

Sienna Plantation Community Association, Inc.
(A Texas Non-Profit Corporation)

Financial Statements

December 31, 2024

Canady & Canady

Certified Public Accountants

4801 Woodway Dr. Suite 295-E | Houston, Texas 77056 | 713.783.1021 | A Limited Liability Company

Canady & Canady

CERTIFIED PUBLIC ACCOUNTANTS | A MEMBER OF THE S|CPA NETWORK

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Sienna Plantation Community Association, Inc.**

Opinion

We have audited the accompanying financial statements of Sienna Plantation Community Association, Inc., which comprise the balance sheet as of December 31, 2024, 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.

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, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Associations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Therefore, assurance is a high level of assurance, but it is not absolute assurance and therefore

it is not guaranteed that an audit is conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 11 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Canady & Canady LLC". The signature is written in dark ink and is positioned above the printed name of the firm.

Houston, Texas

June 30, 2025

Sienna Plantation Community Association, Inc.

**Balance Sheet
December 31, 2024**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Community Enhancement</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$4,367,169	\$ 978,946	\$ 1,300,392	\$ 6,646,507
Certificates of deposit	2,810,857	422,064	422,064	3,654,985
Assessments receivable, net allowance for doubtful accounts of \$63,160	572,213	-	-	572,213
Accounts receivable - other	303,678	12,801	7,839	324,318
Prepaid expenses	58,823	-	-	58,823
Due from other funds	-	3,229,695	-	3,229,695
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$8,112,740</u>	<u>\$ 4,643,506</u>	<u>\$ 1,730,295</u>	<u>\$ 14,486,541</u>
Liabilities and Fund Balances				
Accounts payable	\$ 213,209	\$ 6,030	\$ -	\$ 219,239
Assessments received in advance	2,785,509	-	-	2,785,509
Accounts payable - due to affiliates	207,843	-	-	207,843
Construction and rental deposits	82,450	-	-	82,450
Deferred income	143,796	-	-	143,796
Due to other funds	3,222,071	-	7,624	3,229,695
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>6,654,878</u>	<u>6,030</u>	<u>7,624</u>	<u>6,668,532</u>
Fund Balances	<u>1,457,862</u>	<u>4,637,476</u>	<u>1,722,671</u>	<u>7,818,009</u>
Total Liabilities and Fund Balances	<u>\$8,112,740</u>	<u>\$ 4,643,506</u>	<u>\$ 1,730,295</u>	<u>\$ 14,486,541</u>

See accompanying notes to financial statements

Sienna Plantation Community Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2024

	Operating Fund	Reserve Fund	Community Enhancement	Total
Revenues				
Assessments	\$ 7,093,590	\$ -	\$ -	\$ 7,093,590
Grant income	400,289	-	-	400,289
Interest income	186,780	60,493	58,204	305,477
Legal and admin billback	209,979	-	-	209,979
Recreation income	180,494	-	-	180,494
Late fees and interest	161,127	-	-	161,127
Other income	615,139	498,127	-	1,113,266
Total Revenues	8,847,398	558,620	58,204	9,464,222
Expenses				
Landscaping	2,968,117	-	-	2,968,117
Fees to Sienna Residential	1,588,776	-	-	1,588,776
Catastrophic losses	1,302,315	-	-	1,302,315
Capital expenditures	-	876,944	-	876,944
Community enhancement	-	-	519,550	519,550
Amenities and facilities	511,766	-	-	511,766
Insurance	444,319	-	-	444,319
Grant expenses	239,133	-	181,156	420,289
Utilities	408,529	-	-	408,529
Legal and professional	249,684	-	-	249,684
Repairs and maintenance	237,912	-	-	237,912
Patrol services	167,781	-	-	167,781
Pool	144,840	-	-	144,840
Lakes	127,064	-	-	127,064
Bad debt	65,060	-	-	65,060
Recreation expenses	57,347	-	-	57,347
Office and administrative	18,190	1,670	-	19,860
Taxes - property	3,882	-	-	3,882
Total Expenses	8,534,715	878,614	700,706	10,114,035
Excess (Deficit) of Revenues over Expenses	312,683	(319,994)	(642,502)	(649,813)
Fund Balances				
Beginning of year	1,396,325	3,594,205	1,255,625	6,246,155
Reserve allocation transfer	(251,146)	251,146	-	-
Working capital	-	1,112,119	1,109,548	2,221,667
End of year	<u>\$ 1,457,862</u>	<u>\$ 4,637,476</u>	<u>\$ 1,722,671</u>	<u>\$ 7,818,009</u>

See accompanying notes to financial statements

Sienna Plantation Community Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2024

