

**Sienna Plantation Residential 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 Residential Association, Inc.**

### **Opinion**

We have audited the accompanying financial statements of Sienna Plantation Residential 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 12 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.

*Canady & Canady LLC*

Houston, Texas

June 30, 2025

**Sienna Plantation Residential Association, Inc.**

**Balance Sheet  
December 31, 2024**

	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,712,360	\$ 765,996	\$ 5,478,356
Certificates of deposit	3,847,732	748,740	4,596,472
Assessments receivable, net allowance for doubtful accounts of \$271,879	718,783	-	718,783
Accounts receivable, due from affiliates	192,326	-	192,326
Accounts receivable - other	258,923	508	259,431
Prepaid expenses	143,787	-	143,787
Fixed assets, net of accumulated depreciation of \$573,071	4,046,105	-	4,046,105
Due from operating fund	-	4,468,458	4,468,458
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u><u>\$ 13,920,016</u></u>	<u><u>\$ 5,983,702</u></u>	<u><u>\$ 19,903,718</u></u>
<b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 575,310	\$ 127,404	\$ 702,714
Assessments received in advance	5,362,933	-	5,362,933
Construction and pool deposits	73,875	-	73,875
Lease payable	27,034	-	27,034
Note payable	172,735	-	172,735
Due to replacement fund	4,468,458	-	4,468,458
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>10,680,345</u>	<u>127,404</u>	<u>10,807,749</u>
<b>Fund Balances</b>	<u>3,239,671</u>	<u>5,856,298</u>	<u>9,095,969</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 13,920,016</u></u>	<u><u>\$ 5,983,702</u></u>	<u><u>\$ 19,903,718</u></u>

See accompanying notes to financial statements

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

	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Total</b>
<b>Revenues</b>			
Assessments	\$ 12,279,830	\$ -	\$ 12,279,830
Management fees - from affiliates	2,322,391	-	2,322,391
Grant income	827,879	-	827,879
Legal and admin billback	721,344	-	721,344
Recreation income	531,324	-	531,324
Contributions to events	484,821	-	484,821
Resale and transfer fees	432,696	-	432,696
Interest income	295,956	89,086	385,042
Shared usage fees	346,524	-	346,524
Late fees and interest	289,091	-	289,091
Contributions from Sienna Foundation	-	225,000	225,000
Other income	417,535	-	417,535
<b>Total Revenues</b>	<u>18,949,391</u>	<u>314,086</u>	<u>19,263,477</u>
<b>Expenses</b>			
Personnel	4,016,630	-	4,016,630
Landscaping	2,885,058	-	2,885,058
Capital expenditures	-	2,623,600	2,623,600
Assessments to affiliates	1,714,883	-	1,714,883
Catastrophic losses	1,339,189	-	1,339,189
Utilities	875,930	-	875,930
Grant expenses	691,937	-	691,937
Pool	628,892	-	628,892
Office and administrative	575,797	27,644	603,441
Recreation expenses	474,517	-	474,517
Amenities and facilities	432,805	-	432,805
Community events	428,209	-	428,209
Legal and professional	424,201	-	424,201
Repairs and maintenance	381,983	-	381,983
Insurance	321,936	-	321,936
Patrol services	295,066	-	295,066
Lakes	273,372	-	273,372
Depreciation	108,164	-	108,164
Bad debt	46,294	-	46,294
Taxes - property	9,961	-	9,961
<b>Total Expenses</b>	<u>15,924,824</u>	<u>2,651,244</u>	<u>18,576,068</u>
<b>Excess (Deficit) of Revenues over Expenses</b>	3,024,567	(2,337,158)	687,409
<b>Fund Balances</b>			
Beginning of year	2,622,203	5,501,220	8,123,423
Reserve allocation transfer	(2,422,542)	2,422,542	-
Working capital	15,443	269,694	285,137
End of year	<u>\$ 3,239,671</u>	<u>\$ 5,856,298</u>	<u>\$ 9,095,969</u>

