

FIRETHORNE COMMUNITY ASSOCIATION, INC.
REPORT ON AUDIT OF
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2022

NAGESH & CARTER, PLLC

FIRETHORNE COMMUNITY ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of FIRETHORNE COMMUNITY ASSOCIATION, INC.

Qualified Opinion

We have audited the accompanying financial statements of FIRETHORNE COMMUNITY ASSOCIATION, INC. (the "Association"), which comprise the Balance Sheet as of December 31, 2022, and the related Statement of Assessments, Revenues and Expenses, and Changes in Fund Balances and Statement of Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the matter described in the Basis for Qualified Opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association, as of December 31, 2022, 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.

Basis for Qualified Opinion

The Association's accounts receivable as of December 31, 2022, were \$106,950. Generally accepted accounting principles in the United States of America require management to estimate an allowance for write-offs and adjustments of accounts that will not be collected. The collection of these amounts will be affected by the foreclosure of liens superior to the lien by the homeowners association such as mortgage lien holders, delinquent property tax liens, and/or bankruptcies by the homeowners. As a result, management has determined the potential write-offs and adjustments, and accordingly, has provided an allowance for estimated uncollectable amounts as required by generally accepted accounting principles in the United States of America. However, the amount provided for allowance for doubtful accounts is insufficient and has not been revised since the year end December 31, 2020.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet 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 qualified audit opinion.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2021, financial statements, and our report dated June 16, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Responsibilities of Management 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.

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 Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit 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 the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 of time.

We are required to communicate with those charged with governance of the Association regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 14 through 18, as identified in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Nagesh & Carter, PLLC

Nagesh & Carter, PLLC
Houston, Texas
July 26, 2023

FIRETHORNE COMMUNITY ASSOCIATION, INC.

BALANCE SHEETS

As of December 31, 2022

With Summarized Comparative Information as of December 31, 2021

	Operating Fund	Replacement Fund	Gated Section 25/26 Fund	Totals 31-Dec-22	Summarized Totals 31-Dec-21
<u>ASSETS</u>					
Cash and cash equivalents	\$3,062,379	\$3,554,837	\$23,650	\$6,640,866	\$6,808,656
Accounts receivable residents	106,950	-	-	106,950	66,482
Allowance for doubtful accounts	(2,636)	-	-	(2,636)	(2,636)
Prepaid expenses	49,759	-	-	49,759	52,066
Total current assets	3,216,452	3,554,837	23,650	6,794,939	6,924,568
<u>Property and equipment</u>					
Land	389,764	-	-	389,764	87,498
Developer's building	654,911	-	-	654,911	-
Accumulated depreciation	(5,458)	-	-	(5,458)	-
Total property and equipment	1,039,217	-	-	1,039,217	87,498
Total assets	\$4,255,669	\$3,554,837	\$23,650	\$7,834,156	\$7,012,066
<u>LIABILITIES AND FUND BALANCE</u>					
Accounts payable	\$239,199	-	-	\$239,199	\$101,609
ARC pool deposit	230,000	-	-	230,000	250,000
Prepaid assessments	813,218	-	-	813,218	738,355
Total liabilities	1,282,417	-	-	1,282,417	1,089,964
Fund balance	2,973,252	3,554,837	23,650	6,551,739	5,922,102
Total Liabilities and Fund Balance	\$4,255,669	\$3,554,837	\$23,650	\$7,834,156	\$7,012,066

