

Bluebonnet Homeowners' Association Inc.

**Financial Statements**

December 31, 2015

# Bluebonnet Homeowners' Association Inc.

## Statement of Financial Position (Unaudited)

December 31, 2015

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	2015		2014	
	December 31		December 31	
<b>Assets</b>				
Maintenance Fund				
Cash	\$	2,438	\$	6,538
Accounts receivable		976,474		955,327
Allowance for doubtful accounts		(976,474)		(955,327)
Deposits		200		200
	\$	2,638	\$	6,738
<b>Liabilities</b>				
Maintenance Fund				
Accounts payable and accrued liabilities	\$	4,999	\$	10,230
Deferred revenue		125		240
Due to related parties (note 6)		20,984		20,984
	\$	26,108	\$	31,454
<b>Net Deficiency</b>				
Maintenance Fund		(23,470)		(24,716)
	\$	(23,470)	\$	(24,716)

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# Bluebonnet Homeowners' Association Inc.

## Statement of Revenue and Expenditures (Unaudited)

December 31, 2015

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	2015		2014
	December 31		December 31
<b>Revenue</b>			
Collection of Current Maintenance Fees	\$ 21,873	\$	29,778
Other Income - Non Operating	-		-
	<u>21,873</u>		<u>29,778</u>
<b>Expenditures</b>			
Operating expenses:			
Property supervisor	6,400		9,600
Landscaping - grounds	1,600		5,830
Road maintenance	4,744		3,362
Refuse removal	2,250		1,933
Other miscellaneous repairs	1,116		1,018
Electricity - front entrance	246		639
Irrigation	300		300
	<u>16,656</u>		<u>22,683</u>
<b>Administrative expenses</b>			
Travel expenses	2,451		1,433
Contract accounting	800		675
Professional fees - tax compliance	600		595
Courier & postage	50		476
Bank fees	70		70
Directors and officers insurance	-		5,888
Dues and fees - Filing fee	-		-
Room rental for annual member meetings	-		200
Professional fees - legal	-		500
Provision for taxes - current	-		-
	<u>3,971</u>		<u>9,837</u>
Income (deficit) for the year before taxes	<u>1,246</u>		<u>(2,741)</u>
Federal income tax	-		-
Income (deficit) for the year	<u>\$ 1,246</u>	<u>\$</u>	<u>(2,741)</u>

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Bluebonnet Homeowners' Association Inc.

**Statement of Changes in Net Deficiency** (Unaudited)

December 31, 2015

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	2015 December 31	2014 December 31
Fund Balances beginning of year	\$ (24,716)	\$ (21,975)
Income (deficit) for the year	1,246	(2,741)
Fund balance, end of year	<u>\$ (23,470)</u>	<u>\$ (24,716)</u>

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Bluebonnet Homeowners' Association Inc.

**Statement of Cash Flow** (Unaudited)

December 31, 2015

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	2015 December 31	2014 December 31
<b>Cash flow from Operating Activities</b>		
Surplus (Deficit) for the year	\$ 1,246	\$ (2,741)
Decrease in deferred revenue	(115)	(10,560)
Increase (decrease) in accounts payable and accrued liabilities	(5,231)	7,373
Decrease in accounts receivable	-	150
	<u>(4,100)</u>	<u>(5,778)</u>
<b>Financing</b>		
Decrease in cash during the period	<u>\$ (4,100)</u>	<u>\$ (5,778)</u>
Cash, beginning of year	<u>\$ 6,538</u>	<u>\$ 12,316</u>
Cash, end of the year	<u>\$ 2,438</u>	<u>\$ 6,538</u>

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# Bluebonnet Homeowners' Association Inc.

## Notes to the Financial Statements (Unaudited)

December 31, 2015

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### 1. NATURE OF THE ORGANIZATION

Bluebonnet Homeowners' Association Inc. (the "Association") is a Texas non-profit corporation, incorporated in 2004, to provide for the maintenance of common facilities of Bluebonnet County, a series of subdivisions containing approximately 2500 lots and 1300 acres located in Navasota, Grimes County, Texas.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting* - The Association prepares its financial statements on the accrual basis of accounting. Under such basis, income and related assets are recognized when earned and expenses and related liabilities are recognized when incurred. Revenue of the Association is generated from collection of member assessments; expenditures consist primarily of site improvements, landscaping, repairs and maintenance.

*Fund Accounting* - The Association's governing documents provide certain guidelines for its financial activities. To ensure observance of limitations and restrictions on the use of resources, the Association maintains its accounts using fund accounting.

*Member Assessments* - Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. As a result of a high percentage of members not paying fees, the Association recognizes revenue for a year only when the amount has been collected. The annual budget and assessment of members are determined by the board of directors. After all other reasonable collection efforts have been exhausted, the Association's policy is to retain legal counsel and place liens on the properties of lot owners whose assessments are delinquent.

*Financial Instruments* - the carrying value of cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short term maturities of these assets and liabilities.

*Accounting Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Allowance for Doubtful Accounts* - The Association allows for all receivables not collected.

# Bluebonnet Homeowners' Association Inc.

## Notes to the Financial Statements (Unaudited)

December 31, 2015

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### 3. GOVERNING DOCUMENTS

The Association is the only and exclusive homeowners' association representing homeowner interests in the Bluebonnet development. Association fees are prescribed by registered covenants on title and are collected by the Association for Association purposes and obligations. The Association is operated, as a not-for-profit corporation. The by-laws of the Bluebonnet Homeowners' Association Inc. is the document that formally governs the operations of the Association. Among other things, those by-laws:

(i) Provide that each person (or entity) who is a recorded owner of a fee or undivided fee interest in any lot shall be a Member; and

(ii) Provide definition for directors, officers and operational management of the Association.

### 4. FEDERAL INCOME TAXES

*Federal income taxes* - The Association applied for a recognition of exemption under section 501c(4) of the Internal Revenue Code and was refused. The federal income tax liability for 2015 has been estimated at \$nil (2014: \$nil).

*State income taxes* - For 2015, Texas state franchise taxes are estimated at \$nil (2014: \$nil).

### 5. MANAGEMENT CONTRACTS AND FEES

The Association employs the services of a maintenance supervisor whose primary focus is on road repair and maintenance. For the first eight months of 2015, \$6,400 (2014 - \$9,600) was paid to the maintenance supervisor. The related contract was terminated on September 08, 2015 and had not been replaced as of December 31, 2015.

# Bluebonnet Homeowners' Association Inc.

## Notes to the Financial Statements (Unaudited)

December 31, 2015

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### 6. RELATED PARTIES

The Association had, other than those disclosed elsewhere in these financial statements, the following related party transactions and balances in the normal course of operations and measured at the exchange amount, which is the amount of consideration agreed to by the related parties:

*Due to related parties:*

	<u>2015</u>	<u>2014</u>
JVC Development LLC (controlling party)	<b>20,984</b>	20,984
	<b>\$ 20,984</b>	<b>\$ 20,984</b>

The balance due to JVC Development LLC ( the "Developer") does not bear interest.

During 2015, certain administrative functions of the Association were performed by the Developer, for a fee of \$nil (2014: \$nil).

### 7. OFFICERS AND DIRECTORS

As at December 31, 2015, Officers and Directors of the Association were:

Adam McLean - President & Director

Neil Morley - Secretary & Director

Kathy McHenry - Director