

Bluebonnet Homeowners' Association Inc.

Financial Statements

December 31, 2016

Bluebonnet Homeowners' Association Inc.

Statement of Financial Position (Unaudited)

December 31, 2016

	2016	2015
	December 31	December 31
Assets		
Maintenance Fund		
Cash	\$ 20,960	\$ 2,438
Accounts receivable	931,316	976,474
Allowance for doubtful accounts	(931,316)	(976,474)
Deposits	588	200
Prepaid Expenses	1,000	-
	<u>\$ 22,548</u>	<u>\$ 2,638</u>
Liabilities		
Maintenance Fund		
Accounts payable and accrued liabilities	\$ 5,662	\$ 4,999
Deferred revenue	8,119	125
Due to related parties (note 5)	20,984	20,984
	<u>\$ 34,765</u>	<u>\$ 26,108</u>
Net Deficiency		
Maintenance Fund	<u>(12,217)</u>	<u>(23,470)</u>
	<u>\$ (12,217)</u>	<u>\$ (23,470)</u>

Bluebonnet Homeowners' Association Inc.

Statement of Revenue and Expenditures (Unaudited)

December 31, 2016

	2016		2015
	December 31		December 31
Revenue			
Collection of Current Maintenance Fees	\$ 28,936	\$	21,873
Other Income - Non Operating	-		-
	<u>28,936</u>		<u>21,873</u>
Expenditures			
Operating expenses:			
Property supervisor	-		6,400
Landscaping - grounds	4,350		1,600
Road maintenance	-		4,744
Refuse removal	2,068		2,250
Other miscellaneous repairs	-		1,116
Electricity - front entrance	(90)		246
Irrigation	-		300
	<u>6,328</u>		<u>16,656</u>
Administrative expenses			
Directors and officers insurance	5,004		-
Travel expenses	1,349		2,451
Contract accounting	1,538		800
Professional fees - tax compliance	2,739		600
Courier & postage	720		50
Bank fees	5		70
Dues and fees - Filling fee	-		-
Room rental for annual member meetings	-		-
Professional fees - legal	-		-
Provision for taxes - current	-		-
	<u>11,355</u>		<u>3,971</u>
Income for the period before taxes	<u>11,253</u>		<u>1,246</u>
Federal income tax	-		-
Income for the period	<u>\$ 11,253</u>	\$	<u>1,246</u>

Bluebonnet Homeowners' Association Inc.

Statement of Changes in Net Deficiency (Unaudited)

December 31, 2016

	2016 December 31	2015 December 31
Fund Balances beginning of period	\$ (23,470)	\$ (24,716)
Income for the period	11,253	1,246
Fund balance, end of period	<u>\$ (12,217)</u>	<u>\$ (23,470)</u>

Bluebonnet Homeowners' Association Inc.

Statement of Cash Flow (Unaudited)

December 31, 2016

	2016 December 31	2015 December 31
Cash flow from Operating Activities		
Surplus for the period	\$ 11,253	\$ 1,246
Decrease in deferred revenue	7,994	(115)
Increase (decrease) in accounts payable and accrued liabilities	663	(5,231)
Decrease in accounts receivable	(388)	-
Increase in prepaid expenses	(1,000)	-
	<u>18,522</u>	<u>(4,100)</u>
Financing		
Increase in cash during the period	<u>\$ 18,522</u>	<u>\$ (4,100)</u>
Cash, beginning of period	<u>\$ 2,438</u>	<u>\$ 6,538</u>
Cash, end of the period	<u>\$ 20,960</u>	<u>\$ 2,438</u>

Bluebonnet Homeowners' Association Inc.

Notes to the Financial Statements (Unaudited)

December 31, 2016

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, 2016

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 2016 has been estimated at \$nil (2015: \$nil).

State income taxes - For 2016, Texas state franchise taxes are estimated at \$nil (2015: \$nil).

Bluebonnet Homeowners' Association Inc.

Notes to the Financial Statements (Unaudited)

December 31, 2016

5. 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>2016</u>	<u>2015</u>
JVC Development LLC (controlling party)	20,984	20,984
	\$ 20,984	\$ 20,984

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

During 2016, certain administrative functions of the Association were performed by the Developer, for a fee of \$nil (2015: \$nil).

6. OFFICERS AND DIRECTORS

As at December 31, 2016, Officers and Directors of the Association were:

Adam McLean - President & Director

Lisa Gaudet - Secretary, Treasurer & Director

Kathy McHenry - Director