

Bluebonnet Homeowners' Association Inc.

Draft Financial Statements

December 31, 2013

Bluebonnet Homeowners' Association Inc.

Statement of Financial Position (Unaudited)

December 31, 2013

	<u>2013</u>		<u>2012</u>
Assets			
Maintenance Fund			
Cash	\$	12,316	\$ 19,186
Accounts receivable		951,078	927,033
Allowance for doubtful accounts		(951,078)	(927,033)
Deposits		350	350
	\$	12,666	\$ 19,536
Liabilities			
Maintenance Fund			
Accounts payable and accrued liabilities	\$	2,857	\$ 3,800
Deferred revenue		10,800	14,640
Due to related parties (note 6)		20,984	22,904
	\$	34,641	\$ 41,344
Net Deficiency			
Maintenance Fund		(21,975)	(21,808)
	\$	(21,975)	\$ (21,808)

Bluebonnet Homeowners' Association Inc.

Statement of Revenue and Expenditures (Unaudited)

December 31, 2013

	2013 Budget	2013 Actual	2012 Actual
Revenue			
Collection of Current Maintenance Fees	\$ 37,400	\$ 34,035	\$ 38,615
Other Income - Non Operating	-	476	-
	37,400	34,511	38,615
Expenditures			
Operating expenses:			
Property supervisor	9,600	9,600	9,600
Landscaping - grounds	8,000	7,342	8,086
Road maintenance	3,626	2,787	9,321
Right-of-way maintenance	3,400	2,435	3,190
Refuse removal	2,675	2,187	2,875
Electricity - front entrance	600	603	624
Other miscellaneous repairs	1,500	427	1,212
Irrigation	450	450	123
Fence repair	-	-	250
	29,851	25,831	35,280
Administrative expenses:			
Directors and officers insurance	4,459	5,603	4,415
Travel expenses	950	1,299	930
Courier & postage	400	746	304
Contract accounting	840	950	833
Professional fees - tax compliance	600	600	600
Bank fees	100	69	134
Dues and fees - filling fee	-	5	-
Room rental for annual member meetings	200	200	200
Miscellaneous expenses	-	-	80
Provision for taxes- curent (refund)	-	(624)	(741)
	7,549	8,848	2,339
Income (deficit) for the year before taxes	-	(167)	(3,419)
Federal income tax	-	-	-
Income (deficit) for the year	\$ -	\$ (167)	\$ (3,419)

Bluebonnet Homeowners' Association Inc.

Statement of Changes in Net Deficiency (Unaudited)

December 31, 2013

	<u>2013</u>	<u>2012</u>
Fund Balances beginning of the year	\$ (21,808)	\$ (18,389)
Deficit for the year	(167)	(3,419)
Fund balance, end of year	<u>\$ (21,975)</u>	<u>\$ (21,808)</u>

Bluebonnet Homeowners' Association Inc.

Statement of Cash Flow (Unaudited)

December 31, 2013

	<u>2013</u>	<u>2012</u>
Cash flow from Operating Activities		
Deficit for the period	\$ (167)	\$ (3,419)
Decrease in deferred revenue	(3,840)	(480)
Increase (decrease) in accounts payable and accrued liabilities	(943)	2,715
	<u>(4,950)</u>	<u>(1,184)</u>
Financing		
Advances from (repayments to) JVC Development	(1,920)	6,835
Increase (decrease) in cash during the period	<u>\$ (6,870)</u>	<u>\$ 5,651</u>
Cash, beginning of the year	<u>\$ 19,186</u>	<u>\$ 13,535</u>
Cash, end of the year	<u>\$ 12,316</u>	<u>\$ 19,186</u>

Bluebonnet Homeowners' Association Inc.

Notes to the Financial Statements (Unaudited)

December 31, 2013

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 insure 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, 2013

3. GOVERNING DOCUMENTS

The Association is the only and exclusive homeowners' association representing homeowner interests in the Bluebonnet development. Association fees are in amounts 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 particular 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 2013 has been estimated at \$nil (2012: \$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 2013, \$9,600 (2012 \$9,600) was paid to the maintenance supervisor.

Bluebonnet Homeowners' Association Inc.

Notes to the Financial Statements (Unaudited)

December 31, 2013

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>2013</u>	<u>2012</u>
JVC Development LLC (controlling party)	20,984	22,904
	\$ 20,984	\$ 22,904

The balance due to JVC Development LLC (the "Developer") does not bear interest. During 2013, the loan payable to the Developer has decreased by \$1,920.

During 2013, certain administrative functions of the Association were performed by the Developer, for a fee of \$nil (2012: \$nil).

7. OFFICERS AND DIRECTORS

As at December 31, 2013, Officers and Directors of the Association were:

Doug Van Den Brink - Director & President
Scott Veinot - Director & Treasurer & Secretary
Kathy McHenry - Director