

Riverstone Homeowners Association, Inc.

Financial Statements

December 31, 2021

Canady & Canady

Certified Public Accountants

4801 Woodway Dr. Suite 470-E | Houston, Texas 77056 | 713.783.1021 | A Limited Liability Company

RIVERSTONE HOMEOWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2021

Table of Contents

Independent Auditor's Report.....3
Balance Sheet.....6
Statement of Revenues, Expenses and Changes in Fund Balances.....7
Statement of Cash Flows.....8
Notes to Financial Statements.....9

SUPPLEMENTARY INFORMATION 15
 Independent Auditor's Report on Supplementary Information16
 Supplementary Information on Future Major Repairs and Replacements.....16

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Riverstone Homeowners Association, Inc.**

Opinion

We have audited the accompanying financial statements of Riverstone Homeowners Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 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 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 page 15-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

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

Canady & Canady LLC

Houston, Texas

September 20, 2022

Riverstone Homeowners Association, Inc.
Balance Sheet
December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Foundation Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 2,896,274	\$ 8,258,034	\$ 1,545,153	\$ 12,699,461
Assessments receivable (net of allowance for doubtful accounts of \$145,244)	275,932	80,404	122,229	478,565
Other receivables	249,557	-	-	249,557
Prepaid expenses	197,071	-	-	197,071
Due from foundation fund	544,717	-	-	544,717
Due from replacement fund	153,514	-	-	153,514
Total Assets	<u>\$ 4,317,065</u>	<u>\$ 8,338,438</u>	<u>\$ 1,667,382</u>	<u>\$ 14,322,885</u>
Liabilities and Fund Balances				
Accounts payable and accrued expenses	\$ 442,134	\$ 113,217	\$ -	\$ 555,351
Assessments received in advance	4,341,640	-	-	4,341,640
Refundable deposits	213,263	-	-	213,263
Due to operating fund	-	153,514	544,717	698,231
Unearned income	1,230	-	-	1,230
Contract liabilities (assessments received in advance Replacement-Fund)	-	7,626,599	1,567,773	9,194,372
Total Liabilities	<u>4,998,267</u>	<u>7,893,330</u>	<u>2,112,490</u>	<u>15,004,087</u>
Fund Balances	<u>(681,202)</u>	<u>445,108</u>	<u>(445,108)</u>	<u>(681,202)</u>
Total Liabilities and Fund Balances	<u>\$ 4,317,065</u>	<u>\$ 8,338,438</u>	<u>\$ 1,667,382</u>	<u>\$ 14,322,885</u>

See accompanying notes to financial statements

Riverstone Homeowners Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Foundation Fund</u>	<u>Total</u>
Revenues				
Assessments	\$ 7,395,055	\$ 133,374	\$ -	\$ 7,528,429
Capitalization fee	-	705,180	-	705,180
Foundation payment	-	-	183,963	183,963
Interest	51	19,883	1,987	21,921
Reimbursement of expenses	1,033,051	-	-	1,033,051
Grant from Foundation	180,950	-	-	180,950
Miscellaneous income	544,621	-	-	544,621
Transfer fee	119,025	-	-	119,025
Facility income	18,735	-	-	18,735
Program income	26,745	-	-	26,745
Total Revenues	<u>9,318,233</u>	<u>858,437</u>	<u>185,950</u>	<u>10,362,620</u>
Expenses				
Landscape	4,431,345	-	-	4,431,345
Payroll	1,251,977	-	-	1,251,977
Utilities	1,204,855	-	-	1,204,855
Capital improvement	-	858,437	-	858,437
Lake	520,076	-	-	520,076
Pool and facilities	412,555	-	-	412,555
General property maintenance	208,936	-	-	208,936
General recreation	192,249	-	-	192,249
Foundation event	-	-	185,950	185,950
Insurance	179,346	-	-	179,346
Community events and functions	170,940	-	-	170,940
Legal and professional	166,444	-	-	166,444
Gated maintenance	144,376	-	-	144,376
Holiday decorations	124,370	-	-	124,370
Office and administrative	90,485	-	-	90,485
Bad debt	51,306	-	-	51,306
Property tax	45,404	-	-	45,404
Member communications	44,320	-	-	44,320
Parks and tennis court	32,258	-	-	32,258
Community standards	5,936	-	-	5,936
Reserve study	1,400	-	-	1,400
Total Expenses	<u>9,278,578</u>	<u>858,437</u>	<u>185,950</u>	<u>10,322,965</u>
Excess of Revenues over Expenses	39,655	-	-	39,655
Fund Balances				
Beginning of year	(720,857)	6,707,909	1,015,527	7,002,579
Permanent fund transfer	-	445,108	(445,108)	-
ASC 606 - restrospective application	-	(6,707,909)	(1,015,527)	(7,723,436)
End of year	<u>(681,202)</u>	<u>445,108</u>	<u>(445,108)</u>	<u>(681,202)</u>

