

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

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

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)	11

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
Royal Oaks Residential Community Owners Association, Inc.

### ***Opinion***

We have audited the accompanying financial statements of Royal Oaks Residential Community Owners 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 Royal Oaks Residential Community Owners Association, Inc. 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 Royal Oaks Residential Community Owners Association, Inc. 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.

### ***Future Major Repairs and Replacements***

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note F are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

### ***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 Royal Oaks Residential Community Owners Association, Inc.'s 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 as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Royal Oaks Residential Community Owners Association, Inc.'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 Royal Oaks Residential Community Owners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance 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.

***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 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cox CPA Services, Inc.*

Cox CPA Services, Inc.  
Houston, Texas  
April 3, 2025

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.****BALANCE SHEET**

December 31, 2024

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 497,890	\$ 644,628	\$ 1,142,518
Certificates of deposit	257,166	2,130,000	2,387,166
Assessments receivable, net of an allowance for credit losses of \$35,715	35,475	-	35,475
Due from Replacement Fund	8,626	-	8,626
Prepaid expense	8,253	-	8,253
Right-of-use asset	69,912	-	69,912
Interest receivable	2,665	52,329	54,994
Utility deposit	1,936	-	1,936
<b>TOTAL CURRENT ASSETS</b>	<b>881,923</b>	<b>2,826,957</b>	<b>3,708,880</b>
<b>Property and Equipment, net</b>			
Automobile	15,108	-	15,108
Accumulated depreciation	(9,065)	-	(9,065)
	<u>6,043</u>	<u>-</u>	<u>6,043</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 887,966</u></b>	<b><u>\$ 2,826,957</u></b>	<b><u>\$ 3,714,923</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 162,941	\$ -	\$ 162,941
Accrued expenses	25,052	-	25,052
Prepaid assessments	672,309	-	672,309
Due to Operating Fund	-	8,626	8,626
Refundable deposits	12,250	-	12,250
Lease liability	69,912	-	69,912
Deferred revenue - trash reimbursement	162,632	-	162,632
<b>TOTAL LIABILITIES</b>	<b>1,105,096</b>	<b>8,626</b>	<b>1,113,722</b>
<b>FUND BALANCES</b>	<b>(217,130)</b>	<b>2,818,331</b>	<b>2,601,201</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 887,966</u></b>	<b><u>\$ 2,826,957</u></b>	<b><u>\$ 3,714,923</u></b>

See accompanying notes to financial statements.

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2024

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Regular assessments	\$ 2,441,042	\$ 297,708	\$ 2,738,750
Interest income	20,393	107,796	128,189
Trash reimbursement	274,283	-	274,283
Other	67,621	-	67,621
<b>TOTAL REVENUES</b>	<b>2,803,339</b>	<b>405,504</b>	<b>3,208,843</b>
<b>EXPENSES</b>			
Administrative	52,048	-	52,048
Capital improvements, net	-	178,937	178,937
Community events	47,468	-	47,468
Credit losses	2,727	-	2,727
Depreciation	3,022	-	3,022
Insurance	49,068	-	49,068
Janitorial supplies	22,484	-	22,484
Landscaping	625,399	-	625,399
Lease / rental expense	31,323	-	31,323
Legal and professional	43,435	-	43,435
Management fees	26,412	-	26,412
Payroll expenses	390,384	-	390,384
Pest control	10,179	-	10,179
Repairs and maintenance	199,478	-	199,478
Security	1,129,780	-	1,129,780
Trash removal	255,589	-	255,589
Utilities	154,291	-	154,291
<b>TOTAL EXPENSES</b>	<b>3,043,087</b>	<b>178,937</b>	<b>3,222,024</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<b>(239,748)</b>	<b>226,567</b>	<b>(13,181)</b>
<b>BEGINNING FUND BALANCES</b>	<b>11,082</b>	<b>2,603,300</b>	<b>2,614,382</b>
Transfers between funds	11,536	(11,536)	-
<b>ENDING FUND BALANCES</b>	<b>\$ (217,130)</b>	<b>\$ 2,818,331</b>	<b>\$ 2,601,201</b>

See accompanying notes to financial statements.

