

**HERITAGE LAKE ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

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STEVEN D.  
**GREIM & COMPANY P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**Accountants' Compilation Report**

To the Board of Directors and Members:  
Heritage Lake Association, Inc.  
Mackinaw, Illinois

We have compiled the accompanying Balance Sheets of Heritage Lake Association, Inc. (an Illinois corporation) as of December 31, 2009 and 2008, and the related Statements of Income, Retained Earnings, and Cash Flows for the years then ended, and the accompanying Supplementary Information contained in the Schedule of Operating Expenses for the years then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

  
Steven D. Greim & Company, P.C.

February 25, 2010

# HERITAGE LAKE ASSOCIATION, INC.

## BALANCE SHEETS

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 102,493	\$ 59,397
Cash held as construction security deposits	2,030	2,022
Accounts receivable:		
Lot owner assessments	12,078	5,658
Lake fund charge	1,025	2,084
Road fund charge	3,629	1,837
Other receivables	30,855	4,755
Less allowance for doubtful accounts	<u>(38,802)</u>	<u>(10,997)</u>
Net accounts receivable	8,785	3,337
Prepaid expenses	<u>4,293</u>	<u>1,900</u>
Total current assets	\$ 117,601	\$ 66,656
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>572,245</u>	<u>427,099</u>
Total assets	<u>\$ 689,846</u>	<u>\$ 493,755</u>

## LIABILITIES AND HOMEOWNERS' EQUITY

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 66,538	\$ 3,544
Accrued payroll taxes	2,995	0
Accrued liabilities	0	2,931
Accrued real estate taxes	1,492	0
Construction security deposits of members	<u>130</u>	<u>4,200</u>
Total current liabilities	\$ 71,155	\$ 10,675
<b>LONG-TERM LIABILITIES, NET</b>	<u>0</u>	<u>0</u>
Total liabilities	\$ 71,155	\$ 10,675
<b>HOMEOWNERS' EQUITY</b>		
Contributed capital	272,902	272,902
Retained earnings	<u>345,789</u>	<u>210,178</u>
Total homeowners' equity	<u>618,691</u>	<u>483,080</u>
Total liabilities and homeowners' equity	<u>\$ 689,846</u>	<u>\$ 493,755</u>

See accountants' compilation report



# HERITAGE LAKE ASSOCIATION, INC.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>OPERATING INCOME</b>		
Assessments	\$ 229,242	\$ 216,876
Road fund charge	56,128	47,856
Lake fund charge	38,733	36,987
Permits, fees and other operating income	44,806	37,665
Total revenues	<u>\$ 368,909</u>	<u>\$ 339,384</u>
<b>OPERATING EXPENSES</b>		
General and administrative	\$ 140,298	\$ 145,727
Property owner services	7,727	9,426
Conservation	3,033	81,662
Campgrounds	1,346	1,252
Beach	3,161	7,372
Maintenance and repairs	46,005	48,215
Lodge and pool	38,145	39,930
Total expenses	<u>239,715</u>	<u>333,584</u>
Net income from operations before income taxes	\$ 129,194	\$ 5,800
Other income (expense)		
Interest income	\$ 5,909	\$ 6,944
Other income	2,102	0
Penalties	(1,536)	0
Interest expense & Late Fees	0	0
Total other income (expense)	<u>6,475</u>	<u>6,944</u>
Income before replacement taxes	\$ 135,669	\$ 12,744
Income tax expense	<u>(58)</u>	<u>(1,061)</u>
Net income	\$ 135,611	\$ 11,683
Retained earnings, beginning of the year	<u>210,178</u>	<u>198,495</u>
Retained earnings, end of year	<u>\$ 345,789</u>	<u>\$ 210,178</u>

