

HERITAGE LAKE ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Donald M. Heinold, CPA, P.C.



DONALD M. HEINOLD
Certified Public Accountants

Donald M. Heinold, C.P.A.
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ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying statement of assets, liabilities and equities – income tax basis of Heritage Lake Association, Inc. (a corporation) as of December 31, 2014, and the related statement of revenues, expenses, and retained earnings – income tax basis and statement of cash flows – income tax basis for the year 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 the income tax basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting 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.

The supplementary information contained in the schedule of operating expenses – income tax basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

We are not independent of Heritage Lake Association, Inc.

A handwritten signature in black ink that reads 'Donald M. Heinold'. The signature is written in a cursive, flowing style.

Donald M. Heinold, CPA, P.C.

January 20, 2015

HERITAGE LAKE ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND EQUITY - INCOME TAX BASIS
December 31, 2014

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ASSETS	<u>2014</u>
CURRENT ASSETS:	
Cash	\$ 479,933
Accounts receivable:	
Lot owner assessments	22,286
Lake fund charge	9,838
Road fund charge	10,803
Other receivables	14,915
Less allowance for doubtful accounts	<u>(48,925)</u>
Net accounts receivable	8,917
Total current assets	488,850
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>541,419</u>
TOTAL ASSETS	<u><u>\$ 1,030,269</u></u>
 LIABILITIES AND EQUITY	
CURRENT LIABILITIES:	
Accounts payable - trade	\$ 1,684
Total current liabilities	<u>1,684</u>
LONG-TERM LIABILITIES	<u>-</u>
TOTAL LIABILITIES	1,684
EQUITY:	
Contributed capital	272,902
Retained earnings	<u>755,683</u>
Total stockholders' equity	<u>1,028,585</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,030,269</u></u>

See accompanying notes and accountant's compilation report.

HERITAGE LAKE ASSOCIATION, INC. Page 3
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS - INCOME TAX BASIS
For the Year Ended December 31, 2014

	<u>2014</u>
Operating income:	
Assessments	\$ 244,794
Road fund charge	78,709
Lake fund charge	40,747
Miscellaneous association income	26,087
Permits, fees and other operating income	27,110
Investment income	999
	<u>418,446</u>
Operating expenses:	
General and administrative	141,694
Property owner services	7,921
Conservation	6,108
Campgrounds	2,412
Sports Complex	-
Beach	4,318
Maintenance and repairs	90,025
Lodge and pool	42,795
	<u>295,273</u>
Net income from operations before income taxes	123,173
Income tax expense	<u>-</u>
Net income	123,173
Retained earnings, beginning of the year	<u>632,510</u>
Retained earnings, end of the year	<u><u>\$ 755,683</u></u>

See accompanying notes and accountant's compilation report.

HERITAGE LAKE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS - INCOME TAX BASIS
For the Year Ended December 31, 2014

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	2014
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 123,173
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	35,218
(Increase) decrease in operating assets:	
Accounts receivable	(2,630)
Increase (decrease) in operating liabilities:	
Accounts payable - trade	(442)
Accrued liabilities	-
Net cash provided by operating activities	155,319
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisitions of property and equipment	-
Net cash used in investing activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long term debt	-
Payments on long term debt	-
Net cash used in financing activities	-
Increase (decrease) in cash	155,319
Cash, beginning of the year	324,614
Cash, end of the year	\$ 479,933
Supplemental Data:	
Cash paid during the year for Interest expense	\$ -

See accompanying notes and accountant's compilation report.

HERITAGE LAKE ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Policies

Organization - Heritage Lake Association, Inc. ("Association") 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.

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 \$230.15 for 2014.

Road Fund Charges – During 2014, each property owner was charged a fee of \$120.35 to assist in covering the cost of road repairs and maintenance. In accordance with the by-laws and prior to June 1 these charges were 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. An additional \$40 was added to the previous year's fee amount by vote of the membership at the 2014 annual meeting. These charges are payable on or before July 1.

1. Summary of Significant Accounting Policies (cont'd)

Lake Fund Charges – During 2014, each property owner was charged a fee of \$61.85 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 1st 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.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Association considers all short-term securities purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment – Generally, all property and equipment owned by the Association is recognized as an asset in the financial statements. Property and equipment are stated at cost. Depreciation is computed primarily using the applicable tax method which allows for accelerated depreciation over the estimated useful lives of the assets. Estimated useful lives range from three to thirty-one years. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. Depreciation expense for the year ended December 31, 2014 was \$35,218.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

Date of Management's Review – Management has evaluated subsequent events through January 20, 2015, the date on which the financial statements were available to be issued.

HERITAGE LAKE ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

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2. Property and Equipment

A summary of property and equipment follows:

	<u>2014</u>	Estimated Useful Lives (Years)
Land improvements	\$598,747	7 – 15
Buildings	175,445	7 – 31
Machinery and equipment	142,225	3 – 10
Transportation equipment	47,047	5
Office equipment	<u>17,795</u>	5
	981,259	
Less accumulated depreciation	<u>634,147</u>	
	347,112	
Subdivision lots	31,000	
Common properties – land	<u>163,307</u>	
	<u>\$541,419</u>	

3. Income Taxes

The Association filed its federal income tax return under Internal Revenue Code (IRC) Section 277 in 2014. The income tax liability for the year ended December 31, 2014 was \$0.

The federal and state income tax returns of the Association for 2012, 2013 and 2014 are subject to examination by the taxing authorities generally for three years after they are filed.

4. Deposit Accounts

At various times during the year, the Association's cash in bank balances exceeded Federally insured limits of \$250,000. At December 31, 2014 the Association's uninsured cash balances were \$29,401.

HERITAGE LAKE ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES - INCOME TAX BASIS
For the Year Ended December 31, 2014

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	<u>2014</u>
General and administrative:	
Labor	\$ 20,331
Payroll taxes	5,107
Depreciation	35,218
Insurance	13,297
Professional fees	20,285
Telephone	2,186
Office supplies and expense	1,469
Property taxes	581
Contract bookkeeping services	21,189
Postage	901
Garbage service	1,005
Bad debts	1,975
Interest expense	-
Newspaper ads	-
Collection expense	14,903
Miscellaneous	3,247
	<u>141,694</u>
Property owner services:	
Enforcement	7,921
Newsletter	-
	<u>7,921</u>
Conservation:	
Electricity	-
Restock fish	4,021
Lake and dam upgrades	901
Other	1,186
	<u>6,108</u>
Campgrounds:	
Electricity	756
Other	1,656
	<u>2,412</u>
Beach	<u>4,318</u>
Sports Complex	<u>-</u>

See accompanying notes and accountant's compilation report.

HERITAGE LAKE ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES - INCOME TAX BASIS
For the Year Ended December 31, 2014

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	<u>2014</u>
Maintenance and repairs:	
Fuel	\$ 5,640
Mowing	75
Snowplowing	7,133
Supplies	3,170
Equipment	6,649
Roads	56,374
Other	<u>10,984</u>
	<u>90,025</u>
Lodge and pool:	
Natural gas	923
Lifeguards	10,910
Pool manager & staff	2,730
Chemicals	2,805
Lodge repairs and maintenance	12,567
Pool repairs	5,463
Electricity	2,991
Water	2,021
Other	<u>2,385</u>
	<u>42,795</u>
	<u><u>\$ 295,273</u></u>

See accompanying notes and accountant's compilation report.