*The accompanying notes are an integral
part of these financial statements.*

FIRETHORNE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES,
AND CHANGES IN FUND BALANCES

For The Year Ended December 31, 2022

With Summarized Comparative Information for the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Gated Section 25/26 Fund	Totals 31-Dec-22	Summarized Totals 31-Dec-21
Assessments and revenues					
Maintenance fees - residents	\$2,652,000	-	-	\$2,652,000	\$2,421,600
Maintenance fees - builder	23,200	-	-	23,200	253,600
East side special assessments	40,750	-	-	40,750	40,750
West 16 special assessments	8,400	-	-	8,400	8,400
Late fees and interest	13,572	-	-	13,572	11,943
Investment income	7,209	\$14,287	\$30	21,526	11,099
Attorney fees	14,146	-	-	14,146	20,138
ARC pool and plot plan review	1,025	-	-	1,025	58,250
Clubhouse rental	23,850	-	-	23,850	-
Miscellaneous income	43,562	-	-	43,562	15,357
Insurance claim	68,234	-	-	68,234	175,000
Total revenues	2,895,948	14,287	30	2,910,265	3,016,137
Operating expenses					
Repairs and maintenance	1,152,508	-	-	1,152,508	1,089,452
Professional services	319,141	-	-	319,141	342,993
Utilities	431,497	-	-	431,497	434,679
Security	219,571	-	-	219,571	105,134
Committees	2,225	-	-	2,225	1,108
Gated Section	47,730	-	-	47,730	45,083
Special events	26,588	-	-	26,588	25,366
Other expenses	96,365	-	-	96,365	91,793
Repairs, replacements, and improvements	-	-	-	-	12,141
Total expenses	2,295,625	-	-	2,295,625	2,147,749
Amount before interfund transfers	600,323	14,287	30	614,640	868,388
Replacement fund					
Interfund transfers	(893,743)	921,441	(12,701)	14,997	-
Total replacement fund	(893,743)	921,441	(12,701)	14,997	-
Revenue over (under) expenses	(293,420)	935,728	(12,671)	629,637	868,388
Fund balance, beginning of the year	3,266,672	2,619,109	36,321	5,922,102	5,053,714
Fund balance, end of the year	\$2,973,252	\$3,554,837	\$23,650	\$6,551,739	\$5,922,102

*The accompanying notes are an integral
part of these financial statements.*

FIRETHORNE COMMUNITY ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For The Year Ended December 31, 2022

With Summarized Comparative Information for the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Gated Section 25/26 Fund	Totals 31-Dec-22	Summarized Totals 31-Dec-21
Cash flow from (to) operations					
Assessments and revenues over (under) expenses	(\$293,420)	\$935,728	(\$12,671)	\$629,637	\$868,388
Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations					
Depreciation	5,458	-	-	5,458	
Accounts receivable	(40,468)	-	-	(40,468)	(5,603)
Prepaid expenses	2,307	-	-	2,307	7,710
Accounts payable	137,590	-	-	137,590	18,042
ARC pool deposit	(20,000)	-	-	(20,000)	10,000
Prepaid assessments	74,863	-	-	74,863	(500,672)
Total cash flow from (to) operations	(133,670)	935,728	(12,671)	789,387	397,865
Investment activities					
Land	(302,266)	-	-	(302,266)	
Developer's building	(654,911)	-	-	(654,911)	
Total investing activities	(957,177)	-	-	(957,177)	-
Increase (decrease) in cash	(1,090,847)	935,728	(12,671)	(167,790)	397,865
Cash and cash equivalents, beginning of the year	4,153,226	2,619,109	36,321	6,808,656	6,410,791
Cash and cash equivalents, end of the year	\$3,062,379	\$3,554,837	\$23,650	\$6,640,866	\$6,808,656

The accompanying notes are an integral part of these financial statements.

FIRETHORNE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

1. NATURE OF ORGANIZATION

FIRETHORNE COMMUNITY ASSOCIATION, INC. (the "Association") was incorporated in the State of Texas as a not-for-profit corporation on August 3, 2004. The Association is organized for the purposes of providing for maintenance, preservation, and architectural control of the residences and common properties within Firethorne subdivision consisting of 3,344 lots. The lots include 3,315 for single-family residential homeowners and 29 for builders in Fort Bend County, Texas. The Association is to promote the recreation, health, safety, and welfare of the owners, residents, and tenants of the subdivision.

2. DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 26, 2023, the date that the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING

The Association's governing documents provide certain guidelines for its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources for future major repairs and replacements.

Gated Section 25/26 Fund – This fund is used to accumulate financial resources designated for maintenance and repair of the private streets within the Section 25/26 neighborhood with limited access gates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEMBER ASSESSMENTS – MAINTENANCE FEES

Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. The assessments, or maintenance fees assessed, are based on an annual budget as adopted by the Board of Directors (the "Board") pursuant to the governing documents of the Association.