See accountants' compilation report

# HERITAGE LAKE ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 135,611	\$ 11,683
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	27,774	26,385
(Increase) decrease in accounts receivable	(5,448)	869
(Increase) decrease in prepaid expenses	(2,393)	0
Increase (decrease) in accounts payable	62,994	(7,194)
Increase (decrease) in accrued expenses	(2,514)	(64)
Net cash provided (used) by operating activities	<u>\$ 216,024</u>	<u>\$ 31,679</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (172,920)	\$ (4,826)
Change in cash designated for construction security deposits	(8)	(7,349)
Net cash provided (used) by investing activities	<u>\$ (172,928)</u>	<u>\$ (12,175)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New borrowings		
Long-term	\$ 0	\$ 0
Short-term	0	0
Debt reduction		
Long-term	0	(81,647)
Short-term	0	0
Net cash provided (used) by financing activities	<u>\$ 0</u>	<u>\$ (81,647)</u>
Net increase in cash	\$ 43,096	\$ (62,143)
Cash, beginning of year	<u>59,397</u>	<u>121,540</u>
Cash, end of year	<u><u>\$ 102,493</u></u>	<u><u>\$ 59,397</u></u>
Supplemental Data:		
Cash paid during the year for interest expense	<u><u>\$ 0</u></u>	<u><u>\$ 4,525</u></u>

See accountants' compilation report

# HERITAGE LAKE ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Heritage Lake Association, Inc is a corporation organized under the General Not for Profit Corporation Act of Illinois. The purpose of the Association is to: promote pleasure, social recreation and sports activities for its members, their families and guests, and maintain a recreationally oriented environment in Heritage Lake subdivision, Mackinaw Township, Tazewell County, Illinois; provide a means for operating, maintaining, repairing and replacing the streets, parks, lakes, recreational areas and facilities and other amenities owned by the Association; and provide a means for governing the use and enjoyment of the Association's properties.

#### **CASH AND CASH EQUIVALENTS**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

#### **ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Accounts receivable from owners are reported net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. The allowance for doubtful accounts at December 31 2009 and 2008 was \$38,802 and \$10,997, respectively.

#### **PROPERTY AND EQUIPMENT**

Equipment is carried at cost, less accumulated depreciation. Depreciation is calculated under the straight-line and MACRS methods, as prescribed by the Internal Revenue Code. The same method is used for both financial statement and income tax purposes.

	Estimated Life in Years
Land improvements	7 - 15
Buildings	7 - 31
Machinery & equipment	3 - 10
Transportation equipment	5
Office equipment	5

#### **ACCOUNTS PAYABLE**

All accounts payable are current and expected to be paid within the subsequent fiscal year, with the exception of a disputed invoice in the amount of \$65,357 payable to Tazewell County Asphalt.

See accountants' compilation report



# HERITAGE LAKE ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

### 2. CERTIFICATE OF DEPOSIT

Certificate of Deposit with face values of \$21,678 was held by the Association at December 31, 2009. The certificate bears interest rates of 2.225% and matures March 3, 2010.

### 3. PROPERTY AND EQUIPMENT

Property and Equipment activity for the year ended December 31, 2009, was as follows:

	Balance December 31, 2008	Additions	Disposals	Balance December 31, 2009
Governmental activities:				
Land - subdivision lots	\$ 31,000	\$ 0	\$ 0	\$ 31,000
Land - common properties	161,944	0	0	161,944
Land improvements	303,526	167,749	0	471,275
Buildings	175,445	0	0	175,445
Machinery & equipment	123,629	5,172	0	128,801
Transportation equipment	60,529	0	0	60,529
Office equipment	17,795	0	0	17,795
Totals at cost	873,868	\$ 172,921	\$ 0	1,046,789
Less: accumulated depreciation	446,769			474,544
Property and equipment, net	\$ 427,099			\$ 572,245

### 4. PREPAID EXPENSES

Prepaid expenses consist of liability and workmen's compensation insurance and income taxes.

### 5. ASSESSMENTS

Each lot owner in Heritage Lake subdivision is a member of the Association and is assessed annually by the Association. Assessments must be used for the purpose of promoting the recreation, health, safety and welfare of the Association's members, and improving and maintaining the Association's properties. In accordance with the by-laws no portion of the assessments is required to be allocated for future major repairs and replacements; however the Association has been working toward upgrades of existing amenities by using a portion of the assessments for such repairs. Future forecasting and budgeting will require consideration of major repairs and replacements. Assessments are determined prior to February 1 each year by the Board of Directors, and are payable on or before March 1. Each lot was assessed at the rate of \$216.47+B138 and \$204.60 for 2009 and 2008, respectively. Delinquent accounts are charged penalties computed at the rate of nine percent (included in assessment income in the financial statements) and may be subject to various late fees, lien and collection fees.

