

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

DECEMBER 31, 2022

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Raintree Villas Homeowners' Association, Inc.
Lee's Summit, Missouri

We have reviewed the accompanying financial statements of Raintree Villas Homeowners' Association, Inc. (the "Association") (a nonprofit corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of revenue, expenses and change in fund balance and cash flows for the year 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 Association 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, we 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 includes 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

Our responsibility is to conduct the review engagement 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Raintree Villas Homeowners' Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion on the Financial Statements

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

INDEPENDENT ACCOUNTANT'S REVIEW REPORT (continued)

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 required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Marr and Company

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
October 17, 2023

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

BALANCE SHEET
December 31, 2022

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 19,303
Certificates of Deposit	128,288
Accounts Receivable	<u>9,252</u>
Total Current Assets	<u>156,843</u>
 TOTAL ASSETS	 \$ <u>156,843</u>

LIABILITIES & MEMBERS' EQUITY

Current Liabilities:	
Prepaid Dues	\$ <u>3,903</u>
Total Current Liabilities	3,903
 Members' Equity	 <u>152,940</u>
 TOTAL LIABILITIES & MEMBERS' EQUITY	 \$ <u>156,843</u>

See Independent Accountant's Report and Notes to these Financial Statements.

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

STATEMENT OF REVENUE, EXPENSES & CHANGE IN MEMBERS' EQUITY
For the Year Ended December 31, 2022

<u>REVENUE:</u>	
Membership Assessments	\$ 204,894
Activities Income	656
Fees Collected	376
Interest Income	466
Other Revenue	<u>68</u>
Total Revenue	206,460
 <u>EXPENSES:</u>	
Management Fees	6,780
Administrative	2,636
Grounds Maintenance	118,531
Taxes & Insurance	1,150
Unit Repairs & Maintenance	77,017
Utilities	21,652
Other Expenses	<u>471</u>
Total Expenses	<u>228,237</u>
Change in Members' Equity	(21,777)
Members' Equity, Beginning of Year	<u>174,717</u>
Members' Equity, End of Year	\$ <u>152,940</u>

See Independent Accountant's Report and Notes to these Financial Statements.

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Members' Equity \$ (21,777)

Adjustments to Reconcile Change in Members' Equity to Net

Cash From Operating Activities –

Unrealized gain on certificate of deposits (464)

Changes in:

Accounts Receivable (1,688)

Prepaid Expenses 825

Prepaid Dues 368

Net Cash Used From Operating Activities (22,736)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 42,039

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 19,303

See Independent Accountant's Report and Notes to these Financial Statements.

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: NATURE OF ORGANIZATION

Raintree Villas Homeowners' Association, Inc. (the "Association") was incorporated on December 23, 2002, in the State of Missouri. The Association is organized as a not-for-profit corporation for the purpose of maintaining and preserving common property of the Association. The Association consists of 120 homes located in Lee's Summit, Missouri.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The Association has prepared these financial statements using the accrual basis of accounting. The accrual basis of accounting recognizes revenue and assets when earned and liabilities and expenses when incurred.

B. Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are due by the end of the first month of each quarter. Assessment revenue is recognized over the assessment period, during which time the members have continuous access to amenities, common areas, architectural control, covenant enforcement, certain community events, and other services. Homeowner assessments paid in advance are deferred to the assessment period to which they relate. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are 120 days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The allowance for doubtful accounts represents an estimate of the portion of accounts receivable that will not likely be collected after all legal remedies have been exhausted.

C. Income Tax

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2022, the Association elected to be taxed as a corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates. There was no Federal or State income tax expense for the year ended December 31, 2022.

The Association has adopted the provisions of FASB ASC 740-10 as it might apply to its financial transactions. The Association's policy is to record a liability for any tax position that it is beneficial to the Association, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transactions or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2022, and, accordingly, no liability has been accrued.

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in checking, savings, money market and certificate of deposit with original maturity of less than three months.

The Association maintains its deposits in three banks in the greater Kansas City, Missouri area. The deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022, the Association had no deposits in excess of FDIC insurance levels.

E. Capital Assets

The Association's policy for recognizing land and common property as assets in its balance sheet is to recognize (a) common personal property and (b) common real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

The Association owns 14 small tracts of common area property for which it is responsible for maintenance. The property was donated to the Association by the developer and, as a result, the property has no accounting or tax cost basis.

The Association capitalizes personal property at cost and depreciates it over its estimated useful lives using the straight-line method.

F. Leases

The Association has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the Association recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Association determines whether an arrangement is or contains a lease at contract inception. The Association includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Association has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Association had no significant long-term leases as of December 31, 2022.

The Association has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

RAINTREE VILLAS HOMEOWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Subsequent Events

Management has evaluated events and transactions that have occurred since December 31, 2022, and reflected their effects, if any, in these financial statements through October 17, 2023, the date the financial statements were available for release.

NOTE 3: FUTURE MAJOR REPAIRS AND REPLACEMENT

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. When funds are needed to meet future needs for major repairs and replacements, with a majority member vote, the Association has the right to increase regular assessments, pass special assessments, acquire additional debt, or delay major repairs and replacements until funds are available.

The Association's Board of Directors considers repairs relating to stucco, soffit and fascia boards, and the sprinkler system to be normal maintenance items and are not considered major repairs and replacements. The Board of Directors considers roofs and concrete to be the responsibility of each individual residence owner.

NOTE 4: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and Cash Equivalents	\$ 19,303
Certificate of Deposits	128,288
Accounts Receivable, net	<u>9,252</u>
	<u>\$ 156,843</u>

In the event of a shortfall of available financial resources, the Association has the ability to increase member dues accordingly.