EAST SIDE SPECIAL ASSESSMENTS

Owners of lots within the gated Section 25/26 east side neighborhood are subject to an additional annual neighborhood assessment to the Association. The neighborhood assessments for the years ended December 31, 2022, and 2021, were \$250 and \$250, respectively, per lot, reflected as "East side special assessments" on the financial statements.

WEST 16 SPECIAL ASSESSMENTS

Owners of lots within the gated Section West 16 neighborhood are subject to an additional annual neighborhood assessment to the Association. The neighborhood assessments for the years ended December 31, 2022, and 2021, were \$200 and \$200, respectively, per lot, reflected as "West 16 special assessments" on the financial statements.

REVENUE RECOGNITION – ASSESSMENTS

Assessment revenue for member assessments, east side special assessments, and west 16 special assessments are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to these assessments are satisfied over time on a daily pro-rata basis using the input method. Any excess assessments over expenses at year end are retained by the Association for use in the succeeding year or transferred to the replacement fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSESSMENTS RECEIVED IN ADVANCE-REPLACEMENT FUND, CONTRACT LIABILITIES

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. As of December 31, 2022, and 2021, the Association did not have any contract liabilities for assessments received in advance.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR ADJUSTMENTS AND WRITE-OFFS

The Association's accounts receivable represents payments due from delinquent homeowners. The Association seeks to collect these balances through its collection efforts, including filing liens and legal actions against these homeowners. The collection of these amounts will be affected by the foreclosure of liens superior to the Association's lien, such as mortgage liens, delinquent property tax liens and bankruptcies by the homeowners.

At December 31, 2022, and 2021, the Association had accounts receivable of \$106,950 and \$66,482. A breakdown of the accounts receivable has not been provided.

Generally accepted accounting principles require that management estimate the accounts that may have to be written off, provide an allowance for doubtful accounts, and include that allowance as bad debts expense each year. As of December 31, 2022, and 2021, the Association has provided an allowance for doubtful accounts in the amount of \$2,636, which is insufficient.

The Association also writes off amounts as bad debts when the assessments are deemed not collectible, as a result of foreclosure, bankruptcy, etc. The Association had uncollectable account write-offs in the amounts of \$12,825 and \$433 for the years ended December 31, 2022, and 2021, respectively.

FIRETHORNE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITALIZATION POLICY

In accordance with industry standards, real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. Property not capitalized consists of approximately 12-acre lake, a pool, tennis court, and volleyball court. The Association is responsible for maintenance and preservation the common property. The governing documents of the Association do not have any restriction on the sale of these assets. The Association capitalizes personal property at cost and depreciates it using the straight-line method over its estimated useful life.

PROPERTY AND EQUIPMENT

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 homes. Property and equipment acquired by the Association are recorded at cost. The Association's capitalized property and equipment is depreciated over its estimated useful life using the straight-line method of depreciation.

Asset	Estimated Useful Life (Years)
Land	Indefinite
Developer's building	30

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

For the purposes of reporting cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less as cash and cash equivalents in the accompanying balance sheet. The Association has interest bearing deposits in financial institutions that maintained FDIC insurance in full for all accounts and limited coverage up to \$250,000 per financial institution. The portion of deposits in excess of this amount is not subject to such insurance and represents a credit risk to the Association. As of December 31, 2022, the balance in one of the financial institutions totaled \$6,639,588, resulting in an uninsured deposit of \$6,389,588.

4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. The Board, in its discretion, has chosen to establish a fund for this purpose. As of December 31, 2022, the Association had \$3,554,837 accumulated for future major repairs and replacements. These funds are held in a separate account and are generally not available for operating expenses.

The Association engaged an independent engineer who conducted a study in June 2021 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, borrow, or it may delay major repairs and replacements until funds are available.

FIRETHORNE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

5. FEDERAL INCOME TAX

The Internal Revenue Service (the “IRS”) has granted the Association tax-exempt status as a not-for-profit social welfare organization, pursuant to Internal Revenue Code (“IRC”) Section 501(c)(4). Accordingly, the Association is exempt from federal income tax except on any “unrelated business income.”

Because of its federal 501(c)(4) status, the Association is also exempt from Texas sales and use tax on its purchases, and from Texas franchise tax.

Annually, the Association files Form 990 – Return of Organization Exempt from Income Tax, with the IRS. The Association is not required to file any Texas tax returns.