See accountants' compilation report



# **HERITAGE LAKE ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

### **6. ROAD FUND CHARGES**

During 2009 and 2008, each property owner was charged a fee of \$75.57 and \$71.43, respectively, to assist in covering the cost of road repairs and maintenance. In accordance with the by-laws and prior to June 1 these charges are adjusted by the rate of inflation which is determined by the increase in the U.S. Bureau of Labor Statistics Consumer Price Index for all Urban Consumers during the preceding calendar year. These charges are payable on or before July 1. Delinquent accounts are charged penalties computed at the rate of nine percent (included in road fund income in the financial statements) and may be subject to various fees, lien and collection fees.

### **7. LAKE FUND CHARGES**

During 2009 and 2008, each property owner was charged a fee of \$58.07 and \$54.89, respectively, to assist in covering the cost of significant lake improvements (I.e. Lake dredging and dam repair). In accordance with the by-laws and prior to April 1 these charges are adjusted by the rate of inflation which is determined by the increase in the U.S. Bureau of Labor Statistics Consumer Price Index for all Urban Consumers during the preceding calendar year. Delinquent accounts are charged penalties computed at the rate of nine percent ( included in lake fund income in the financial statements) and may be subject to various late fees, lien and collection fees.

### **8. INCOME TAXES**

The Association elected to file its tax return as a regular corporation on form 1120. As such the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. The income tax liability for the years ended December 31, 2009 and 2008 was \$58 and \$1,061, respectively.

See accountants' compilation report

# HERITAGE LAKE ASSOCIATION, INC.

## SCHEDULE OF OPERATING EXPENSES

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>General and administrative:</b>		
Labor	\$ 41,282	\$ 52,150
Payroll taxes	7,097	9,676
Depreciation	27,774	26,385
Insurance	11,413	11,813
Professional fees	1,320	1,000
Telephone	1,747	1,387
Office supplies and expenses	3,374	774
Property taxes	2,984	1,179
Contract bookkeeping/audit services	5,175	24,475
Postage	1,962	2,545
Garbage service	1,136	1,979
Bad debts	29,001	(1,984)
Interest expense	0	4,525
Newspaper ads	770	461
Collection expense	567	4,801
Miscellaneous	4,696	4,561
	<u>140,298</u>	<u>145,727</u>
<b>Property owner services:</b>		
Enforcement	6492	6,845
Newsletter / website	1235	2,531
Other	0	50
	<u>7,727</u>	<u>9,426</u>
<b>Conservation:</b>		
Electricity	1648	1,392
Restock fish	870	800
Lake and dam upgrades	500	79,038
Other	15	432
	<u>3,033</u>	<u>81,662</u>
<b>Campgrounds:</b>		
Electricity	1055	692
Other	291	560
	<u>1,346</u>	<u>1,252</u>

See accompanying notes to financial statements

See accountants' compilation report

# HERITAGE LAKE ASSOCIATION, INC.

## SCHEDULE OF OPERATING EXPENSES, CONTINUED

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Beach	\$ 3,161	\$ 7,372
Maintenance and repairs:		
Fuel	7,540	7,918
Mowing	4,074	6,950
Snowplowing	3,581	8,934
Supplies	13,073	4,352
Equipment	6,517	8,003
Roads	7,220	7,414
Other	4,000	4,644
	<u>46,005</u>	<u>48,215</u>
Lodge and pool:		
Natural gas	1,491	2,470
Lifeguards	8,872	8,130
Pool manager & staff	5,935	3,308
Chemicals	4,241	2,061
Lodge repairs and maintenance	3,018	10,383
Pool repairs	5,824	4,261
Electricity	3,041	4,052
Water	3,802	3,406
Other	1,921	1,859
	<u>38,145</u>	<u>39,930</u>
	<u>\$ 239,715</u>	<u>\$ 333,584</u>

See accompanying notes to financial statements

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