See accompanying notes to financial statements

**Sienna Plantation Residential Association, Inc.**

**Statement of Cash Flows**

**For the Year Ending December 31, 2024**

	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Excess (deficit) of revenues over expenses	\$ 3,024,567	\$ (2,337,158)	\$ 687,409
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 \$271,879	(179,126)	-	(179,126)
Accounts receivable, due from affiliates	790,291	-	790,291
Accounts receivable - other	(185,964)	35,246	(150,718)
Prepaid expenses	(21,183)	-	(21,183)
Fixed assets, net of accumulated depreciation of \$573,071	(735,096)	-	(735,096)
(Decrease) increase in:			
Accounts payable	(330,328)	127,404	(202,924)
Assessments received in advance	538,184	-	538,184
Accounts payable - due to affiliates	(99,089)	-	(99,089)
Construction and pool deposits	13,875	-	13,875
Deferred income	(794,881)	-	(794,881)
Net cash provided (used) by operating activities	<u>2,021,250</u>	<u>(2,174,508)</u>	<u>(153,258)</u>
<b>Cash Flows From Investing Activities</b>			
Certificates of deposit	<u>(133,631)</u>	<u>2,265,361</u>	<u>2,131,730</u>
Net cash (used) provided by investing activities	<u>(133,631)</u>	<u>2,265,361</u>	<u>2,131,730</u>
<b>Cash Flows From Financing Activities</b>			
Inter-fund balance transfers	2,801,345	(2,801,345)	-
Lease payable	17,577	-	17,577
Note payable	(103,580)	-	(103,580)
Reserve allocation transfer	(2,422,542)	2,422,542	-
Working capital	15,443	269,694	285,137
Net cash provided (used) by financing activities	<u>308,243</u>	<u>(109,109)</u>	<u>199,134</u>
Net increase (decrease) in cash and cash equivalents	<u>2,195,862</u>	<u>(18,256)</u>	<u>2,177,606</u>
<b>Cash and Cash Equivalents</b>			
Beginning of year	<u>2,516,498</u>	<u>784,252</u>	<u>3,300,750</u>
End of year	<u>\$ 4,712,360</u>	<u>\$ 765,996</u>	<u>\$ 5,478,356</u>
<b>Supplemental Disclosures:</b>			
Income Taxes Paid	\$ -	\$ -	\$ -
Interest Paid	\$ 9,088	\$ -	\$ 9,088

See accompanying notes to financial statements

**Sienna Plantation Residential Association, Inc.**  
**Notes to Financial Statements**

**Note 1 - Organization**

Sienna Plantation Residential Association, Inc. (the “Association”) is a Texas non-profit corporation incorporated in June 9, 1997, for providing for the maintenance, preservation, and architectural control, common elements, and properties of the master planned development in Sienna. The development is located on approximately 10,500 acres of land and consists of 7,771 residential units in Fort Bend County, Texas.

There are two classes of membership. Class “A” members are owners of residential lots and are entitled to one vote per lot. Class “B” membership is composed of lots owned by the declarant (developer) and is entitled to five votes per lot. The affairs of the Association are managed by a Board of Directors: three members are appointed by the declarant, two members are elected by the members, two members are employees of the declarant, and three members are homeowners.

**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 two 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.

**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, \$1,605,639 of the cash balances were uninsured by FDIC. The Association maintains its cash balances in ICS cash sweep accounts for FDIC insurance protection. The Association has not experienced any losses in its cash accounts and does not believe it is exposed to a significant risk in cash and cash equivalents.

**Sienna Plantation Residential 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.

**Capitalization Fee**

Upon the sale of a home from the builder to the homeowner. A Capitalization Fee of 100% of the Associations annual assessment will be paid to the Associations Capitalization Fee fund. An additional fee will be due for a home sold in a gated neighborhood. Upon the re-sale of a home, an additional Reserve Capitalization Fee of 100% of the annual assessment will be paid to the Associations Reserve Capitalization Fee fund. All Capitalization fees will not be considered as advanced payments towards the Associations annual assessments.

**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.

**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 of billing. Accounts are charged to operations when they are deemed uncollectible based upon periodic reviews of aging and collections. As of December 31, 2024, an allowance for doubtful accounts was \$271,879.

**Note 5 - Fixed Assets**

In conformity with FASB ASC 972-360, the Association recognizes the following common element property as assets:

- a) Common real property to which the Association has title and that can be disposed of at the discretion of the Board of Directors, or real property that is used to generate significant cash flows from members based on usage or from non-members.



**Sienna Plantation Residential Association, Inc.**  
**Notes to Financial Statements**

**Note 5 - Fixed Assets (continued)**

As of December 31, 2024, the total balance of fixed assets capitalized was \$4,619,176. The depreciation expense during the financial year was \$108,164.