The Association is subject to audit by both federal and state taxing authorities. Returns and tax status for 2023, 2022, 2021, and 2020, remain open to examination. The Association believes that it complies with the requirements of IRC Section 501(c)(4), and that accordingly, no significant tax liability would result from any such audits.

6. POOL DEPOSIT

The Association requires pool builders to deposit five thousand dollars (\$5,000) to cover any damages by the pool builder to Association property or resident’s property. The amounts maybe refunded to the pool builder upon successful completion of the pool. However, most pool builders do not request a refund upon completion of a pool, but leave this deposit for any additional pools that they will construct.

7. INSURANCE CLAIM

A freeze occurred on February 16, 2021. As of December 31, 2022, the Association incurred \$236,427 in expenses for reconstruction from water damages and received a total of \$243,234 in insurance proceeds. No further insurance proceeds will be received for this claim.

8. SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended December 31, 2021, from which the summarized information was derived.

9. REAL ESTATE SALE AGREEMENT

On September 20, 2022, the Association executed a real estate sale agreement with JDC/Firethrone, Ltd. The purchase price of the property was \$950,000. The purchase price was split between \$300,000 for land and \$650,000 for the developer's building. In addition to the purchase price, the Association paid \$7,177 in taxes that was split between the land and developer's building based on the ratio each holds over the total purchase price. For depreciation purposes, a 30-year useful life was determined for the developer's building.

NAGESH & CARTER, PLLC

SUPPLEMENTAL SCHEDULES

NAGESH & CARTER, PLLC

FIRETHORNE COMMUNITY ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES
AS A PERCENTAGE OF TOTAL ASSESSMENTS AND REVENUES
For The Year Ended December 31, 2022

	Amount	Percentage
Assessments and revenues		
Maintenance fees - residents	\$2,652,000	91.13%
Maintenance fees - builder	23,200	0.80%
East side special assessments	40,750	1.40%
West 16 special assessments	8,400	0.29%
Late fees and interest	13,572	0.47%
Investment income	21,526	0.74%
Attorney fees	14,146	0.49%
ARC pool and plot plan review	1,025	0.04%
Clubhouse rental	23,850	0.82%
Miscellaneous income	43,562	1.50%
Insurance claim	68,234	2.34%
Total assessments and revenues	2,910,265	100.00%
Repairs and maintenance		
General maintenance	58,843	2.02%
Parks and trails	17,939	0.62%
Sprinkler system	42,146	1.45%
Pool maintenance and repairs	268,950	9.24%
Lake and fountain	13,263	0.46%
Landscape	497,513	17.10%
Pest control	30,081	1.03%
Community center	76,292	2.62%
Fitness area, tennis court, and volleyball court	32,205	1.11%
Insurance claim expenses	6,485	0.22%
Developer's building	108,791	3.74%
Total repairs and maintenance	1,152,508	39.60%
Professional services		
Accounting	49,092	1.69%
Billing	21,744	0.75%
Audit and tax	3,650	0.13%
Legal fees	27,173	0.93%
Administrative services	170,346	5.85%
Wages and payroll taxes	35,161	1.21%
ARC reviews	10,280	0.35%
Other services	1,695	0.06%
Total professional services	319,141	10.97%

FIRETHORNE COMMUNITY ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES
AS A PERCENTAGE OF TOTAL ASSESSMENTS AND REVENUES
For The Year Ended December 31, 2022

	Amount	Percentage
Utilities		
Electricity	286,919	9.86%
Telephone	10,153	0.35%
Water	133,005	4.57%
Gas	1,420	0.05%
Total utilities	431,497	14.83%
Security	219,571	7.54%
Committees	2,225	0.08%
Gated Section	47,730	1.64%
Special events	26,588	0.91%
Other expenses		
Administrative expenses	7,055	0.24%
Insurance	46,484	1.60%
Property taxes	8,299	0.29%
Depreciation	5,458	0.19%
Bad debt expense	12,825	0.44%
Miscellaneous expenses	16,244	0.56%
Total other expenses	96,365	3.31%
Total expenses	2,295,625	77.97%
Net assessments, revenues over (under) expenses	\$614,640	22.03%

