

# HERITAGE LAKE ASSOCIATION, INC.

## FINANCIAL STATEMENTS

December 31, 2010 and 2009

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STEVEN D.  
**GREIM & COMPANY P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
Heritage Lake Association, Inc.  
Mackinaw, IL

We have compiled the accompanying Balance Sheets of Heritage Lake Association, Inc. as of December 31, 2010 and 2009, and the related Statements of Income for the period then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

  
Steven D. Greim & Company, P.C..

March 16, 2011

**HERITAGE LAKE ASSOCIATION, INC.****BALANCE SHEETS**

December 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 44,078	\$ 102,493
Cash held as construction security deposits	0	2,030
Accounts receivable:		
Lot owner assessments	16,515	12,078
Lake fund charge	5,974	1,025
Road fund charge	5,098	3,629
Other receivables	28,274	30,855
Less allowance for doubtful accounts	<u>(42,459)</u>	<u>(38,802)</u>
Net accounts receivable	13,402	8,785
Prepaid expenses	4,096	4,293
Total current assets	\$ 61,576	\$ 117,601
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>671,099</b>	<b>572,245</b>
Total assets	\$ 732,675	\$ 689,846
<b>LIABILITIES AND HOMEOWNERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 5,583	\$ 66,538
Accrued payroll taxes	1,910	2,995
Accrued liabilities	25	0
Accrued real estate taxes	0	1,492
Construction security deposits of members	460	130
Total current liabilities	\$ 7,978	\$ 71,155
<b>LONG- TERM LIABILITIES, NET</b>	<b>0</b>	<b>0</b>
Total liabilities	\$ 7,978	\$ 71,155
<b>HOMEOWNERS' EQUITY</b>		
Contributed capital	272,902	272,902
Retained earnings	<u>451,795</u>	<u>345,789</u>
Total homeowners' equity	<u>724,697</u>	<u>618,691</u>
Total liabilities and homeowners' equity	\$ 732,675	\$ 689,846

See accountants' compilation report

**HERITAGE LAKE ASSOCIATION, INC.**

**STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the years ended December 31, 2010 and 2009

	<u>2010</u>		<u>2009</u>
<b>OPERATING INCOME</b>			
Assessments	\$ 226,789	\$	229,242
Road fund charge	49,990		56,128
Lake fund charge	38,435		38,733
Permits, fees and other operating income	19,624		44,806
Total revenues	\$ 334,838	\$	368,909
<b>OPERATING EXPENSES</b>			
General and administrative	\$ 144,297	\$	140,298
Property owner services	9,388		7,727
Conservation	8,998		3,033
Campgrounds	1,298		1,346
Beach	3,530		3,161
Maintenance and repairs	36,143		46,005
Lodge and pool	34,384		38,145
Total expenses	238,038		239,715
Net income from operation~ before income taxes	\$ 96,800	\$	129,194
Other income (expense)			
Interest income	\$ 6,081	\$	5,909
Other income	3,125		2,102
Other expense	0		0
Penalties	0		(1,536)
Interest expense & Late Fees	0		0
Total other income (expense)	9,206		6,475
Income before replacement taxes	\$ 106,006	\$	135,669
Income tax expense	0		(58)
Net income	\$ 106,006	\$	135,611
Retained earnings, beginning of the year	345,789		210,178
Retained earnings, end of year	\$ 451,795	\$	345,789

See accountants' compilation report

**HERITAGE LAKE ASSOCIATION, INC.**  
**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 106,006	\$ 135,611
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	34,999	27,774
(Increase) decrease in accounts receivable	(4,617)	(5,448)
(Increase) decrease in prepaid expenses	197	(2,393)
Increase (decrease) in accounts payable	(60,955)	62,994
Increase (decrease) in accrued expenses	(2,219)	(2,514)
	\$ 73,411	\$ 216,024
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	\$ (133,856)	\$ (172,920)
Change in cash designated for construction security deposits	2,030	(8)
	\$ (131,826)	\$ (172,928)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New borrowings		
Long-term	\$ 0	\$ 0
Short-term	0	0
Debt reduction		
Long-term	0	0
Short-term	0	0
	\$ 0	0
Net increase in cash	\$ (58,415)	\$ 43,096
Cash, beginning of year	102,493	59,397
	\$ 44,078	\$ 102,493
<b>Supplemental Data:</b>		
Cash paid during the year for interest expense	\$ 0	\$ 4,525

See accountants' compilation report

**HERITAGE LAKE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**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, 2010 and 2009 was \$42,459 and \$38,802, 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.