See accompanying notes to financial statements

Riverstone Homeowners Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Foundation</u> <u>Fund</u>	<u>Total</u>
Cash Flows From Operating Activities				
Excess of revenues over expenses	\$ 39,655	\$ -	\$ -	\$ 39,655
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Bad debt	51,306	-	-	51,306
(Increase) decrease in:				
Assessments receivable (net of allowance for doubtful accounts of \$145,244)	(32,479)	14,594	4,718	(13,167)
Other receivables	(48,076)	-	-	(48,076)
Prepaid expenses	(193,071)	-	-	(193,071)
(Decrease) increase in:				
Accounts payable	(572,207)	39,004	(1,500)	(534,703)
Assessments received in advance	625,881	-	-	625,881
Refundable deposits	65,433	-	-	65,433
Unearned income	1,230	-	-	1,230
Contract liabilities (assessments received in advance (Replacement-Fund))	-	918,690	552,246	1,470,936
Net cash (used) provided by operating activities	<u>(62,328)</u>	<u>972,288</u>	<u>555,464</u>	<u>1,465,424</u>
Cash Flows From Financing Activities				
Decrease (increase) in:				
Due from operating fund	-	-	226,341	226,341
Due from replacement fund	113,744	-	-	113,744
Due from foundation fund	(544,717)	-	-	(544,717)
(Decrease) increase in:				
Due to operating fund	-	(113,744)	544,717	430,973
Due to foundation fund	(226,341)	-	-	(226,341)
Permanent fund transfer	-	445,108	(445,108)	-
Net cash (used) provided by financing activities	<u>(657,314)</u>	<u>331,364</u>	<u>325,950</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(719,642)	1,303,652	881,414	1,465,424
Cash and cash equivalents, beginning of year	<u>3,615,915</u>	<u>6,954,382</u>	<u>663,739</u>	<u>11,234,036</u>
Cash and cash equivalents, end of year	<u>\$ 2,896,274</u>	<u>\$ 8,258,034</u>	<u>\$ 1,545,153</u>	<u>\$ 12,699,461</u>
Supplemental Disclosures:				
Income Tax Paid	\$ -	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

Riverstone Homeowners Association, Inc.
Notes to Financial Statements

Note 1 - Organization

Riverstone Homeowners Association, Inc. (the Association) is a Texas non-profit corporation incorporated in May 2001 for the purpose to promote health, safety and welfare of the residents of Riverstone subdivisions in Fort Bent County, Texas. The Association is under Declarant control. The property is comprised of approximately 6,421 single family residential units as of December 31, 2021.

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 September 20, 2022, the date the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby income is recognized when earned and costs and expenses are recognized when the obligations are incurred.

Funds

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

Foundation Fund — this fund serves as a board appointed committee under the Association for the lawful purposes, including but not limited to religious, charitable, benevolent, educational, literary, patriotic, civic, social, athletic, scientific, and such other activities as are permitted to be carried on by the corporation.

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 its cash balances in financial institutions secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Cash and cash equivalents in Alliance Association Bank ICS account are deposited to different FDIC-insured institutions through the ICS service of Alliance Association Bank. As of December 31, 2021, the balance of uninsured cash and cash equivalents was \$ 656,872.

Riverstone Homeowners Association, Inc.
Notes to Financial Statements

Note 3 - Summary of Significant Accounting Policies (Continued)

Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Residential Assessments on all lots are fixed at a uniform rate. Lots in gated sections are subject to Neighborhood Assessment, lots at lakefront are subject to Lake Assessment. As of December 31, 2021, the Residential Assessment was \$1,110 per lot, Gate Assessment was \$700 per lot, and Lake Assessment was \$60 per lot. Lots owned by Builders are assessed at 50 percent of regular assessment rate. The following table summarizes the Association's assessments by section, number of units within each section (i.e., homeowner/builder controlled) and their assessment rates.

Assessment	Section	Number of Units	Assessment Rate for 2021
Full Year Assessment		6212	\$1,110
Full Year Assessment (Builders)		209	\$555
Mid Year Assessment			Prorated
Quarterly Mowing Assessment	\$359/qtr	119	\$1,436
Lake Assessment		404	\$60
Neighborhood Assessment A	Avalon Phase I	355	\$700
Neighborhood Assessment B	Avalon Phase II	1136/69	\$700/\$350
Neighborhood Assessment C	Crescent View	20	\$1,380
Neighborhood Assessment D	The enclave	42	\$720
Neighborhood Assessment E	Hartford Landing	54	\$700
Neighborhood Assessment F	Ivy Bend	10	\$2,948
Neighborhood Assessment G	Majestic Point	26/1	\$1,669/\$834.50
Neighborhood Assessment H	The reserve	27	\$926
Neighborhood Assessment I	The Island	9/1	\$4,199/\$2,099.50
Neighborhood Assessment J	Waters Cove	60	\$700
Neighborhood Assessment K	Hageron	9/150	\$700/\$350

Assessments Receivable

Assessments receivable from the homeowners consists of assessments billed prior to December 31, 2021. Accounts are deemed delinquent when payment is not received within 30 days of billing. The Association's policy is to actively pursue collection of assessments. Accounts are charged to operations when they are deemed uncollectible based upon periodic reviews of aging and collections. The allowance for doubtful accounts was \$145,244 as of December 31, 2021.

