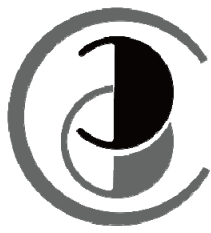


Piper's Meadow Community Improvement Association

Financial Statements

December 31, 2024



Crystal Chang CPA PC

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Board of Directors and Members

Piper's Meadow Community Improvement Association

Qualified Opinion

We have audited the accompanying financial statements of Piper's Meadow Community Improvement Association. (the "Association"), 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, except of the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion

Because this is a first-year audit, we were unable to obtain sufficient appreciate audit evidence regarding the opening balance sheet amounts. In addition, we could not determine whether accounting principles were applied consistently or whether any adjustments to the results of operations and cash flows for the year ended December 31, 2024 might be necessary.

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 related 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 7 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 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.

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 it 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 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 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 on pages 12-14 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.

CRYSTAL CHANG, CPA

Houston, Texas
October 22, 2025

Piper's Meadow Community Improvement Association
Balance Sheet
December 31, 2024

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 103,198	\$ 93,820	\$ 197,018
Certificates of deposit	-	51,856	51,856
Assessments receivable	7,605	-	7,605
Total Assets	\$ 110,803	\$ 145,676	\$ 256,479
LIABILITIES AND FUND BALANCES			
Accrued liabilities	\$ 27,888	\$ -	\$ 27,888
Total Liabilities	27,888	-	27,888
Fund Balances	82,915	145,676	228,591
Total Liabilities and Fund Balance	\$ 110,803	\$ 145,676	\$ 256,479

See accompanying notes to financial statements.

Piper's Meadow Community Improvement Association
Statement of Revenue, Expenses and Changes in Fund Balances
For the Years Ended December 31, 2024

	Operating Fund	Replacement Fund	Total
Revenues			
Assessments	\$ 326,025	\$ -	\$ 326,025
Interest income	-	2,494	2,494
Other income	127,041	-	127,041
Total Revenues	<u>453,066</u>	<u>2,494</u>	<u>455,560</u>
		-	
Expenses			
Legal and professional	182,775	-	182,775
Repair and maintenance	163,631	-	163,631
General and Administrative	11,140	-	11,140
Payroll	38,761	-	38,761
Utilities	24,644	-	24,644
Insurance	17,379	-	17,379
Security	2,500	-	2,500
Property tax	6	-	6
Total Expenses	<u>440,836</u>	<u>-</u>	<u>440,836</u>
(Deficit) Excess of			
Revenues over Expenses	12,230	2,494	14,724
Fund Balance			
Beginning of year	645,621	-	645,621
Prior period adjustment	(431,754)	-	(431,754)
Permanent transfer	(143,182)	143,182	-
Ending of year	<u>\$ 82,915</u>	<u>\$ 145,676</u>	<u>\$ 228,591</u>

See accompanying notes to financial statements.

Piper's Meadow Community Improvement Association
Statement of Cash Flows
For the Years ended December 31, 2024

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities			
Excess of revenues over expenses	\$ 12,230	\$ 2,494	\$ 14,724
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	327,150	-	327,150
Other receivable	12,755		12,755
Increase (decrease) in:			
Accounts payable	335	-	335
Accrued liabilities	14	-	14
Net cash (used) provided by operating activities	<u>352,484</u>	<u>2,494</u>	<u>354,978</u>
Cash Flow From Investing Activities			
Certificates of deposits	-	(51,856)	(51,856)
Net cash provided (used) by investing activities	<u>-</u>	<u>(51,856)</u>	<u>(51,856)</u>
Cash Flow From Financing Activities			
Prior period adjustment	(431,754)	-	(431,754)
Transfer between funds	(143,182)	143,182	-
Net cash used by Financing activities	<u>(574,936)</u>	<u>143,182</u>	<u>(431,754)</u>
Net (decrease) increase in cash equivalents	(222,452)	93,820	(128,632)
Cash and cash equivalents, beginning of year	325,650	-	325,650
Cash and cash equivalents, end of year	<u>\$ 103,198</u>	<u>\$ 93,820</u>	<u>\$ 197,018</u>
Supplemental Disclosures:			
Income Tax Paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

Piper's Meadow Community Improvement Association
Notes to Financial Statements
December 31, 2024

Note 1 - Organization

Piper's Meadow Community Improvement Association (the Association) was incorporated as a Texas non-profit corporation on August 1, 1979 to provide for the maintenance and preservation of the subdivision. The members of the Association are the individual owners of the 931 residential units located on approximately 4.84 acres in Webster, Texas. The Association is a homeowners' association.