<u>Description</u>	<u>Amount</u>
Association office	\$ 1,262,753
Maintenance facility	2,789,525
Maintenance yard	520,000
Vehicles, leased	46,898
Less, accumulated depreciation	(573,071)
Net, fixed assets	<u><u>\$ 4,046,105</u></u>

**Note 6 - Capital Leases**

In 2023 and 2024, the Association entered into vehicle lease agreements with 36-month lease terms. Leased vehicles are presented above as a right to use, leased asset. Depreciation expense for 2024 on the leased vehicles was \$15,633.

**Note 7 - Note Payable**

The Association assumed a promissory note payable in June 2016 for \$930,000. The note payable will be paid in one hundred and twenty (120) monthly installment payments beginning July 2016 and maturing June 2026, with all unpaid principal and accrued interest. The monthly payment amount will be \$9,398 and will bear a fixed interest rate of 3.9%. As of December 31, 2024, the balance of the note payable is \$172,735. The total interest paid in 2024 was \$9,088.

The remaining payments on the note payable are as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2025	\$ 108,155
2026	64,580
Total	<u><u>\$ 172,735</u></u>

**Note 8 - 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.

**Sienna Plantation Residential Association, Inc.**  
**Notes to Financial Statements**

**Note 9 - 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 10 - Declarant Control**

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

**Note 11 - Related Party Transactions**

The Association pays an annual assessment to the Sienna Plantation Property Owners Association, Inc. (SPPOA). The assessment rate for 2024 was \$219 per assessable lot. For 2024, the Associations assessment to SPPOA was \$1,702,068.

In 2024, the Association received \$225,000 in fund contributions from the Sienna Plantation Community Services Foundation, Inc. (SPCSF).

The Association is included in a shared amenities and cost allocation agreement with Sienna Plantation Community Association, Inc. (SPCAI), to operate, manage, administer, and maintain the shared amenities. For 2024, the agreement resulted in net distributions of \$346,524.

The Association is in separate agreements with affiliated associations for various services, including management, administrative, events, and maintenance activities. For 2024, the fees collected for these services are as follows:

<u>Entity</u>	<u>Total</u>
SP Community Association	\$1,333,824
SP Property Owners Association	670,724
SP Community Services Foundation	542,986
Sienna Townhome Association	45,360
SP Business Association	12,000
	<u>\$2,604,894</u>

**Note 12 - Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The board is funding major repairs and replacements over the remaining useful lives of the components based on a study providing estimates of current replacement 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.

**Sienna Plantation Residential Association, Inc.**  
**Notes to Financial Statements**

**Note 12 - Future Major Repairs and Replacements (continued)**

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 13 - 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 reality association is issued, or industry consensus is achieved.

**Note 14 - 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 Residential Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**(Unaudited)**

An outside consulting company conducted a study in October 2024 to estimate the remaining useful lives and the replacement 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, \$5,856,298 was allocated to the reserve fund (designated equity).

<b><u>Components</u></b>	<b><u>Est Remaining Useful Life (Yrs)</u></b>	<b><u>Current Replacement Cost</u></b>
General	0-24	\$ 3,558,691
Walls, Fences, Rails	0-29	15,037,501
Administration	0-17	516,385
Maintenance Yard	0-24	1,029,332
Parks - General	0-3	152,874
Arbor Park	2-11	63,915
Bees Park	1-11	11,399
Bridges Park	11	53,712
Brushy Lake Park	0-1	67,490
Club Sienna Park	0-19	366,022
Coves Park	2-11	106,355
Crosby Park	4-8	42,823
Deer Run	6-10	80,584
Hawkins Park	0-7	40,539
Heights Lake Park	5-7	99,146
History Park	9-18	48,060
Isidore Lane Park	10	104,393
Leafwing Meadow Park	1-16	240,885
Oakland Park	0-8	75,467
Paradigm Park	0-4	148,705
Sienna Ranch Road Park	5	37,079
Sienna Springs	5	49,345
Steep Bank Park	1-19	117,299
Private Roads	0-24	455,588
Brushy Lake Rec Center	0-39	2,201,215
Club Sienna Rec Center	0-26	4,845,209
Sienna Springs Resort	0-25	1,761,462
Steep Bank Rec Center	0-19	326,230
		<u>\$ 31,637,705</u>