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**HERITAGE LAKE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**2. CERTIFICATE OF DEPOSIT**

Certificate of Deposit with face values of \$22,678 was held by the Association at December 31, 2010. The certificate bears interest rates of 2.25% and matures March 3, 2011. The certificate will renew at that date with an interest rate of .70% and maturity date of March 3, 2012

**3. PROPERTY AND EQUIPMENT**

Property and Equipment activity for the year ended December 31, 2010, was as follows:

	Balance December 31, 2009	Additions	Disposals	Balance December 31, 2010
Governmental activities:				
Land - subdivision lots	\$ 31,000	\$ 1,362	\$ 0	\$ 32,362
Land - common properties	161,944	0	0	161,944
Land improvements	471,275	130,947	0	602,222
Buildings	175,445	0	0	175,445
Machinery & equipment	128,801	1,547	0	130,348
Transportation equipment	60,529	0	0	60,529
Office equipment	17,795	0	0	17,795
Totals at cost	1,046,789	\$ 133,856	\$ 0	1,806,645
Less: accumulated depreciation	474,544			509,546
Property and equipment, net	\$ 572,245			\$ 671,099

**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 and \$216.47 for 2010 and 2009, 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.

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**HERITAGE LAKE ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS**

December 31, 20 10 and 2009

**6. ROAD FUND CHARGES**

During 2010 and 2009, each property owner was charged a fee of \$75.57 and \$75.57, 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 2010 and 2009, each property owner was charged a fee of \$58.07 and \$58.07, 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, 2010 and 2009 was \$0 and \$58, respectively.

**HERITAGE LAKE ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING EXPENSES**  
For the years ended December 31, 2010 and 2009

	<u>2010</u>		<u>2009</u>
<b>General and administrative:</b>			
Labor	\$ 49,210	\$	41,282
Payroll taxes	7,587		7,097
Depreciation	34,999		27,774
Insurance	13,424		11,413
Professional fees	8,484		1,320
Telephone	1,896		1,747
Office supplies and expenses	4,467		3,374
Property taxes	3,308		2,984
Contract bookkeeping/audit services	3,500		5,175
Postage	2,448		1,962
Garbage service	1,240		1,136
Bad debts	11,096		29,001
Interest expense	0		0
Newspaper ads	257		770
Collection expense	465		567
Miscellaneous	1,916		4,696
	144,297		140,298
<b>Property owner services:</b>			
Enforcement	6398		6492
Newsletter / Website	2990		1235
Other	0		0
	9,388		7,727
<b>Conservation:</b>			
Electricity	536		1648
Restock fish	1350		870
Lake and dam Upgrades	7090		500
Other	22		15
	8,998		3,033
<b>Campgrounds:</b>			
Electricity	991		1055
Other	307		291
	1,298		1,346

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Beach	\$ 3,530	\$ 3,161
Maintenance and repairs:		
Fuel	4,915	7,540
Mowing	0	4,074
Snowplowing	4,641	3,581
Supplies	10,498	13,073
Equipment	2,576	6,517
Roads	10,900	7,220
Other	2,613	4,000
	<u>36,143</u>	<u>46,005</u>
Lodge and pool:		
Natural gas	2,288	1,491
Lifeguards	10,405	8,872
Pool manager & staff	4,802	5,935
Chemicals	3,699	4,241
Lodge repairs and maintenance	3,076	3,018
Pool repairs	2,174	5,824
Electricity	3,927	3,041
Water	2,027	3,802
Other	1,986	1,921
	<u>34,384</u>	<u>38,145</u>
	\$ 238,038	\$ 239,715

See accompanying notes to financial statements

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