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 October 22, 2025, the date the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Fund Accounting

The Association uses fund accounting, which requires funds allocated for future major repairs and replacements be classified separately from funds available for general operations. 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:

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 account for financial resources designated for future major repairs and replacements.

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.

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, accounts payable and assessments received in advance. The recorded values of the financial instruments approximate their fair values based on their short-term nature.

Piper's Meadow Community Improvement Association
Notes to Financial Statements
December 31, 2024

Note 3 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, liquid investments which are readily convertible into cash within ninety days of purchase. The Association maintains the cash balances of its checking and savings accounts in various financial institutions. Accounts at the institutions are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2024, the Association's uninsured cash balance is \$-0-.

Certificates of Deposit

Certificates of deposit are recorded at cost and are held in various financial institutions. The Association's policy is to hold certificates of deposit until maturity. Thus, there are no unrealized gains or losses recognized in the accompanying Statement of Revenues and Expenses.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association, however, they require individual unit owner's approval to sell these assets. In accordance with the AICPA guide and FASB 972-360-25, there assets are not capitalized.

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 has not capitalized such property.

Contract Liabilities (Assessments received in advance – Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – Replacement Fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance- Replacement Fund) as of the beginning and end of the year are \$-0- and \$-0-, respectively.

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(s). Assessments received in advance is a deferred revenue account, and these advance payments are retained by the Association and amortized over the period to which these payments related.

Piper's Meadow Community Improvement Association
Notes to Financial Statements
December 31, 2024

Note 3 - Summary of Significant Accounting Policies (continued)

Member Assessments and Allowance for Credit Losses

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. The annual budget and members assessments are determined by the Board of Directors. Assessment revenue is recognized as the relate performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners, at the discretion of the Board of Directors. The balances of assessments receivable as of the beginning and end of the year are \$334,753 and \$7,605, respectively.

The Association treats uncollectible assessments as credit losses. The association evaluates the collectability of assessments receivable based on current conditions, past experience, and forecasts of future events. Based on these factors, the allowances for credit losses at the beginning and end of the year are \$-0- and \$-0-, respectively.

Note 4 - Federal Income Tax

The Association qualifies as a tax-exempt homeowners' association under the Internal Revenue Code Section 528 for the year ended December 31, 2024. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Association property. Net nonexempt function income, which included earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. The current provision for Federal income tax is \$-0-.

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. The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for reporting years 2022,2023,2024 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 bases on current facts and circumstances.

Note 5 – State Franchise Tax

The Association is exempt from Texas franchise tax as a homeowners' association pursuant to Section 171.082 of the Texas Tax Code. The Association is subject to state sales tax on taxable purchases of goods and services as defined in the Texas Tax Code.

Piper's Meadow Community Improvement Association
Notes to Financial Statements
December 31, 2024

Note 6 – Adoption of ASU 2016-13 and Related Standards

Effectively January 1, 2023, the Association adopted ASU 2016-13, Financial Instruments – *Credit Losses (topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Association adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Association that are subject to ASU 2016-13 include assessments receivable. The adoption of the ASU did not have a material impact on the Association's financial statements but did change how the allowance for credit losses is determined.

Note 7 - Future Major Repairs and Replacements

Pursuant to its governing documents, the Association is authorized to accumulate funds for future major repairs and replacements. These accumulated funds are held in separate savings accounts and are generally not available for operating purposes. The Association commissioned a reserve study to determine the remaining useful lives of the components of common property and the current estimates of the costs of future major repairs and replacements. Pursuant to the recommendations of the reserve study, the Association is funding for these projected future expenditures. However, actual future expenditures may vary from the estimated expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may or may not be adequate to meet the Association's needs for future major repairs and replacements. If additional monies are needed, the Association may increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

Note 8 – Legal Contingencies

The Association is a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Note 9 – Prior Period Adjustments

The prior period adjustments are related to the write-off of old cash balances and the proper adjustment of prepaid insurance and assessments receivable accounts.