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Community Enhancement</u>	<u>Total</u>
Cash Flows From Operating Activities				
Excess (deficit) of revenues over expenses	\$ 312,683	\$ (319,994)	\$ (642,502)	\$ (649,813)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable, net allowance for doubtful accounts of \$63,160	(340,400)	-	-	(340,400)
Accounts receivable, due from affiliates	67,850	-	-	67,850
Accounts receivable - other	(250,388)	(226)	121,335	(129,279)
Prepaid expenses	272,884	-	-	272,884
(Decrease) increase in:				
Accounts payable	(316,776)	6,030	-	(310,746)
Assessments received in advance	654,805	-	-	654,805
Accounts payable - due to affiliates	(312,453)	-	-	(312,453)
Construction and pool deposits	(550)	-	-	(550)
Deferred income	143,796	-	-	143,796
Net cash (used) by operating activities	<u>231,451</u>	<u>(314,190)</u>	<u>(521,167)</u>	<u>(603,906)</u>
Cash Flows From Investing Activities				
Certificates of deposit	<u>204,272</u>	<u>852,479</u>	<u>1,332,479</u>	<u>2,389,230</u>
Net cash provided by investing activities	<u>204,272</u>	<u>852,479</u>	<u>1,332,479</u>	<u>2,389,230</u>
Cash Flows From Financing Activities				
Inter-fund balance transfers	2,449,276	(1,320,262)	(1,129,014)	-
Reserve allocation transfer	(251,146)	251,146	-	-
Working capital	-	1,112,119	1,109,548	2,221,667
Net cash provided (used) by financing activities	<u>2,198,130</u>	<u>43,003</u>	<u>(19,466)</u>	<u>2,221,667</u>
Net increase in cash and cash equivalents	<u>2,633,853</u>	<u>581,292</u>	<u>791,846</u>	<u>4,006,991</u>
Cash and Cash Equivalents				
Beginning of year	<u>1,733,316</u>	<u>397,654</u>	<u>508,546</u>	<u>2,639,516</u>
End of year	<u>\$4,367,169</u>	<u>\$ 978,946</u>	<u>\$ 1,300,392</u>	<u>\$ 6,646,507</u>
Supplemental Disclosures:				
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

Sienna Plantation Community Association, Inc.
Notes to Financial Statements

Note 1 - Organization

Sienna Plantation Community Association, Inc. (the “Association”) is a Texas non-profit corporation incorporated on June 9, 2015, for the purpose of providing for the maintenance, preservation, architectural control, common elements, and properties of the master planned development in the southern portion of Sienna. The Association is comprised of 4,249 residential units in Fort Bend County, Texas.

Note 2 - Date of Management’s Review

In preparing the financial statements, the Association has evaluated the events and transactions for potential recognition or disclosure through June 30, 2025, the date the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Basis of Accounting

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

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 three funds classified for accounting and reporting purposes according to their nature and purpose, as follows:

Operating Fund - This category is used to account for financial resources for the general operations of the Association.

Reserve Fund - This category is used to accumulate financial resources designated for future major repairs and replacements.

Community Enhancement Fund - This fund is used to accumulate financial resources to supplement and complement the functions of the Association by providing a higher level of service and resources through sponsorship of all community events, various programs, activities and events in and around Sienna.

Cash and Cash Equivalents

Cash includes cash and cash equivalents, defined as highly liquid investments with maturities of three months or less. The Association maintains its cash balance in financial institutions which are members of FDIC. Accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation (FDIC) under the Federal Government’s Transaction Account Guarantee Program up to \$250,000. On December 31, 2024, the Association had \$1,221,925 of the cash balances uninsured by FDIC. The Association maintains its cash balances in insured cash sweep (ICS) accounts for FDIC insurance protection. The Association has not expected any losses in its cash accounts and does not believe it is exposed to a significant risk in cash and cash equivalents.

Sienna Plantation Community Association, Inc.
Notes to Financial Statements

Note 3 - Summary of Significant Accounting Policies (continued)

Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. The Association's policy is to actively pursue collection of assessments. Assessments receivable at the balance sheet date represents delinquent assessments. Assessments received in advance represent prepayments by members. Any excess assessments at year end are retained by the Association for use in future years.

Assessments Received in Advance

Assessments received in advance at the balance sheet date represent payments received from association members during the current year, which relate to maintenance assessments for the subsequent year.

Working Capital

Upon the sale of a home from the builder to the homeowner and homeowner resales, a Working Capital fee of 100% of the Associations annual assessment will be paid to the Associations Working Capital fund. The Working Capital fee will not be considered as advanced payments towards the Associations annual assessments.

Community Enhancement Fee

Upon each real estate transaction, a Community Enhancement fee equal to 0.5% of the gross sales price of the home will be paid by the purchasing owner will be paid to the Associations Community Enhancement Fund. In addition, a 0.25% fee of the estimated gross sales price of the home will be paid by the builder when the lot is purchased by the builder from the developer.

Estimates

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

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, investments, accounts receivable, prepaid expenses and accounts payable are approximately their fair values based on their short-term nature.

Property and Equipment

Real property and common areas acquired from the developers and related improvements to such property are not recorded in the Association's financial statements. The Association capitalizes significant real and personal property to which it has title or other evidence of ownership at cost. At December 31, 2024, the Association did not capitalize on such property.