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 following year.

Riverstone Homeowners Association, Inc.
Notes to Financial Statements

Note 3 - Summary of Significant Accounting Policies (Continued)

Capitalization Fee

Upon acquisition of record title to a Lot by the first Owner from a Builder and upon each resale or transfer a Lot of a single-family residence which is not an exempt transfer, a payment shall be made by or on behalf of purchaser to the Association in an amount equal to 100 percent of the Residential Assessment as Replacement Fund Payment for the year in which the sale or transfer occurs, or such lesser amount as may hereafter be specified by the Board. This amount shall be in addition to, not in lieu of, the Residential Assessment and shall not be considered an advance payment of Residential Assessments. This amount shall be paid to the Association at closing, and shall be deposited into an account as a replacement fund for the repair, reconstruction or replacement of improvements of the common area.

Riverstone Foundation

Riverstone Community Services Foundation, Inc. (the Foundation) was a Texas non-profit corporation under the Texas Non-Profit Corporation Act. It was originally incorporated in June 2001 for the lawful purpose or purposes, including but not limited to religious, charitable, benevolent, educational, literary, patriotic, civic, social, athletic, scientific, and such other activities as are permitted to be carried on by the corporation exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

The Foundation shall have no members. The initial officers of the Foundation shall be a President, Vice President, Secretary and Treasurer, with the President and Secretary to be elected from among the members of the board of trustees. The board of trustees may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant treasurers, as it shall deem desirable in accordance with the by-laws, such officers to have the authority and perform the duties prescribed from time to time by the board of trustees. Any two or more officers may be held by the same person, except the officers of President and Secretary.

During the year of 2018, the Foundation was dissolved and transferred to Riverstone Homeowners Association, Inc. and exists as a board appointed committee under the Association.

Foundation Payment Income

The Association collects a transfer fee ("Foundation Fee") on behalf of the Riverstone Community Services Foundation, Inc. (the "Foundation") upon each transfer of title to a Lot which is not a transfer by a Builder or an Exempt Transfer. The Foundation Payment shall be payable to the Association at closing of the transfer. The Association's Board shall determine the amount of the Foundation Payment after consultation with the Foundation. The Foundation Payment shall not be greater than 0.25 percent of gross selling price of the applicable property. All Foundation Payments which the Association collects on behalf of the Foundation shall be classified as the Foundation income and deposited into a separate account in the name of the Foundation and shall be used for such purposes as the Foundation, acting through its board of trustees, deems beneficial to the general good and welfare of the Riverstone community.

Reimbursement of Expenses

The Association shared landscaping and community expenses with Riverstone Commercial Property Owners Association ("Riverstone POA"). For the year ended December 31, 2021, Riverstone POA reimbursed \$195,905 for such expenses. Riverstone POA reimbursed \$31,461 in 2021 for shared

management fee. In 2021, Fort Bend County LID reimbursed the Association \$794,976 in total to help with the costs that are located in LID district.

Riverstone Homeowners Association, Inc.
Notes to Financial Statements

Note 3 - Summary of Significant Accounting Policies (Continued)

Declarant Control

The Association is under Declarant Control. As long as the Class “B” membership exists in the Association, the Declarant may annually elect either to pay Residential Assessments on the Lots it owns or to subsidize the deficit. As of December 31, 2021, the Declarant owns 1 lot in the subdivision and paid annual assessment during the year.

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, assessments receivable, assessments received in advance, prepaid expenses, accounts payable and accrued expenses. The recorded values of the cash and cash equivalents, assessments receivable, assessments received in advance, prepaid expenses, accounts payable and accrued expenses approximate their fair values based on their short-term nature.

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, these 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, 2021 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 \$7,626,599 respectively. The balances of contract liabilities (assessments received in advance-Foundation Fund) as of the beginning and end of the year are \$0 and \$1,567,773 respectively.

Note 4 – 401(k) Contribution

Since 2017, the Association has allowed its employees to contribute to a 401(k) Plan. Upon hire all non-union employees may participate in the Plan. Employer match is 100 percent of employee deferrals up to the first 6 percent of compensation for the period and is immediately vested.

