

**Raintree Village Homeowners Association**

**Financial Statements**

**For the years ended December 31, 2016**

**Raintree Village Homeowners Association**  
Troy, Michigan

FINANCIAL STATEMENTS

December 31, 2016

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## Michail & Associates, CPA, P.C.

### INDEPENDENT ACCOUNTANTS' REVIEW REPORT

March 5, 2017

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

I have reviewed the accompanying financial statements of Raintree Village Homeowners Association (the "Association". A Michigan nonprofit corporation) which comprise the balance sheets as of December 31, 2016, and the related statement of revenue and expenses and changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements. 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 as a whole. Accordingly, I do not express such an opinion.

#### **Management's Responsibility 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; this include 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.

#### **Accountant's Responsibility**

My responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

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 missing information, 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. The results of our review of the basic financial statement are not affected by that missing information.

Maged Michail, CPA, PC

Michail & Associates, CPA, P.C.

**RAINTREE VILLAGE HOMEOWNERS ASSOCIATION**

**Balance Sheets**

**December 31, 2016**

**ASSETS**

**Current Assets**

Cash	\$ 40,949
Membership Dues Receivable	<u>4,980</u>

**TOTAL ASSETS** \$ 45,929

**LIABILITIES AND MEMBERS' EQUITY**

**Current Liabilities**

Prepaid Membership Dues	\$ 358
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**TOTAL LIABILITIES** \$ 358

Members' Equity 45,571

**TOTAL MEMBERS' EQUITY** 45,571

**TOTAL LIABILITIES AND MEMBERS' EQUITY** \$ 45,929

See Accompanying Notes and Independent Accountants' Review Report

**RAINTREE VILLAGE HOMEOWNERS ASSOCIATION**

**Statement of Revenue and Expenses and Changes in Members' Equity**

**For the Years Ended December 31, 2016**

**Revenue**

Membership Dues	\$	21,060
Newsletter Advertising		300
Other Revenue		546

**Total Revenue** \$ 21,906

**Expenses**

Bad Debt	\$	66
Bishop Entrance Sign Allowance		26
Insurance		4,220
Licenses and Permits		20
Meals & Entertainment		43
Garage Sale Signs (Meals & Entertainment)		307
Parks and Ground:		
Bishop and Millay Traffic Island		102
Lawn Maintenance		8,084
Pond		95
Snow Removal		129
Tree Service		2,530
Weed Control		1,446
Parks and Ground - Other		846
Postage and Delivery		494
Printing and Reproduction		1,130
Professional Fees		2,196
Room Rental - Baker Middle School		180
Supplies		32
Voicemail		190
Website		76

**Total Expenses** \$ 22,212

**Excess of Revenue Over Expenses** (306)

**Members' Equity - Beginning of Year** 45,877

**Members' Equity - End of Year** \$ 45,571

See Accompanying Notes and Independent Accountants' Review Report

**RAINTREE VILLAGE HOMEOWNERS ASSOCIATION**

**Statement of Cash Flows**

**For the Years Ended December 31, 2016 and 2015**

Cash Flows Used By Operating Activities

Excess of Revenue Over Expenses (Vice versa)	<u>\$ (306)</u>
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:	
Increase / (Decrease) in Accrued Expense	-
(Increase) / Decrease in Membership Dues Receivable	(387)
Increase / (Decrease) in Prepaid Expenses	4,220
Increase / Decrease in Accounts Payable	-
(Increase) / Decrease in Prepaid Membership Dues	<u>25</u>
<b>Net Cash Used by Operating Activities</b>	<u><b>\$ 3,552</b></u>
Net (Decrease) In Cash	3,552
Cash, Beginning of Year	<u>37,397</u>
<b>Cash, End of Year</b>	<u><u><b>\$ 40,949</b></u></u>

See Accompanying Notes and Independent Accountants' Review Report

# RAINTREE VILLAGE HOMEOWNERS ASSOCIATION

## Notes to Financial Statements

*For the years ended December 31, 2016*

### 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, 2016.

Membership Dues Receivable at December 31, 2016, 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, 2016 to be fully collectible.

Prepaid Membership Dues at December 31, 2016, 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, 2016*

### 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 year ended December 31, 2016. 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, 2016.

## **RAINTREE VILLAGE HOMEOWNERS ASSOCIATION**

### **Notes to Financial Statements**

*For the years ended December 31, 2016*

#### **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 year ending before December 31, 2013.

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, 2016.

#### ***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, 2016.

#### **NOTE 4 - DATE OF MANAGEMENT'S REVIEW**

The Association's management has evaluated subsequent events and transactions for potential recognition or disclosure through March 5, 2017, the date that the financial statements were available to be issued.