

OAK TREE HOME OWNERS ASSOCIATION, INC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2024**

BELL & RHODES, P.C.
Certified Public Accountants
Oklahoma City, Oklahoma

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Certified Public Accountants

14220 Barbour Avenue

Oklahoma City, OK 73134

INDEPENDENT AUDITORS REPORT

The Board of Directors
Oak Tree Home Owners Association, Inc.
Edmond, Oklahoma

Opinion

We have audited the accompanying financial statements of Oak Tree Home Owners Association, Inc. which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses, and changes in Home Owners' equity 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 Oak Tree Home 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 Oak Tree Home 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.

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, 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 Oak Tree Home 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 Oak Tree Home 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 Oak Tree Home 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

Management has omitted the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Bell & Rhodes, PC



September 5, 2025

Oak Tree Home Owners Association, Inc.
Balance Sheet
December 31, 2024

Assets

Current Assets

Cash	\$ 388,721
Cash - reserved	597,846
Assessments receivable (net of allowance of \$49000)	42,231
Deposit - playground equipment	19,019
Prepaid expenses	<u>41,268</u>
Total current assets	1,089,085

Fixed Assets

Guard Houses	85,742
Perimeter fence	680,520
Maintenance and security equipment	94,145
Vehicles	<u>65,779</u>
Total fixed assets	926,186
Less: accumulated depreciation	<u>(833,707)</u>
Net fixed assets	92,479

Total assets	<u>\$ 1,181,564</u>
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Liabilities and Homeowners' Equity

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 115,560
Deferred income - assessments	626,936
Architectural review/construction deposits	119,000
Current portion - note payable	<u>12,347</u>
Total current liabilities	873,843

Note payable	<u>2,179</u>
Total liabilities	876,022

Homeowners' Equity	<u>305,542</u>
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Total liabilities and homeowners' equity	<u>\$ 1,181,564</u>
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Oak Tree Home Owners Association, Inc.
Statements of Revenues, Expenses and Homeowners' Equity
For the Year Ended December 31, 2024

Revenue and Other Support

Homeowners' assessments	\$ 1,563,364
Homeowner interest & late charges	67,150
Bank interest income	20,130
Builder fees	3,075
Decal fees	470
Gain on disposal of asset	<u>1,000</u>
Total revenue and other support	1,655,189

Expenses

Security expenses	955,694
Landscaping	238,009
Repairs and maintenance - general	153,785
General and administrative	237,697
Street replacement	132,520
Bad debts	20,000
Gate replacement	13,700
Drainage repair	9,750
Signage/Speed signs	904
Depreciation	67,314
Interest expense	<u>1,491</u>
Total expenses	<u>1,830,864</u>
Net Income (loss)	(175,675)
Homeowners' equity at beginning of year	<u>481,217</u>
Homeowners' equity at end of year	<u>\$ 305,542</u>

Oak Tree Home Owners Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows From Operating Activities

Net income	\$ (175,675)
Adjustments to reconcile change in net income to net cash provided by operating activities:	
Depreciation	67,314
Decrease in allowance for doubtful accounts	4,443
Gain on disposal of asset	(1,000)
Changes in assets and liabilities:	
Increase in reserved cash	(260,633)
Decrease in dues receivable	27,229
Increase in prepaid expenses	(7,320)
Increase in deposit	(19,019)
Increase in accounts payable	22,128
Increase in deferred income-assessments	200,893
Cash applied to operations	(141,640)

Cash Flows from Investing Activities

Proceeds from sale of vehicle	1,000
Purchase of vehicle	(30,259)
Cash applied to investing activities	(29,259)

Cash Flows from Financing Activities

Principal payments on note payable	(11,449)
Cash applied to financing activities	(11,449)
Decrease in cash	(182,348)

Cash balance - beginning of year	571,069
Cash balance - end of year	\$ 388,721

Supplemental Information:

Interest expensed	\$ 1,491
Interest capitalized	-
Total interest paid	\$ 1,491

Oak Tree Home Owners Association, Inc.
Notes to Financial Statements
December 31, 2024

Note A – Nature of Activities and Significant Accounting Policies

Nature of Activities

Oak Tree Home Owners Association, Inc. (the “Association”) is an incorporated Owners’ Association in the State of Oklahoma. The Association is organized as a not-for-profit corporation to provide services to owners, to maintain streets, and preserve the common areas in the planned unit development in the northern part of Edmond, Oklahoma, known as Oak Tree. The primary services provided by the Association are security services at entries and throughout the Association, grounds preservation and beautification, landscaping, exterior fencing and gates, and street maintenance. The Association is also responsible for collecting dues from the Owners and operating the business of the Association and enforcing the Declarations of Covenants, Conditions, and Restrictions, the Bylaws of the Association, and Rules & Regulations of the Association which originally started on November 22, 1977. As of December 31, 2024, there were 796 homes, 111 lots, plus the Oak Tree National and Oak Tree Country Club in the Association. The Association also provides security patrol services to 150 homes in Interassociations which are developments who have their own Entrance and Exit gates. The total area under management by the Association is approximately 32 acres plus the lots and golf clubs.

