

**GARDEN OAKS  
MAINTENANCE ORGANIZATION, INC.**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2007 AND 2006**

**Durio & Company, P.C.**  
*Certified Public Accountants*

**GARDEN OAKS MAINTENANCE ORGANIZATION, INC.**

**Table of Contents**

	<u>Page</u>
Independent Auditor's Report	1
Statement of Assets & Liabilities Arising from Cash Transactions October 31, 2007 and 2006	2
Statement of Revenue Collected & Expenses Paid Years ended October 31, 2007 and 2006	3
Notes to Financial Statements October 31, 2007 and 2006	4 - 5

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## INDEPENDENT AUDITOR'S REPORT

Garden Oaks Maintenance Organization, Inc.  
Houston, Texas

We have audited the accompanying statements of assets and liabilities arising from cash transactions of Garden Oaks Maintenance Organization, Inc. as of October 31, 2007 and 2006, and the related statements of revenue collected and expenses paid for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**In our opinion**, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Garden Oaks Maintenance Organization, Inc. as of October 31, 2007 and 2006, and its revenue collected and expenses paid during the years then ended, on the basis of accounting described in Note 2.

*Durio & Company, P.C.*

February 15, 2008



**GARDEN OAKS MAINTENANCE ORGANIZATION, INC.**

**Statement of Assets and Liabilities Arising from Cash Transactions  
October 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash in checking account	\$ 24,683	\$ 133,761
Cash in temporary investments	<u>434,129</u>	<u>254,318</u>
Total Assets	<u>\$ 458,812</u>	<u>\$ 388,079</u>
<b>LIABILITIES &amp; EQUITY</b>		
<b>LIABILITIES</b>	\$ -	\$ -
<b>EQUITY</b>		
Members' Equity	<u>458,812</u>	<u>388,079</u>
Total Liabilities & Equity	<u>\$ 458,812</u>	<u>\$ 388,079</u>

**See the accompanying Notes to Financial Statements**

**GARDEN OAKS MAINTENANCE ORGANIZATION, INC.**

**Statement of Revenue Collected and Expenses Paid  
Years Ended October 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>REVENUE COLLECTED</b>		
Transfer fees - Section 1	\$ 76,165	\$ 89,561
Transfer fees - Section 2	35,239	20,410
Transfer fees - Section 3	37,890	50,661
Transfer fees - Section 5	48,706	49,041
Income on cash investments	13,044	2,828
	<u>211,044</u>	<u>212,501</u>
<b>EXPENSES PAID</b>		
Audit, accounting & tax services	5,200	5,000
Community donations	35,000	500
Computer & Internet expenses	761	2,337
Constable Patrol	27,031	
Dues & Subscriptions	1,082	
Income taxes	1,524	
Insurance	5,859	4,260
Legal	43,485	24,493
Miscellaneous expenses	685	
Office manager	4,441	500
Office supplies	435	126
Postage & delivery	2,875	
Printing & reproduction	912	4,047
Rent	8,779	9,562
Repairs & maintenance	1,600	
Telephone	642	-
	<u>140,311</u>	<u>50,825</u>
<b>NET REVENUE COLLECTED</b>	70,733	161,676
Members' Equity - Beginning of year	<u>388,079</u>	<u>226,403</u>
<b>Members' Equity - End of year</b>	<u>\$ 458,812</u>	<u>\$ 388,079</u>

**See the accompanying Notes to Financial Statements**

# GARDEN OAKS MAINTENANCE ORGANIZATION, INC.

## Notes to Financial Statements October 31, 2007 and 2006

### **Note 1: Reporting Entity**

Garden Oaks Maintenance Organization, Inc. (GOMO) was incorporated as a Texas non-profit organization in September 2002, to further the common interests of the Garden Oaks subdivisions in Houston, Texas. The organization collects transfer assessments from members, enforces deed restrictions, and promotes recreation, health safety, and welfare of the residents within the Garden Oaks subdivisions numbers 1, 2, 3, and 5.

Every person or entity who is a record owner of a fee or undivided fee interest in any parcel of land (as defined in the deed restrictions) in the applicable subdivisions is a member of GOMO.

### **Note 2: Basis of Presentation**

The financial statements are presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenue is reported in the accounting period received, and expenses are reported in the accounting period paid.

### **Note 3: Sources of Revenue**

Transfer assessment fees are collected from members whenever a parcel is conveyed by one person to another (except in connection with division of community property). The new owner-member pays a one-time special transfer assessment equal to 0.75% of the greater of: a). the gross purchase price as shown on the closing statement, or b). the appraised value of the parcel as shown on the current records of Harris County Appraisal District. The transfer assessment is collected at closing and forwarded to GOMO by the title company.

### **Note 4: Cash in Temporary Investments**

Cash in Temporary Investments includes funds in interest-bearing accounts, as well as short-term, highly liquid investments that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**Garden Oaks Maintenance Organization, Inc.  
Notes to Financial Statements  
October 31, 2007 and 2006**

**Note 5: Constable Patrol**

In July 2007, Garden Oaks Maintenance Organization, Inc. contracted with Harris County, Texas for neighborhood constable patrol services. The term of the agreement ends December 31, 2007.

Subsequent to GOMO's fiscal year end, but prior to the issuance of this report, the contract with Harris County for the constable patrol services was renewed through December 31, 2008. The contract can be terminated at any time by either party with no penalty.

**Note 6: Office Lease Agreement**

At October 31, 2007 and 2006, Garden Oaks Maintenance Organization, Inc. was committed to a lease for office space at the rate of \$730 per month. The lease was on a month-to-month lease as of October 31, 2007 and 2006.

Subsequent to October 31, 2007, but prior to the issuance of these financial statements, GOMO entered into a one-year commitment on the lease from February 1, 2008, through January 31, 2009.

**Note 7: Community Donations**

In the fiscal year ended October 31, 2007, Garden Oaks Maintenance Organization, Inc. donated \$35,000 to a SPARK Park at Garden Oaks Elementary School. In the fiscal year ended October 31, 2006, GOMO donated \$500 to the Garden Oaks Home Tour.

**Note 8: Federal Income Taxes**

Garden Oaks Maintenance Organization, Inc. is a Texas non-profit organization, but it does not qualify as a charitable organization for Federal tax purposes. The organization files its Federal tax return using Form 1120, U.S. Corporation Income Tax Return.