

Raintree Village Homeowners Association

Financial Statements

For the years ended December 31, 2014 and 2013



PUCKETT, CLEMENT AND SCHELLENBERG, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
GUIDING THE WAY FORWARD WITH INTEGRITY

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

January 26, 2015

To the Board of Directors
Raintree Village Homeowners Association
Troy, MI

We have reviewed the accompanying balance sheet of Raintree Village Homeowners Association (the "Association", a Michigan nonprofit corporation) as of December 31, 2014, and the related statements of revenue and expenses and changes in members' equity and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. The 2013 financial statements of Raintree Village Homeowners Association were reviewed by other accountants, whose report dated February 17, 2014, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the 2014 financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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Based on our review, we are not aware of any material modifications that should be made to the 2014 financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to 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. The results of our review of the basic financial statements are not affected by that missing information.

Puckett Clement and Schellenberg, P.C.

PUCKETT, CLEMENT AND SCHELLENBERG, P.C.
Troy, Michigan

RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

Balance Sheets

December 31, 2014 and 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash	\$ 40,946	\$ 41,388
Membership Dues Receivable	3,037	2,952
Prepaid Expenses	<u>1,300</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 45,283</u>	<u>\$ 44,340</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities		
Prepaid Membership Dues	\$ 512	\$ 455
Accrued Expenses	<u>60</u>	<u>-</u>
TOTAL LIABILITIES	<u>572</u>	<u>455</u>
Members' Equity	<u>44,711</u>	<u>43,885</u>
TOTAL MEMBERS' EQUITY	<u>44,711</u>	<u>43,885</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 45,283</u>	<u>\$ 44,340</u>

RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

Statement of Revenue and Expenses and Changes in Members' Equity

For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenue		
Membership Dues	20,904	21,134
Newsletter Advertising	350	-
Other Revenue	626	-
Total Revenue	21,880	21,134
 Expenses		
Bad Debt	101	71
Bank Service Charges	40	60
Bishop Entrance Sign Allowance	26	26
Insurance	3,908	3,616
Licenses and Permits	20	40
Parks and Grounds:		
Bishop and Millay Traffic Island	28	381
Lawn Maintenance	8,084	8,084
Snow Removal	533	374
Tree Replacement	123	-
Tree Service	1,558	-
Weed Control	1,368	878
Parks and Grounds - Other	327	458
Postage and Delivery	451	484
Printing and Reproduction	1,046	91
Professional Fees	2,086	749
Reconciliation Discrepancies	-	(108)
Resident Events:		
Halloween Warming Houses	86	73
Homeowners Block Party	881	-
Room Rental - Baker Middle School	126	110
Office Supplies	-	705
Voicemail	190	190
Website	72	72
Total Expenses	21,054	16,354
 Excess of Revenue Over Expenses	826	4,780
Members' Equity - Beginning of Year	43,885	39,105
Members' Equity - End of Year	44,711	43,885

See Accompanying Notes and Independent Accountants' Review Report

RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

Statement of Cash Flows

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows Used By Operating Activities		
Excess of Revenue Over Expenses	826	4,780
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Increase/(Decrease) in Accrued Expenses	60	-
Increase/(Decrease) in Membership Dues Receivable	(85)	2,354
(Increase)/Decrease in Prepaid Expenses	(1,300)	-
(Increase)/Decrease in Prepaid Membership Dues	<u>57</u>	<u>(247)</u>
Net Cash Used by Operating Activities	<u>(442)</u>	<u>6,887</u>
Net Increase/(Decrease) in Cash	(442)	6,887
Cash, Beginning of Year	<u>41,388</u>	<u>34,501</u>
Cash, End of Year	<u><u>40,946</u></u>	<u><u>41,388</u></u>

RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

NOTE 1 – NATURE OF THE ASSOCIATION

Raintree Village Homeowners Association (the "Association") is incorporated under the laws of the State of Michigan and operated to promote the recreation, health, safety and welfare of the residents in the Raintree Village Subdivisions No. 1, No. 2 and No. 3. The Association collects assessments for the operation, maintenance, management and improvement of the common areas, including but not limited to, the payment of taxes and insurance thereon, the repair and replacement thereof, for additions thereto, and improvements thereof, and for the cost of labor, equipment, materials, management and supervision for and in connection with the common areas and the Association.

The Association is located in Troy, Michigan and consists of 810 residential units. Each person or entity who is the owner of a lot in the above noted subdivisions is considered a member of the Association. Each member is entitled to one vote per lot of ownership.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements presented in this report have been issued on the accrual method of accounting, recognizing revenue when earned and expenses when incurred, in accordance with generally accepted accounting principles.

Membership Dues

Association members are subject to annual dues to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The annual dues were \$26 per unit for the years ended December 31, 2014 and 2013.

Membership Dues Receivable at December 31, 2014 and 2013, represent unpaid dues from homeowners (Association members). After exhausting reasonable collection attempts, the Association's policy is to file lawsuits in Small Claims Court and place liens on the properties of homeowners whose dues are delinquent. The Association considers all Membership Dues Receivable at December 31, 2014 and 2013 to be fully collectible.

Prepaid Membership Dues at December 31, 2014 and 2013, represent dues paid in advance. These are dues that have not been recognized as revenue by the Association at year-end as they apply to a subsequent financial period.

RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Property

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Cash and Cash Equivalents

The Association considers all highly liquid investments with maturities of less than three months to be cash equivalents. Cash and cash equivalents includes cash on deposit at a bank.

Income Tax

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the years ended December 31, 2014 and 2013. Under that section, the Association is not taxed on income related to its exempt purposes, which is the acquisition, construction, management, maintenance and care of Association property.

Net non-exempt function income, which includes earned interest and revenues received from non-members, is taxed at 30% by the Federal Government.

The Association may, at its discretion, be taxed as a corporation or homeowners' association. This election is made yearly by filing either a Form 1120 (to elect corporate taxation) or Form 1120-H (to elect exemption related to its tax exempt activities) with the Internal Revenue Service.

The Association has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association has analyzed tax positions taken for filing with the Internal Revenue Service. The Association believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2014 and 2013.

RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

Notes to Financial Statements

For the years ended December 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Association may be subject to random audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for years ending before December 31, 2012.

The Association's policy is to classify income tax related interest and penalties, if any, in interest expense and penalties expenses, respectively. The Association had no income tax related interest expense or penalties for the years ended December 31, 2014 and 2013.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CONCENTRATION RELATED TO REVENUE SOURCE

The Association derives its revenue almost exclusively from the 810 residential units which pay annual membership dues (on occasion it realizes advertising revenue from the newsletter, but this is generally insignificant to the overall annual revenue). Were a localized event to occur which impacted the habitability of a significant portion of these residential units (a flood, for example), it could impact the Association's ability to continue as a going concern. No such conditions existed as of December 31, 2014 and 2013.

NOTE 4 – DATE OF MANAGEMENT'S REVIEW

The Association's management has evaluated subsequent events and transactions for potential recognition or disclosure through January 26, 2015, the date that the financial statements were available to be issued.