*The foregoing notes are an integral
part of these financial statements.*

FIRETHORNE COMMUNITY ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES
For The Years Ended December 31, 2022, and 2021

	31-Dec-22	31-Dec-21
Assessments and revenues		
Maintenance fees - residents	\$2,652,000	\$2,421,600
Maintenance fees - builder	23,200	253,600
East side special assessments	40,750	40,750
West 16 special assessments	8,400	8,400
Late fees and interest	13,572	11,943
Investment income	21,526	11,099
Attorney fees	14,146	20,138
ARC pool and plot plan review	1,025	58,250
Clubhouse rental	23,850	-
Miscellaneous income	43,562	15,357
Insurance claim	68,234	175,000
Total assessments and revenues	2,910,265	3,016,137
Repairs and maintenance		
General maintenance	58,843	49,957
Parks and trails	17,939	9,581
Sprinkler system	42,146	37,880
Pool maintenance and repairs	268,950	191,038
Lake and fountain	13,263	10,672
Landscape	497,513	457,430
Pest control	30,081	27,173
Community center	76,292	64,090
Fitness area, tennis court, and volleyball court	32,205	11,689
Insurance claim expenses	6,485	229,942
Developer's building	108,791	-
Total repairs and maintenance	1,152,508	1,089,452
Professional services		
Accounting	49,092	49,601
Billing	21,744	11,183
Audit and tax	3,650	3,000
Legal fees	27,173	39,885
Administrative services	170,346	158,895
Wages and payroll taxes	35,161	22,914
ARC reviews	10,280	49,594
Other services	1,695	7,921
Total professional services	319,141	342,993

FIRETHORNE COMMUNITY ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES, AND EXPENSES
For The Years Ended December 31, 2022, and 2021

	31-Dec-22	31-Dec-21
Utilities		
Electricity	286,919	317,520
Telephone	10,153	8,269
Water	133,005	107,938
Gas	1,420	952
Total utilities	431,497	434,679
Security	219,571	105,134
Committees	2,225	1,108
Gated Section	47,730	45,083
Special events	26,588	25,366
Other expenses		
Administrative expenses	7,055	8,044
Insurance	46,484	38,982
Property taxes	8,299	4,912
Depreciation	5,458	-
Bad debt expense	12,825	433
Miscellaneous expenses	16,244	39,422
Total other expenses	96,365	91,793
Repairs, replacements, and improvements	-	12,141
Total expenses	2,295,625	2,147,749
Net assessments, revenues over (under) expenses	\$614,640	\$868,388

*The foregoing notes are an integral
part of these financial statements.*

FIRETHORNE COMMUNITY ASSOCIATION, INC.
ANALYSIS OF CAPITAL IMPROVEMENT AND REPLACEMENT EXPENSES
For The Years Ended December 31, 2022, and 2021

	<u>31-Dec-22</u>	<u>31-Dec-21</u>
Replacement fund balance, beginning of the year	\$2,619,109	\$2,612,570
Additions to fund balance		
Transfers from operating fund	921,441	-
Expenses paid from operating fund	-	12,141
Investment income	14,287	6,539
Total additions	935,728	18,680
Reductions from fund balance		
Pool furniture and equipment	-	1,149
Fitness center	-	4,692
Parks, playgrounds, and trails	-	6,300
Total expenses	-	12,141
Replacement fund balance, end of the year	\$3,554,837	\$2,619,109
<i>The foregoing notes are an integral part of these financial statements.</i>		

FIRETHORNE COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
For the Year Ended December 31, 2022

An independent engineer conducted a study in June 2021 to estimate the remaining useful lives and the replacement costs of the components of common property.

Replacement costs were based on estimated costs to repair or replace the common property at the time of the study and assume a 2.00% annual inflation rate between the date of the study and the date that the components will require repair or replacement. The Board has not designated a specific amount of funds towards each separate component of common property.

The following information is based on the study and presents significant information about the components of common property. The complete report is available from management.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Replacement Fund Balance at December 31, 2022
Property site elements	3 to 30+	\$4,870,445	
Building elements	2 to 25	773,996	
Pool elements	2 to 25	1,106,970	
Totals		\$6,751,411	\$3,554,837