
Insurance-property and liability	14,846	14,741
Landscaping	60,904	52,148
Legal fees	2,680	1,290
Major repairs	13,909	14,866
Pool service and repairs	11,604	10,131
Tennis court renovation	-	8,643
Theme tower renovation	3,050	-
Trash removal	17,359	17,298
Utilities-electricity	14,522	15,926
Utilities-water and sewer	47,985	43,378
	<u>379,150</u>	<u>335,211</u>
Excess (Deficit) Revenues Over Expenses	(10,355)	33,544
Fund Deficit Balances, Beginning	<u>(27,740)</u>	<u>(61,284)</u>
Fund Deficit Balances, Ending	<u>\$ (38,095)</u>	<u>\$ (27,740)</u>

See independent accountants' review report and notes to the financial statements.

THE WHARF AT CLEAR LAKE MAINTENANCE ASSOCIATION, INC.
Notes to Financial Statements
For Years Ended December 31, 2014 and 2013

NOTE 1 – NATURE OF ORGANIZATION

The Wharf at Clear Lake Maintenance Association, Inc. (the “Association”) was incorporated as a nonprofit corporation in the State of Texas on March 22, 1978, for the purposes of operating and maintaining the common property of The Wharf at Clear Lake. The Association includes 123 homesites on approximately ten acres of land located in League City, Texas.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association are prepared using the modified cash basis of accounting. That method differs from generally accepted accounting principles since it requires revenues and their related assets to be recorded when received rather than when earned and expenses and their related liabilities to be recorded when paid rather than when incurred. Outstanding bank debt is recognized on the balance sheet.

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitation and restrictions on the use of financial resources, the Association uses fund accounting which requires that funds designated for future major repairs and replacements and funds received from members for designated purposes other than operating to be classified separately, in the Capital Fund, for accounting and reporting purposes. For 2014 and 2013 the Capital Fund had a zero balance, and major repairs were paid out of current operating funds.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses and future major repairs and replacements. The Association’s policy is to retain legal counsel on the units of members whose assessments become three months or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Common Property

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. At December 31, 2014, property not capitalized consists of two swimming pools, a tennis court, garages, club house/office, sidewalks, access roads and greenbelts.

THE WHARF AT CLEAR LAKE MAINTENANCE ASSOCIATION, INC.
Notes to Financial Statements
For Years Ended December 31, 2014 and 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of the financial statements is in conformity with the modified cash basis of accounting and does not require management to make estimates and assumptions that affect certain reported amounts and disclosures.

Subsequent Events

Subsequent events have been evaluated through July 28, 2015, which is the date the financial statements were issued.

New Accounting Pronouncements

The Association has considered the potential impacts of accounting pronouncements that have been issued but have not yet taken effect. The impact of such pronouncements is not expected to be material to the financial statements.

NOTE 3 – FEDERAL INCOME TAXES

Community associations may be taxed either as homeowner associations or as regular corporations. For 2014 the Association elected to file its federal income tax return as a homeowner 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. For 2014 and 2013, the Association has no federal income tax expense. Tax returns for 2011 through 2014 are subject to examination by taxing authorities.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. There are no accumulated funds at December 31, 2014 and 2013, which are generally held in separate bank accounts. The Association is accumulating funds based on estimated future costs of major repairs and replacements; however, no formal study has been made. Actual expenditures may vary from the estimated amounts and the variation may be material. Therefore, amounts accumulated in the future major repair fund may not be adequate to meet future needs. If additional funds are needed; however the Association has the right, subject to member approval, to levy special assessments, or it may delay major repairs and replacements until funds are available.

THE WHARF AT CLEAR LAKE MAINTENANCE ASSOCIATION, INC.
Notes to Financial Statements
For Years Ended December 31, 2014 and 2013

NOTE 5 – LINE OF CREDIT

The Association has a line of credit with a local bank, and draws on this line of credit from time to time to help finance the ongoing projects of the Association. The balance at December 31, 2014 and 2013 was \$65,700 and \$41,700, respectively. This line of credit is unsecured and bears interest at a stated rate of 5% per annum. Interest expense is recorded in the statements of revenues, expenses and changes in fund balance as a component of administrative costs. For 2014 and 2013, total interest expense was approximately \$1,800 for each year.