

*GREENTRAILS IMPROVEMENT ASSOCIATION
FINANCIAL STATEMENTS –
MODIFIED CASH BASIS
DECEMBER 31, 2016*

JCMP & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Green Trails Improvement Association

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JCMP & Associates, P.C.
Certified Public Accountants

Independent Auditor's Report

To The Board of Directors
Green Trails Improvement Association
Lisle, Illinois

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities and fund balances (modified cash basis) of Green Trails Improvement Association (a not-for-profit organization) as of December 31, 2016, and the related statements of revenues, expenses and changes in fund balances (modified cash basis) for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in these circumstances. Management is also responsible for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of Green Trails Improvement Association as of December 31, 2016, and its revenues and expenses for the year then ended in conformity with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

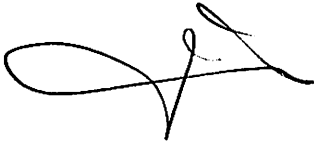
Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted updating the estimate of the remaining lives and replacement costs of the common property and, therefore, has not presented supplemental information on funds designated for future repairs and replacements 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Support and Expenses – Budget and Actual (modified cash basis) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, consisting of a large, stylized loop on the left and a series of connected strokes on the right.

November 10, 2017
Naperville, Illinois

GREEN TRAILS IMPROVEMENT ASSOCIATION

Statements of Assets, Liabilities and Fund Balance (Modified Cash Basis)

December 31, 2016

	2016		
	Operating Fund	Replacement Fund	Total
ASSETS			
Cash including interest bearing accounts	\$192,513	\$155,075	\$347,588
Investments - certificates of deposit	-	729,663	729,663
Total Assets	\$192,513	\$884,738	\$1,077,251
LIABILITIES AND NET ASSETS			
Assessments received in advance	\$214,303	\$0	\$214,303
Total Liabilities	214,303	-	214,303
Fund Balances	(21,790)	884,738	862,948
Total Liabilities and Fund Balances	\$192,513	\$884,738	\$1,077,251

The accompanying notes and independent auditor's report are an integral part of these financial statements

GREEN TRAILS IMPROVEMENT ASSOCIATION

Statements of Revenues, Expenses and Changes in Fund Balances (Modified Cash Basis)

Year Ended December 31, 2016

	2016		
	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessmenst	\$398,238	\$ -	\$398,238
Interest income	628	9,617	10,245
Other income	11,455	-	11,455
Total Revenues	\$410,321	\$9,617	\$419,938
EXPENSES			
Administrative	99,447	-	99,447
Operating	203,935	-	203,935
Trail replacement/maintenance	98,100	-	98,100
Total Expenses	401,482	-	401,482
CHANGE IN NET ASSETS	8,839	9,617	18,456
BEGINNING FUND BALANCES	6,612	837,880	844,492
INTERFUND TRANSFERS	(37,241)	37,241	-
ENDING FUND BALANCES	(\$21,790)	\$884,738	\$862,948

The accompanying notes and independent auditor's report are an integral part of these financial statements

**Green Trails Improvement Association
Notes to the Financial Statements
December 31, 2016**

NOTE 1 – ORGANIZATION AND PRINCIPAL BUSINESS ACTIVITIES

Green Trails Improvement Association, an Illinois not-for-profit corporation, was incorporated May 17, 1976, to provide for the management, maintenance, repair, and replacement of the common areas of the Green Trails subdivision in Lisle, Illinois. The property consists of approximately 2,511 single-family homes, condominiums units and apartments and four affiliate members who pay assessments at a 90% rate. The Board of Directors is responsible for adhering to the bylaws and covenants of the Association in their decision process.

The purpose of the Association is to execute on behalf of unit owners the rights, powers and obligations vested in the Association pursuant to the Declaration of Covenants, Conditions and Restrictions, including election of the Board of Directors, management and maintenance of all common areas and structural elements, collection of assessments and enforcement of lien rights and general operation and management of the Association property.

The books and records of the Association are maintained by the property manager.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Principles

The Association maintains its books of account on the modified cash basis of accounting for both financial statement purposes and income tax purposes. Under this method, support is recognized when assessments are received and expenses are recognized when paid. Assessments received for the subsequent year are not recorded as revenue, but deferred, and recognized as a liability until the next year.

Fund Accounting

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Green Trails Improvement Association
Notes to the Financial Statements
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's administrative and operating expenses, future capital acquisitions, and major repairs and replacements. The Association's policy is to place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Cash and Cash Equivalents

The Association considers all highly-liquid short-term investments maturing in three months or less from the purchase date to be cash equivalents. Cash equivalents are carried cost, which approximates market value.

Short Term Investments

Investments with original maturities longer than ninety days are classified as short term investments and consist of certificates of deposit.

Fair Value of Instruments

All financial instruments are held or issued for other than trading purposes. Management applied the following methods and assumptions to estimate the fair value of financial instruments:

Cash – Because of the close proximity to maturity, the carrying amount of cash approximates its fair value.