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2024

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficit) of revenues over expenses	\$ (239,748)	\$ 226,567	\$ (13,181)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(14,015)	-	(14,015)
Due from Replacement Fund	61,757	-	61,757
Depreciation	3,022	-	3,022
Prepaid expense	1,703	12,730	14,433
Right-of-use asset	(64,125)	-	(64,125)
Interest receivable	(2,665)	(4,413)	(7,078)
Increase (decrease) in:			
Accounts payable	(16,250)	-	(16,250)
Accrued expenses	(3,621)	-	(3,621)
Due to Operating Fund	-	(61,757)	(61,757)
Refundable deposits	5,000	-	5,000
Lease liability	64,125	-	64,125
Deferred revenue - trash reimbursement	4,727	-	4,727
Prepaid assessments	(423,594)	-	(423,594)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(623,684)</b>	<b>173,127</b>	<b>(450,557)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Certificates of deposit	(257,166)	(213,000)	(470,166)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(257,166)</b>	<b>(213,000)</b>	<b>(470,166)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund transfers	11,536	(11,536)	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>11,536</b>	<b>(11,536)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(869,314)</b>	<b>(51,409)</b>	<b>(920,723)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,367,204</b>	<b>696,037</b>	<b>2,063,241</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 497,890</b>	<b>\$ 644,628</b>	<b>\$ 1,142,518</b>
<b>SUPPLEMENTAL DISCLOSURE</b>			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2024

**NOTE A—NATURE OF ORGANIZATION**

Royal Oaks Residential Community Owners Association, Inc. was incorporated in the State of Texas on February 25, 2000. The Association is responsible for the operation and maintenance of the common property. The Association consists of common areas such as park. The community consists of 875 residential units and is located in the greater Houston, Texas area.

**NOTE B—DATE OF MANAGEMENT’S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 3, 2025, the date that the financial statements were available to be issued.

**NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 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 designated for future major repairs and replacements.

Member assessments and Allowance for Credit Losses

The Financial Accounting Standards Board (FASB) issued new guidance in 2021 that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standard Codification (ASC). The Association does not believe the performance obligation relating to the replacement fund meets the required contractual liability obligations necessary to implement ASC606. Therefore, 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. As a result, Association members are subject to assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners.

The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The Association treats uncollectible assessments as credit losses. Methods, inputs and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association’s control. Management analyzes the collectability of assessments receivable on a regular



**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2024

**NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

basis and allows for credit losses for those it feels are not collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Cash and Cash Equivalents

The Association considers all short term investments with a maturity of three months or less to be cash equivalents.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method over the estimated useful life.

Prepaid Assessments

Prepaid assessments represent payments received from association members during the current year which relate to assessments for the subsequent year.

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.

Concentration of Credit Risk

The Association maintains a majority of its cash balances at one financial institution. Accounts at this institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances are approximately \$347,694 as of December 31, 2024.

**NOTE D – TRASH REIMBURSEMENT**

The Association entered into an agreement with Harris County Municipal Utility District on April 25, 2022, for trash reimbursement program. The MUD District periodically reimburses a portion of the trash expenses paid by the Association. This agreement is ongoing and automatically renews for 2024 based on the signed agreement from 2022.

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2024

**NOTE E—INCOME TAXES**

The Association was granted tax exempt status from Federal income tax under Section 501 (c ) (4 ) of the Internal Revenue Service Code. Under this form the organization, all income other than unrelated business income is exempt, including interest income. Information return Form 990 is required to be filed each year. Accordingly, no provision for federal tax is made in the financial statements.

The Association recognizes and discloses its tax positions in accordance with accounting standards which requires the disclosure of uncertain tax positions and related penalties and interest recognized in the financial examination by a taxing authority. Accordingly, no related penalties or interest were recognized in the financial statements.

The tax years ending 2022, 2023, and 2024 are still open to audit.

**NOTE F—FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$2,826,957 as of December 31, 2024, are held in separate accounts and are generally not available for operating purposes.

The Association's board of directors conducted a study during February 2024 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. Therefore, amounts accumulated in the reserve 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.

**ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.****NOTES TO FINANCIAL STATEMENTS**

December 31, 2024

**NOTE G—LEASE**

The Association has obligations under an operating lease for its management office. The term of the lease shall be extended for five years beginning October 1, 2024 with a one five year renewal option. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties.

The Association agrees to pay to Landlord the monthly payments of base rent as below, the applicable sales or use or excise tax, pro rata share of operating expenses, real estate taxes, and insurance etc.:

<b>Period</b>	<b>Rate/SF</b>	<b>Monthly Rent</b>	<b>Annual Rent</b>
Months 1-12	\$ 10.96	\$ 1,315.20	\$ 15,782.40
Months 13-24	11.23	1,347.60	16,171.20
Months 25-36	11.51	1,381.20	16,574.40
Months 37-48	11.80	1,416.00	16,992.00
Months 49-60	12.10	1,452.00	17,424.00

The following is table presents future minimum lease payments:

	<b>Annual Rent</b>
2025	\$ 15,880
2026	16,272
2027	16,679
2028	17,100
2029	13,068
	<hr/>
Future minimum lease payments	78,998
Impact of discounting	(9,086)
Present value of lease liabilities	<hr/> <b>\$ 69,912</b> <hr/>

The weighted-average remaining lease term and weighted -average discount rate were as follows:

Weighted-average remaining least term	4.95 years
Weighted-average discount rate	5%

**NOTE H – PROPERTY AND EQUIPMENT**

Property and equipment consists of an automobile with an estimated useful life of 5 years.

Depreciation expense was approximately \$3,022 for the year ended December 31, 2024.

## SUPPLEMENTARY INFORMATION

### ROYAL OAKS RESIDENTIAL COMMUNITY OWNERS ASSOCIATION, INC.

#### SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS

#### AND REPLACEMENTS (UNAUDITED)

December 31, 2024

An independent engineer conducted a study in February 2024 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
<b><u>Property Site Elements</u></b>		
Bridges, Capital Repairs	23	\$ 450,000
Concrete Streets (Incl. Curbs), Partial	0 to 30+	17,275,000
Fence, Street, Park	30	18,600
Gate Entry System, Cameras	8	37,000
Gate Entry System, Kiosk Entry Panels	8	32,500
Gate Entry System, Loop Detectors, Phased	1 to 4	22,000
Gate Entry System, Readers, Phased	1 to 8	112,000
Gate Entry System, Scanners	10	15,000
Gate Entry System, Scanners, Remaining	6	30,000
Gate Operators, Barrier Arms, Phased	2 to 10	78,000
Gate Operators, Metal Gates 2016-2017 Phased	2 to 3	48,000
Gate Operators, Metal Gates 2020-2023 Phased	6 to 8	54,000
Gate Operators, Metal Gates Remaining, Phased (3 in 2024 and 4 in 2025)	0 to 1	42,000
Gates	4	160,800
Irrigation System	16	441,000
Light Poles and Fixtures, Original	5	167,280
Light Poles and Fixtures, Park	23	17,500
Light Poles and Fixtures, Royal Oaks Club Drive	23	59,400
Pavers, Masonry, Main Entrance	5	55,500
Perimeter Walls, Panelized Masonry, Partial, 2%	1 to 30+	5,707,000
Perimeter Walls, Panelized Masonry, 4%	15 to 30+	5,707,000
Playground Equipment	1	50,000
Playground, Rest Room, Renovation	6	9,500
Playground, Shade Structures, 2003	4	22,000
Playground, Shade Structures, 2018	19	44,000
Play Surface, Artificial Turf	4	45,900
Signage, Renovation, Main Entrance	6	24,000
Sport Court, Light Poles and Fixtures	15	16,000
Sport Court, Surface Replacement	20	66,780
<b><u>Guard House and Office Elements</u></b>		
Exterior Renovation, Guard Houses and Rest Room Building	5	12,000
Generator (2024 Remaining Payment)	0	25,000
Interior Renovation, Main Guard House	15	122,000
Roofs, Concrete Tiles, Main Guard House	26	19,500
Roofs, Concrete Tiles, Rest Room Building	6	7,500
Westpark South Guard House, Improvements	1	50,000
Windows and Doors, Main Guard House	11	19,800
		\$ 31,063,560