Riverstone Homeowners Association, Inc.
Notes to Financial Statements

Note 5 - Federal Income Tax

The Association is exempt from Federal income taxes under Section 501(c) (4) of the Internal Revenue Code.

The Association adopted the accounting for uncertainty for income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for year 2019, 2020 and 2021 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Note 6 - State Franchise Tax and Sales Tax

The Association is exempt from Texas franchise tax as specified under Section 171.082 of the Texas Tax Code as a homeowners' association. The Association is exempt from Texas sales tax as a qualifying 501 (c) (4) entity.

Note 7 - Long Term Contracts and leases

As of December 31, 2021 the long-term contracts the Association has entered in are as followed:

- A 4-year commitment lease with Always in Season Decorating Services, Inc. from June 2018 to June 2022 regarding decorations in the community.
- A 3-year service agreement with Alliance Association Bank, a division of Western Alliance Bank ("AAB") from December 2018 to November 2021. The services offered includes Lockbox services and collections, related record keeping services, accounts maintaining and engagement with Strongroom Solutions LLC ("SRS"), who provides accounts payable services as specified in agreement.
- A 3-year software license agreement with ALOSANT LLC, a Montana limited liability corporation, for a software product (the "Product App") formed for improvements in community lifestyle.
- A 3-year contractor agreement with Risher Fitness Management, Inc. from January 1, 2019 to December 31, 2021, for services to be performed at The Club at Riverstone Fitness Center and Tennis Court Complex. The monthly payment of this contractor agreement is \$14,680 for 2021.

Note 8 - Future Major Repairs and Replacements

The Association's governing documents require funds be accumulated for future major repairs and replacements. The board is funding for major repairs and replacements over the remaining useful lives of the components based on a study providing estimates of current replacements costs and considering amounts previously accumulated in the replacement fund. These funds are held in separate accounts and are generally not available for operating purposes.

Funds are being accumulated in the replacement fund based on estimated future costs of repairs and replacements. Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to homeowners' approval, to increase regular assessments, pass additional special assessments, or delay major repairs and replacements until funds are available.

Riverstone Homeowners Association, Inc.
Notes to Financial Statements

Note 9 – Pending Lawsuit

The Association was involved in pending lawsuits with some Homeowners (the Plaintiffs) in response to Hurricane Harvey-related flooding damages in 2017. An order nonsuiting the Association was signed by the Court on March 24, 2021. In exchange, the Association will execute a tolling agreement which gives the Plaintiffs the right to bring the Association back into the litigation if a basis is discovered within six (6) months.

Note 10 - FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities (assessments received in advance-replacement fund), as previously described.

Note 11 - 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.

SUPPLEMENTARY INFORMATION

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2021
(Unaudited)

An outside consulting company conducted a study in October 2018 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. The estimated future Inflation Rate for estimating Future Replacement Costs is 2.4 percent.

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

As of December 31, 2021, \$7,626,599 was allocated to the Replacement und, and \$1,567,773 was allocated to the Foundation Fund.

Reserve Component Inventory - HOA	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
<u>Exterior Building Elements</u>		
Roofs, Concrete Tile, The Club at Riverstone Complex	25	\$ 326,570
Roofs, Concrete Tile, Creekstone Village Pool House	18	46,588
Roofs, Concrete Tile, Riverstone Boulevard Pool House	13	51,723
Roofs, Metal, Avalon Phase II Park Pavilion and Rest Room Building	28	29,140
Roofs, Metal, Wetland Park Pavilion	29	11,936
Walls, Exterior, Paint Finishes and Repairs, The Club at Riverstone Complex	5	100,336
Walls, Exterior, Paint Finishes and Repairs, Creekside Village Pool House	4	29,822
Walls, Exterior, Paint Finishes and Repairs, Riverstone Boulevard Pool House	3	29,122
Windows and Doors, The Club at Riverstone Clubhouse	1	81,991
<u>Interior and Building Service Elements</u>		
The Club at Riverstone Clubhouse Building		
Access Control and Security, Access Control System	6	89,341
Access Control and Security, Surveillance System	1	32,436
Air Handling and Condensing Units, Split Systems	11	226,853
Audio/Visual (AV) System	9	71,947
Elevator, Hydraulic, Pump and Controls	26	88,002
Exercise Equipment, Cardiovascular	2	361,031
Exercise Equipment, Strength Training	12	106,471
Exercise Rooms and Studios, Renovations (Incl. Check-In Area)	6	118,061
Floor Coverings, Carpet	6	33,056
Floor Coverings, Tile	18	63,445
Floor Coverings, Wood	18	21,838
Furnishings, Appliances and Décor, Phased (Excl. Offices)	6	127,051
Kitchens, Renovation	18	53,637
Life Safety and Fire Protection System, Control Panel and Emergency Devices	18	38,312
Offices, Equipment, Phased	2	346,978
Offices, Furnishings	12	35,001
Paint Finishes	6	146,988
Plumbing Fixtures, Rest Rooms	18	68,962
Utility Vehicle, Proposed	10	211,200