Investments held to maturity – All certificates of deposit have been categorized as investments held to maturity because the Association has the intent and ability to hold them to maturity. These securities are accounted for at their cost including interest. Original maturities on these investments range from seven to fifteen months.

Accounting Estimates

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

**Green Trails Improvement Association
Notes to the Financial Statements
December 31, 2016**

NOTE 3 – FEDERAL AND STATE INCOME TAXES

The Association applied for and received exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(4). Accordingly, the Association has not provided for federal and state income taxes. Income tax years subject to examination are 2013 through present. Assessments and other income of the Association are not deductible for income tax purposes as charitable contributions.

NOTE 4 – REPLACEMENT FUNDING PROGRAM

The Association has funded contributions to capital for the future replacement and overlay of selected Association common areas, contingencies, and extraordinary expenditures. The funds are segregated in the financial statements and are to be used for these purposes generally. In the event these funds are not adequate to fund major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Board of Directors conducted a formal study in October 1994 to estimate the remaining useful lives and the replacement costs of the components of common property. Since that time the Board of Directors of Green Trails Improvement Association, internally, has updated and modified the various estimates and components associated with the original study. Funding for such major repairs and replacements is based on the study's estimates. Actual expenditures, however, may vary from the estimated amount and the variation may be material.

NOTE 5 – LICENSE AGREEMENTS

A license agreement was entered into on August 13, 1996, between Green Trails Improvement Association and Collegewood Courts Partners, an Illinois general partnership. This agreement allows the owners of four properties located at Collegewood Courts, Lisle, Illinois, developed by Collegewood Court Partners, access to and the use of common properties owned by Green Trails Improvement Association for recreational purposes for fifty years. This irrevocable license is renewable at the option of Green Trails Improvement Association. This agreement is based on the property owners paying a discounted single-family monthly assessment. This agreement does not allow any of these property owners the right to hold office on the Association Board of Directors or vote on any member issues.

NOTE 6 – CONCENTRATION OF CREDIT RISK

Green Trails Improvement Association did not maintain cash balances in excess of normal Federal Deposit Insurance Corporation (FDIC) limits for the years ended December 31, 2016.

GREEN TRAILS IMPROVEMENT ASSOCIATION
Schedules of Support and Expenses - Budget and Actual (Modified Cash Basis)
Year Ended December 31, 2016

	2016			2015 Total
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Regular assessment	\$ 397,008	\$ 398,238	\$ 1,230	\$ 397,826
Interest Income	885	10,245	9,360	3,002
Other Income	4,550	11,455	6,905	8,185
	<u>402,443</u>	<u>419,938</u>	<u>17,495</u>	<u>409,013</u>
EXPENSES				
Administrative Expenses				
Secretarial services	1,275	1,275	-	1,248
Insurance expenses	6,605	6,609	(4)	6,366
Office supplies and postage	2,925	1,992	933	1,848
Assessment billing	2,175	2,845	(670)	1,503
Newsletter	9,300	7,125	2,175	10,115
Management contract	62,910	62,909	1	68,778
Legal expense	4,200	462	3,738	1,950
Auditing	3,500	2,400	1,100	4,125
Meeting expense	750	446	304	608
Website development	1,500	440	1,060	580
Editor	4,930	4,926	4	4,829
Miscellaneous administration	9,000	5,621	3,379	6,980
Annual meeting and election notice	2,000	913	1,087	398
Follow-up Billing	700	1,485	(785)	621
Special Legal Fees	25,000	-	25,000	-
	<u>136,770</u>	<u>99,448</u>	<u>37,322</u>	<u>109,949</u>
Operating Expenses				
Electric	12,000	9,370	2,630	9,685
Turf Maintenance	108,120	99,302	8,818	78,248
Engineering	750	-	750	700
Tree Maintenance	59,300	62,652	(3,352)	67,724
Accent area maintenance	18,370	26,165	(7,795)	60,369
Gazebo maintenance	200	-	200	-
Light Pole Replacemenet	2,000	-	2,000	-
Trail lighting maintenance	7,500	6,019	1,481	6,682
Miscellaneous maintenance	3,000	427	2,573	-
	<u>211,240</u>	<u>203,935</u>	<u>7,305</u>	<u>223,408</u>
Trail replacement/maintenance				
Trail maintenance	85,185	74,500	10,685	77,640
Trail sealcoat/crackfill	23,675	23,600	75	21,500
	<u>108,860</u>	<u>98,100</u>	<u>10,760</u>	<u>99,140</u>
Total Expenses	<u>456,870</u>	<u>401,483</u>	<u>55,387</u>	<u>432,497</u>
Increase (Decrease) in Fund Balances	<u>(54,427)</u>	<u>18,455</u>	<u>72,882</u>	<u>(23,484)</u>