In 2023 the Board of Directors were appointed by the Declarant of the Association. The Declarations of Covenants, Conditions, and Restrictions provide that when the number of platted lots reaches 850, control of the Association transfers to the Owners of the Association, who elect the Board of Directors of Oak Tree Home Owners Association, Inc. which in turn govern the Association. This transition from a Declarant controlling the operations of the Association to the Owners of the Association controlling the operations of the Association occurred on January 11, 2024.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

1. Common Personal Property and Equipment

The Association holds various equipment and improvements used for the Association’s purposes. Depreciation is provided using the straight-line method over the estimated useful lives of five to fifteen years. The Association’s governing documents do not restrict the disposal of the property. For the year ended December 31, 2024, the Association’s depreciation expense was \$67,314.

2. Common Area Real Property

The Association holds title to common area real property consisting of streets, sidewalks, greenbelts, and entrance facilities. The real property does not generate significant cash flows from members. The Association’s governing documents do not restrict the disposal of the common area real property. This common area real property is not reflected on the statements of assets, liabilities, and Home Owners’ equity as the property was contributed by the original developer and the fair value of this limited-use property is not determinable. Additions to and repairs and replacements of common area real property are reflected as reductions of the reserve fund for repairs and replacements. The Association is responsible for maintaining these common areas and also maintains all the exterior rights-of-way around the addition, which includes approximately eight miles of frontage and fences.

Oak Tree Home Owners Association, Inc.
Notes to Financial Statements
December 31, 2024

Note A – Nature of Activities and Significant Accounting Policies – continued

3. Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The Association had no cash equivalents at December 31, 2024.

4. Use of 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.

Note B – Members' Assessments

For the year ended December 31, 2023, the Members' Assessments were \$1,975 per year for residential homes, \$130 for undeveloped lots, and \$300 per lot for properties with access separate from the main gated entries (Interassociation Member). In addition, Interassociation Members Oak Tree National Golf Club and Oak Tree Country Club paid assessments of \$5,417 and \$10,833, respectively, in 2024. The Board has the discretion to impose additional special assessments subject to approval by the members.

Accounts receivable at the balance sheet date represent fees due from Home Owners. Deferred income at the balance sheet date represents prepaid dues. The Association's policy is to retain legal counsel and place liens on the properties of Home Owners whose dues are ninety days or more delinquent. Uncollectible assessments are determined by analysis of specific accounts. An allowance for doubtful accounts is established until the receivable is officially written off.

Note C – Restricted Cash

The restricted cash account holds refundable Architectural Review/Construction deposits and Board designated funds held for capital improvement purposes. Currently, 4% of dues are allocated for capital improvements.

Note D – Income Taxes

Section 528 of the Internal Revenue Code of 1986 allows homeowners' associations to elect annually to be taxed as a regular corporation or to pay 30% of their non-exempt function net income. The Association elected to file its tax return under Section 528 of the Internal Revenue Code to be treated as a homeowner's association for December 31, 2024. Under this method of reporting income, a majority of income, which includes assessments, is exempt from taxable income. A tax rate of 30% is applied to non exempt function income, such as interest income, less any applicable non exempt function expenses. In 2024 the regular method resulted in no tax liability. As of December 31, 2024 the Association had net operating losses of approximately \$509,389 relating to years that it did not elect to file under Section 528 that can be carried forward indefinitely and used to reduce income in future years that it does not elect to be taxed under section 528.

The Association's federal and state corporate income tax returns for the years ending December 31, 2022, 2023 and 2024 are subject to examination by the Internal Revenue Service, generally three years after they were filed.

Oak Tree Home Owners Association, Inc.
Notes to Financial Statements
December 31, 2024

Note E – Notes Payable

In 2023 the Association borrowed \$35,057 for the purchase of a truck. The note carries an interest rate of 6.69%; the truck serves as collateral for the loan. Principle payments for the next five years are as follows:

December 31, 2025	\$	12,347
December 31, 2026	\$	2,179

Note F – Concentrations

At December 31, 2024, the Association had funds on deposit at a local bank that exceeded the Federal Deposit Insurance Corporation limits by approximately \$25,158. Management is aware of this and believes the chance of financial loss to the Association caused by this excess is remote.

Note H - Evaluation of Subsequent Events

The Association has evaluated subsequent events through September 5, 2025, the date which the financial statements were available to be issued.