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - HOA	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
<u>Remaining Structures throughout Community</u>		
Rest Rooms, Renovation, Avalon Phase II Park	20	16,069
Rest Rooms, Renovation, The Club at Riverstone Pool House	15	25,690
Rest Rooms, Renovation, The Club at Riverstone Tennis Courts	15	11,418
Rest Rooms, Renovation, Creekstone Crossing Pool House	10	33,047
Rest Rooms, Renovation, Riverstone Boulevard Pool House	5	42,853
<u>General Site Improvements</u>		
Concrete Parking Areas, Avalon II Park, Partial	22 to 30+	45,527
Concrete Parking Areas, The Club at Riverstone Amenity Area, Partial	16 to 30+	543,523
Concrete Parking Areas, Creekstone Village Amenity Area, Partial	10 to 30+	208,504
Concrete Parking Areas, Riverstone Boulevard Amenity Area, Partial	10 to 30+	79,460
Concrete Parking Areas, Wetland Park, Partial	22 to 30+	46,979
Concrete Sidewalks, Partial (First Ten Years)	1 to 30+	144,147
Concrete Sidewalks, Partial (Second Ten Years)	11 to 30+	913,634
Concrete Sidewalks, Partial (Third Ten Years)	21 to 30+	2,316,336
Fences, Chain Link, Dog Park	8	105,894
Fences, Steel, Paint Finishes, Phased	1 to 5	1,054,934
Fences, Steel, Replacement, Phased (Incl. Pedestrian Railings)	19	844,528
Fences, Vinyl, The Grove	19	70,617
Light Poles and Fixtures, Banners	6	607,525
Light Poles and Fixtures, Paint Finishes	1	150,138
Light Poles and Fixtures, Replacement, Amenity Areas, Phased	6	214,911
Light Poles and Fixtures, Replacement, Missouri City Boulevards	21	404,300
Perimeter Walls, Masonry Panel, Partial (First Ten Years)	1 to 30+	539,653
Perimeter Walls, Masonry Panel, Partial (Second Ten Years)	11 to 30+	2,052,271
Perimeter Walls, Masonry Panel, Partial (Third Ten Years)	21 to 30+	7,804,688
Signage and Monuments, Entrance Monuments, Renovation	7	461,660
Signage and Monuments, Decorative Statues	10	63,383
Signage and Monuments, Informational LED Sign	3	82,097
Signage and Monuments, Planter Pots	16	43,845
Signage and Monuments, Radar Signs	8	210,784
<u>Landscape, Irrigation and Drainage Site Improvements</u>		
Irrigation System, Controllers, Battery Operated, Phased	1	342,914
Irrigation System, Controllers, Calsense, Phased	1	1,363,255
Irrigation System, Inspections and Partial Replacements (First Ten Years)	1 to 10	114,197
Irrigation System, Inspections and Partial Replacements (Second Ten Years)	11 to 20	434,287
Irrigation System, Inspections and Partial Replacements (Third Ten Years)	21 to 30+	1,651,575
Landscape, Partial Replacements	1	3,318,517
Ponds, Aerators, Phased	1 to 12	2,212,345
Retaining Walls, Stone, Inspections and Repairs	1	25,206

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - HOA	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
<u>Park and Playground Site Improvements</u>		
Arbors, Meridian Park	10	12,677
Arbors, Orchard	14	27,876
Arbors, Sweetbriar	12	13,292
Docks and Footbridges, The Club at Riverstone Trail	13	43,828
Docks and Footbridges, Creekstone Crossing Drive	10	194,546
Docks and Footbridges, Haggerson Bridge	17	38,312
Docks and Footbridges, Riverstone Boulevard Amenity Area	7	52,023
Docks and Footbridges, Wetland Park	16	72,490
Playground Equipment, Avalon Phase II Park	20	120,520
Playground Equipment, The Club at Riverstone Amenity Area	16	146,150
Playground Equipment, Creekstone Amenity Area (Incl. Shade Structures)	6	145,988
Playground Equipment, The Crossing	18	45,975
Playground Equipment, Exercise Park	4	139,226
Playground Equipment, Millwood	10	112,361
Playground Equipment, Riverstone Boulevard Amenity Area	2	159,331
Playground Equipment, Shadowglen	12	134,650
Playground Equipment, Sweetbriar	8	91,848
Playground Equipment, Winding Waters	14	41,814
Tennis Courts, Color Coat, The Club at Riverstone Complex	1	556,688
Tennis Courts, Color Coat, Riverstone Boulevard Amenity Area	4	111,947
Tennis Court, Fence, The Club at Riverstone Complex	21	110,578
Tennis Court, Fence, Riverstone Boulevard Amenity Area	9	22,283
Tennis Court, Light Poles and Fixtures, The Club at Riverstone Complex	26	140,803
Tennis Court, Light Poles and Fixtures, Riverstone Boulevard Amenity Area	19	50,845
Tennis Court, Surface Replacement, Riverstone Boulevard Amenity Area	29	315,104
<u>Pool Elements</u>		
<i>General (Expenditures for all Pool Facilities)</i>		
Water Features, Refinishing	1	274,127
Water Slides, Refinishing	1	843,466