Note 10 - 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.

Piper's Meadow Community Improvement Association
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2024

An outside consultant conducted a reserve study in 2017 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 property as of the date of the study. The following tabulation is based on the study and presents significant information about the components of common property.

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Current Cost	Assigned Reserves	Fully Funded
Fencing/Security							
Perimeter Fence - Replace	2037	25	0	19	15,400	0	3,696
Pool Fencing - Replace	2021	30	4	3	25,872	0	23,589
Tennis Court Chain Link Fence - Repl..	2018	25	0	0	15,551	15,551	15,551
Tennis Court Security Gate -Replace	2018	20	0	0	1,267	1,267	1,267
Fencing/Security - Total					\$58,091	\$16,819	\$44,104
Lighting							
Landscaping Lights - Replace	2018	15	0	0	240	240	240
Monument Lighting - Replace	2018	8	0	0	1,500	1,500	1,500
Overhead Court Lighting - Replace	2018	20	0	0	2,239	2,239	2,239
Park Lights -Replace	2022	20	0	4	2,285	0	1,828
Parking Lot Lighting - Replace	2032	20	0	14	2,284	0	685
Tennis Court Lighting - Replace	2018	25	0	0	16,432	16,432	16,432
Lighting - Total					\$24,979	\$20,410	\$22,923
Recreation/Pool							
Chlorine Tank - Replace	2018	15	0	0	700	700	700
Concrete Pool Decking - Replace	2022	30	5	4	19,162	0	16,972
Doors - Replace	2018	25	0	0	1,425	1,425	1,425
Doors and Windows - Replace	2018	25	0	0	2,000	2,000	2,000
Drinking Fountain - Replace	2028	20	0	10	1,400	0	700
Hardie Board Siding - Replace	2018	25	0	0	4,114	4,114	4,114
Hex Plastic Picnic Table - Replace	2022	20	15	4	4,800	0	4,251
Large Pool Filters - Replace	2018	15	0	0	17,000	17,000	17,000
Lifeguard Chair - Replace	2018	20	0	0	6,349	6,349	6,349
Pool Bathrooms - Replace	2022	7	0	4	11,310	0	4,847
Pool Entry Gate - Replace	2018	25	0	0	1,500	1,500	1,500
Pool House Roof - Replace	2022	35	0	4	2,694	0	2,386
Pool Lounge Furniture - Replace	2018	10	0	0	3,000	3,000	3,000
Pool Office Tile Floor - Replace	2018	25	0	0	800	800	800
Pool Pump - Replace	2018	15	0	0	800	800	800
Pool and Hot Tub Brick Coping - Repl..	2038	25	0	20	9,501	0	1,900
Pool and Hot Tub Replaster - Replace	2028	15	0	10	13,002	0	4,334
Small Pool Filter - Replace	2019	15	17	1	4,500	4,359	4,359
Square Picnic Table - Replace	2018	25	0	0	1,400	1,400	1,400
Recreation/Pool - Total					\$105,457	\$43,447	\$78,838

Piper's Meadow Community Improvement Association
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2024
Continued