Sienna Plantation Community Association, Inc.
Notes to Financial Statements

Note 4 - Assessments Receivable

Assessments receivable from the homeowners consists of assessments billed prior to December 31, 2024. Accounts are deemed delinquent when payment is not received within 30 days from the due date of the billing notice. Accounts are charged to operations when they are deemed uncollectible based upon periodic reviews of aging and collections. As of December 31, 2024, the allowance for doubtful accounts was \$63,160.

Note 5 - Federal Income Tax

The Association is exempt from federal income tax under the provisions of section 501(c) (4) of the Internal Revenue Code.

The Association adopted the accounting for uncertainty for income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax return. An entity's status, including its status as a tax exempt not for profit entity, is included in the definition of a tax position. The Association's tax filings are subject to audit. The Association's federal income tax returns for 2022, 2023, and 2024 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.

Note 6 - State Franchise Tax and Sales Tax

The Association is exempt from the Texas franchise tax as specified under Section 171.082 of the Texas Tax Code as a homeowners' association. The Association is exempt from state sales tax as a qualifying 501(c) (4) Association.

Note 7 - Declarant Control

The Association is under declarant control. No assessment is levied on lots owned by the declarant.

Note 8 - Related Party Transactions

The Association is included in a shared amenities and cost allocation agreement with Sienna Plantation Residential Association, Inc. (SPRAI) and Sienna Plantation Property Owners Association, Inc. (SPPOA) to operate, manage, administer, and maintain the shared amenities. For 2024, the agreement resulted in net distributions of \$346,524. The amount is included in the fees to SPRAI on the income statement of revenues, expenses, and changes in fund balances.

The Association is in an agreement for administrative and accounting services, which is subject to cancellation based on non-performance by either party or upon a certain number of days' notice. In accordance with the agreement, the Association pays a monthly fee to SPRAI for these services. In 2024, a total of \$1,242,252 was paid for these services.

The Association contributed to SPRAI for events funding and payroll. In 2024, the Association's events and distributions to SPRAI were \$276,261.

Sienna Plantation Community Association, Inc.
Notes to Financial Statements

Note 8 - Related Party Transactions (continued)

During the normal course of operations, certain expenses are paid by other Sienna entities. The Sienna entities either pay or receive payments for these expenses. The Associations affiliate receivables due from the other Sienna entities are as follows; \$7,700 from SPBAI and \$19,029 from SPRAI. The Associations affiliate payables due to the other Sienna entities are as follows; \$2,883 due to SPCSF and \$231,689 due to SPRAI. This resulted in an overall net payable of \$207,843.

Note 9 - Future Major Repairs and Reserves

The Association's governing documents require funds to be accumulated for future major repairs and Reserves. The board is funding for major repairs and Reserves over the remaining useful lives of the components based on a study providing estimates of current Reserves costs and considering amounts previously accumulated in the Reserve fund. These funds are held in separate accounts and are generally not available for operating purposes.

Funds are being accumulated in the Reserve fund based on estimated future costs of repairs and replacements. Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, the amounts accumulated in the reserve fund may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to homeowners' approval, to increase regular assessments, pass additional special assessments, or delay major repairs and replacements until funds are available.

Note 10 - New Accounting Guidance - FASB ASC 606

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). The Association has chosen not to change its revenue recognition accounting policies until such time that authoritative accounting guidance for the common interest realty association is issued, or industry consensus is achieved.

Note 11 - Litigation

The Association is involved in ongoing legal proceedings, *Cause No. 25-DCV-324856; Greg Mancuso v. Sienna Plantation Community Association, Inc., Sienna Parks and Levee District; Kompan, Inc.; Precision Playground Holdings and Robert F. Lansing*. The pending lawsuit has no bearing of a potential loss to the Association for the audit year ending December 31, 2024. As of June 30, 2025, the date on which our audit opinion was issued, the case is still pending.

Note 12 - 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.

Sienna Plantation Community Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

An outside consulting company conducted a study in September 2024 to estimate the remaining useful lives and the Reserve costs of the components of common property. Reserve costs were based on the estimated future costs to repair or replace the common property components at the date of the study, assuming an inflation factor of 2.5%. and ROI of 1.5%. The following information is based on the study and presents significant information about the components of common property.

As of December 31, 2024, \$4,637,476 was allocated to the Reserve Fund (Designated Equity).

Components Group	Estimated Remaining Useful Lives (years)	Current Replacement Cost
General	0-33	5,755,068
Sienna Parkway Intersection	3-18	22,594
Sawmill Recreation Center	1-24	1,651,299
Sawmill Pool	0-18	1,202,919
Sawmill Park, Splash Pad & Pavillion	0-29	1,377,001
Sawmill Greenway Along Trail Sys	9-16	8,011
Private Roads	4-29	136,099
Deer Valley Park	8-16	17,754
Heritage Park	1-23	440,422
Mill Crossing Lawn	8-27	103,084
Plaza Ridge Park	0-28	87,006
Delta Point Park	8-28	110,358
Creekside Park	9-29	57,710
Heritage Grove Park	9-16	186,096
Sienna Grove Park	9-29	131,267
Pecan Grove Park	9-29	150,921
Sienna Oaks Lake Trail System	9-14	49,165
Sienna Parkway Tree Room	4-9	54,268
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