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - HOA	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
<i>The Club at Riverstone (Pool)</i>		
Concrete Deck, Coatings and Repairs, The Club at Riverstone Pool	6	302,869
Fences, Steel, The Club at Riverstone Pool	21	77,174
Furniture, The Club at Riverstone Pool	7	164,992
Mechanical Equipment, The Club at Riverstone Pool, Pumps, 25-HP, Phased	5	139,111
Mechanical Equipment, The Club at Riverstone Pool, Filters	21	82,275
Pool Finishes, Plaster, The Club at Riverstone Pool, Complete	6	494,821
Pool Finishes, Plaster, The Club at Riverstone Pool, Island, Interim	1	22,992
Trellises, Wood, The Club at Riverstone Pool	17	52,081
Water Features, Replacement, The Club at Riverstone Pool	11	78,769
Water Slides, Replacement, The Club at Riverstone Pool	16	584,601
<i>The Club at Riverstone (Splash Pad)</i>		
Concrete Deck, Coatings and Repairs, Splash Pad	2	222,837
Mechanical Equipment, Splash Pad, Phased	4	55,921
Water Features, Replacement, Splash Pad	11	236,307
<i>Creekstone Village</i>		
Concrete Deck, Coatings and Repairs, Creekstone Village Pool	10	215,129
Fences, Steel, Creekstone Village Pool	14	38,051
Furniture, Creekstone Village Pool	6	94,449
Mechanical Equipment, Creekstone Village Pool, Phased	3	65,534
Pool Finishes, Plaster, Creekstone Village Pool	10	202,974
Water Features, Replacement, Creekstone Village Pool (Incl. Turtle Slide)	6	78,356
Water Slides, Replacement, Creekstone Village Pool	11	42,187
<i>Riverstone Boulevard</i>		
Concrete Deck, Coatings and Repairs, Riverstone Boulevard Pool	1	154,736
Electrical Upgrades	29	49,732
Fences, Steel, Riverstone Boulevard Pool	19	45,038
Furniture, Riverstone Boulevard Pool	5	92,236
Mechanical Equipment, Riverstone Boulevard Pool, Phased	2	61,155
Pool Finishes, Plaster, Riverstone Boulevard Pool	1	183,559
Trellises, Wood, Riverstone Boulevard Pool	14	30,524
Water Features, Replacement, Riverstone Boulevard Pool	6	41,977
HOA Total		<u>\$ 39,477,684</u>

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - The Reserve	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	6 to 30+	279,619
Gate Entry System, Access Control Elements	9	23,982
Gate Entry System, Intercom Panel	9	19,186
Gate Entry System, Surveillance Elements	9	23,982
Gate Operators	9	67,151
Gates, Paint Finishes	3	6,044
Gates, Replacement	9	22,283
Monuments, Planters	16	8,769
Monuments, Uplights	6	12,023
Pavers, Masonry	10	24,085
The Reserve Total		\$ 487,124

Reserve Component Inventory - Waters Cove	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	6 to 30+	520,876
Gate Entry System, Access Control Elements	1	19,838
Gate Entry System, Intercom Panel	1	15,870
Gate Entry System, Surveillance Elements	1	19,838
Gate Operators	1	55,546
Gates, Paint Finishes	5	6,337
Gates, Replacement	11	23,365
Monuments, Uplighting	6	12,023
Pavers, Masonry	10	24,085
Water Feature, Inspection and Repairs	3	18,243
Water Feature, Footbridge	9	4,952
Waters Cove Total		\$ 720,973

Reserve Component Inventory - Crescent View	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	10 to 30+	208,743
Gate Entry System, Access Control Elements	10	24,558
Gate Entry System, Intercom Panel	10	19,647
Gate Entry System, Surveillance Elements	10	24,558
Gate Operators	10	68,763
Gates, Paint Finishes	2	5,505
Gates, Replacement	20	28,925
Gate House, Exterior Renovation	24	17,668
Monuments, Uplighting	10	13,219
Pavers, Masonry	14	25,158
Trellis, Paint Finishes and Repairs	1	25,483
Trellis, Replacement	17	37,414
Crescent View Total		\$ 499,641