Building Components

Air Conditioning - Replace	2027	15	0	9	16,600	0	6,640
Air Handler - Replace	2023	15	0	5	2,175	0	1,450
Annex Tile - Replace	2033	25	0	15	5,072	0	2,029
Asphalt Roof - Replace	2020	25	0	2	1,147	1,055	1,055
Bathroom Refurbish - Replace	2020	25	0	2	2,000	1,840	1,840
Board Room - Refurbish	2018	25	0	0	4,500	4,500	4,500
Brick Surfaces - Repoint	2018	30	0	0	3,412	3,412	3,412
Community Bathroom - Replace	2022	25	10	4	9,802	0	8,682
Community Center Flooring - Replace	2018	20	0	0	5,000	5,000	5,000
Community Kitchen - Refurbish	2027	15	0	9	7,500	0	3,000
Doors and Windows - Replace	2020	25	0	2	2,975	2,737	2,737
Hardie Board Siding - Replace	2020	25	0	2	5,538	5,095	5,095
Kitchenette Remodel - Replace	2020	25	0	2	8,687	7,954	7,992
Office Bathroom - Replace	2025	25	13	7	1,100	0	897
Overhead Door - Replace	2020	25	0	2	2,717	0	2,500
PVC Membrane Roof	2030	25	10	12	35,000	0	23,000
Security System - Replace	2020	10	0	2	<u>2,000</u>	<u>0</u>	<u>1,600</u>
Building Components - Total					\$115,224	\$31,593	\$81,428

Grounds Components

Basket Ball Goal - Replace	2020	25	0	2	2,854	2,625	2,625
Basketball Court - Resurface	2040	25	0	22	3,775	0	453
Bike Rack - Replace	2020	25	0	2	583	536	536
Bollards - Replace	2032	30	0	14	5,640	0	3,008
Chain Link Backstop - Replace	2027	25	0	9	6,909	0	4,422
Dual Basketball Goal - Replace	2028	20	0	10	3,881	0	1,940
Tennis Court Net - Replace	2018	10	0	0	529	529	529
Tennis Court Posts - Replace	2018	20	0	0	2,743	2,743	2,743
Tennis Court Resurface - Replace	2018	20	0	0	14,390	14,390	14,390
Volley Ball Court - Replace	2018	15	0	0	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Grounds Components - Total					\$51,303	\$30,823	\$40,646

Signs

Community Center Monument Sign - ..	2027	30	10	9	9,500	0	7,362
Monument LED Sign - Replace	2018	15	0	0	4,000	4,000	4,000
Monument Sign - Replace	2027	25	0	9	<u>7,500</u>	<u>0</u>	<u>4,800</u>
Signs - Total					\$21,000	\$4,000	\$16,162

Asphalt/Concrete

Asphalt Sidewalk - Replace	2022	20	0	4	37,494	0	29,995
Concrete Parking Lot/Curbs - Repair/..	2025	30	0	7	20,725	0	15,889
Concrete Sidewalk - Repair/Replace	2025	30	0	7	8,000	0	6,133
Concrete Slab - Repair/Replace	2025	30	0	7	<u>14,352</u>	<u>0</u>	<u>11,003</u>
Asphalt/Concrete - Total					\$80,571		\$63,021

Piper's Meadow Community Improvement Association
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2024
Continued

Park Furnishings

3 Row Bleacher - Replace	2027	25	0	9	4,200	0	2,688
Bench - Replace	2032	15	0	14	19,000	0	1,267
Bike Rack - Replace	2022	20	0	4	498	0	398
DugOut Benches - Replace	2022	20	0	4	500	0	400
Outdoor Tables - Replace	2018	20	0	0	8,800	8,800	8,800
Pavilion - Replace	2025	30	0	7	35,000	0	26,833
Pool Furnishings - Replace	2018	15	0	0	3,000	3,000	3,000
Soccer Goal - Replace	2022	20	0	4	4,250	0	3,400
Trash Receptacles - Replace	2027	10	0	9	3,840	0	384
Water Fountain - Refurbish	2030	13	0	12	1,600	0	123
Park Furnishings - Total					<u>\$80,688</u>	<u>\$11,800</u>	<u>\$47,293</u>

Play Structures

Fall Surface - Replace	2020	12	0	2	6,603	5,503	5,503
Fall Surface Border - Replace	2018	20	0	0	605	605	605
Playground Structure - Replace	2023	20	8	5	20,000	0	16,429
Swing Set - Replace	2020	25	0	2	2,500	0	2,300
Swing Set - Replace	2020	25	0	2	3,000	0	2,760
Play Structures - Total					<u>\$32,709</u>	<u>\$6,108</u>	<u>\$27,597</u>

Total Asset Summary					<u><u>\$570,021</u></u>	<u><u>\$165,000</u></u>	<u><u>\$422,013</u></u>
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