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - Hartford Landing	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	10 to 30+	368,662
Gate Entry System, Access Control Elements	10	24,558
Gate Entry System, Intercom Panel	10	19,647
Gate Entry System, Surveillance Elements	10	24,558
Gate Operators	10	68,763
Gates, Paint Finishes	2	5,505
Gates, Replacement	20	28,925
Gate Walls, Exterior Renovations (Incl. Trellises)	13	13,611
Monuments, Uplighting	10	13,219
Pavers, Masonry	14	26,747
Hartford Landing Total		\$ 594,195

Reserve Component Inventory - Ivy Bend	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	10 to 30+	141,520
Gate Entry System, Access Control Elements	10	24,558
Gate Entry System, Intercom Panel	10	19,647
Gate Entry System, Surveillance Elements	10	24,558
Gate Operators	10	68,763
Gates, Paint Finishes	2	5,505
Gates	20	28,925
Monument, Uplighting	10	13,219
Pavers, Masonry	14	22,510
Pond, Inspections and Repairs (Incl. Fountain Replacement)	6	57,378
Pond, Gazebo	18	19,922
Ivy Bend Total		\$ 426,505

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - Avalon North	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	14 to 30+	1,638,182
Dock	14	15,053
Gate Entry System, Access Control Elements, Sections 1+2	9	23,982
Gate Entry System, Access Control Elements, Section 3	5	21,811
Gate Entry System, Access Control Elements, Sections 4+5	6	22,336
Gate Entry System, Intercom Panels, Sections 1+2	9	19,186
Gate Entry System, Intercom Panels, Section 3	5	17,450
Gate Entry System, Intercom Panels, Sections 4+5	6	17,869
Gate Entry System, Surveillance Elements, Sections 1+2	9	23,982
Gate Entry System, Surveillance Elements, Section 3	5	21,811
Gate Entry System, Surveillance Elements, Sections 4+5	6	22,336
Gate Operators, Sections 1+2	9	67,151
Gate Operators, Section 3	5	61,074
Gate Operators, Sections 4+5	6	62,539
Gates, Paint Finishes, Sections 1+2	1	5,375
Gates, Paint Finishes, Section 3	1	5,135
Gates, Paint Finishes, Sections 4+5	2	5,259
Gates, Replacement, Sections 1+2	19	28,247
Gates, Replacement, Section 3	25	32,567
Gates, Replacement, Sections 4+5	26	33,348
Monuments, Planter Pot	22	33,700
Monuments, Uplighting	14	16,726
Pavers, Masonry	18	43,676
Pavilion, Exterior Renovation	24	15,018
Ponds, Aerators	6	708,367
Avalon North Total		\$ 2,962,180

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - The Enclave	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	18 to 30+	315,003
Decorative Columns, Inspections and Repairs	7	22,872
Gate Entry System, Access Control Elements	10	24,558
Gate Entry System, Intercom Panel	10	19,647
Gate Entry System, Surveillance Elements	10	24,558
Gate Operators	10	68,763
Gates, Paint Finishes	6	5,781
Gates, Replacement	30	36,667
Monuments, Uplighting	20	6,428
Pavers, Masonry	22	116,855
The Enclave Total		\$ 641,132

Reserve Component Inventory - The Island	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	18 to 30+	113,553
Gate Entry System, Access Control Elements	10	24,558
Gate Entry System, Intercom Panel	10	19,647
Gate Entry System, Surveillance Elements	10	24,558
Gate Operators	10	68,763
Gates, Paint Finishes	6	5,781
Gates, Replacement	30	36,667
Gate House, Exterior Renovation	22	50,550
Gate House, Interior Renovation	21	32,910
Monuments, Lettering	20	12,856
Monuments, Planters	30	12,222
Monuments, Uplighting	20	6,428
Pavers, Masonry	22	72,034
Veranda and Fountain, Inspections and Repairs	8	68,373
Veranda and Fountain, Mechanical Equipment	11	21,165
The Island Total		\$ 570,065

Reserve Component Inventory - Majestic Pointe	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	18 to 30+	162,966
Gate Entry System, Access Control Elements	10	24,558
Gate Entry System, Intercom Panel	10	19,647
Gate Entry System, Surveillance Elements	10	24,558
Gate Operators	10	68,763
Gates, Paint Finishes	6	5,781
Gates, Replacement	30	36,667
Monuments, Uplighting	20	6,428
Pavers, Masonry	22	43,220
Water Feature, Capital Repairs	7	45,743
Majestic Pointe Total		\$ 438,331

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - Avalon South	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Concrete Streets, Partial	22 to 30+	2,817,898
Gate Entry System, Access Control Elements, Section 6A	8	23,420
Gate Entry System, Access Control Elements, Section 6B	8	23,420
Gate Entry System, Access Control Elements, Section 7	9	23,982
Gate Entry System, Access Control Elements, Section 8	9	23,982
Gate Entry System, Access Control Elements, Section 9	10	24,558
Gate Entry System, Access Control Elements, Section 10	10	24,558
Gate Entry System, Access Control Elements, Section 11A	11	14,718
Gate Entry System, Access Control Elements, Section 11B	11	14,718
Gate Entry System, Access Control Elements, Section 12	12	15,071
Gate Entry System, Access Control Elements, Section 15	12	15,071
Gate Entry System, Access Control Elements, Section 16	13	15,433
Gate Entry System, Access Control Elements, Section 18	13	15,433
Gate Entry System, Access Control Elements, Section 20	14	15,803
Gate Entry System, Access Control Elements, Section 21	14	15,803
Gate Entry System, Access Control Elements, Section 22	15	16,182
Gate Entry System, Intercom Panels, Section 6A	8	18,737
Gate Entry System, Intercom Panels, Section 6B	8	18,737
Gate Entry System, Intercom Panels, Section 7	9	19,186
Gate Entry System, Intercom Panels, Section 8	9	19,186
Gate Entry System, Intercom Panels, Section 9	10	19,647
Gate Entry System, Intercom Panels, Section 10	10	19,647
Gate Entry System, Intercom Panels, Section 11A	11	11,774
Gate Entry System, Intercom Panels, Section 11B	11	11,774
Gate Entry System, Intercom Panels, Section 12	12	12,057
Gate Entry System, Intercom Panels, Section 15	12	12,057
Gate Entry System, Intercom Panels, Section 16	13	12,347
Gate Entry System, Intercom Panels, Section 18	13	12,347
Gate Entry System, Intercom Panels, Section 20	14	12,642
Gate Entry System, Intercom Panels, Section 21	14	12,642
Gate Entry System, Intercom Panels, Section 22	15	12,946
Gate Entry System, Surveillance Elements, Section 6A	8	23,420
Gate Entry System, Surveillance Elements, Section 6B	8	23,420
Gate Entry System, Surveillance Elements, Section 7	9	23,982

Riverstone Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Continued)
December 31, 2021
(Unaudited)

Reserve Component Inventory - Avalon South (Continued)	Remaining Life (Years)	Replacement Costs 30-Year Total (\$)
Gate Entry System, Surveillance Elements, Section 8	9	23,982
Gate Entry System, Surveillance Elements, Section 9	10	24,558
Gate Entry System, Surveillance Elements, Section 10	10	24,558
Gate Entry System, Surveillance Elements, Section 11A	11	14,718
Gate Entry System, Surveillance Elements, Section 11B	11	14,718
Gate Entry System, Surveillance Elements, Section 12	12	15,071
Gate Entry System, Surveillance Elements, Section 15	12	15,071
Gate Entry System, Surveillance Elements, Section 16	13	15,433
Gate Entry System, Surveillance Elements, Section 18	13	15,433
Gate Entry System, Surveillance Elements, Section 20	14	15,803
Gate Entry System, Surveillance Elements, Section 21	14	15,803
Gate Entry System, Surveillance Elements, Section 22	15	16,182
Gate Operators, Section 6A	8	65,577
Gate Operators, Section 6B	8	65,577
Gate Operators, Section 7	9	67,151
Gate Operators, Section 8	9	67,151
Gate Operators, Section 9	10	68,763
Gate Operators, Section 10	10	68,763
Gate Operators, Section 11A	11	41,210
Gate Operators, Section 11B	11	41,210
Gate Operators, Section 12	12	42,199
Gate Operators, Section 15	12	42,199
Gate Operators, Section 16	13	43,212
Gate Operators, Section 18	13	43,212
Gate Operators, Section 20	14	44,249
Gate Operators, Section 21	14	44,249
Gate Operators, Section 22	15	45,311
Gates, Paint Finishes	6	86,722
Gates, Replacement, Section 6A	30	36,667
Gates, Replacement, Section 6B	30	36,667
Gates, Replacement, Section 7	30	36,667
Gates, Replacement, Section 8	30	36,667
Gates, Replacement, Section 9	30	36,667
Gates, Replacement, Section 10	30	36,667
Gates, Replacement, Section 11A	30	36,667
Gates, Replacement, Section 11B	30	36,667
Gates, Replacement, Section 12	30	36,667
Gates, Replacement, Section 15	30	36,667
Gates, Replacement, Section 16	30	36,667
Gates, Replacement, Section 18	30	36,667
Gates, Replacement, Section 20	30	36,667
Gates, Replacement, Section 21	30	36,667
Gates, Replacement, Section 22	30	36,667
Monuments, Uplighting	20	96,416
Pavers, Masonry	24	167,850
Avalon South Total		\$ 5,298,954