

HERITAGE PARK ESTATES CONDOMINIUM TRUST
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH
INDEPENDENT ACCOUNTANTS' REVIEW REPORT



Stolberg, Ebbeling & Blanchette, LLP
Certified Public Accountants & Business Advisors

HERITAGE PARK ESTATES CONDOMINIUM TRUST

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members
Heritage Park Estates Condominium Trust
Whitinsville, Massachusetts

We have reviewed the accompanying balance sheet of **Heritage Park Estates Condominium Trust** as of December 31, 2012 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company 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 taken as a whole. Accordingly, we do not express such an opinion.

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 review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

Stolberg Ebbeling & Blanchette, LLP

Worcester, Massachusetts
February 19, 2013



HERITAGE PARK ESTATES CONDOMINIUM TRUST

Balance Sheet
December 31, 2012
(With Comparative Totals for 2011)

Assets						
	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds 2012	2011
Property						
Building	\$ -	\$ 208,445	\$ -	\$ -	\$ 208,445	\$ 208,445
Equipment	-	62,583	-	-	62,583	18,586
Accumulated depreciation	-	(86,904)	-	-	(86,904)	(73,735)
	<u>-</u>	<u>184,124</u>	<u>-</u>	<u>-</u>	<u>184,124</u>	<u>153,296</u>
Other assets						
Cash	43,539	-	71,823	-	115,362	87,820
Condominium fees receivable	11,062	-	-	-	11,062	1,489
Due from operating fund	-	-	16,949	(16,949)	-	-
Due from property fund	284,421	-	-	(284,421)	-	-
	<u>339,022</u>	<u>-</u>	<u>88,772</u>	<u>(301,370)</u>	<u>126,424</u>	<u>89,309</u>
Total assets	<u>\$ 339,022</u>	<u>\$ 184,124</u>	<u>\$ 88,772</u>	<u>\$ (301,370)</u>	<u>\$ 310,548</u>	<u>\$ 242,605</u>
Liabilities and Fund Balances						
Long-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,269
Due to operating fund	-	284,421	-	(284,421)	-	-
Due to replacement fund	16,949	-	-	(16,949)	-	-
Deferred revenue	-	29,317	-	-	29,317	-
Taxes withheld	2,392	-	-	-	2,392	2,113
Deferred condominium fees	2,671	-	-	-	2,671	2,683
	<u>22,012</u>	<u>313,738</u>	<u>-</u>	<u>(301,370)</u>	<u>34,380</u>	<u>21,065</u>
Fund balances	<u>317,010</u>	<u>(129,614)</u>	<u>88,772</u>	<u>-</u>	<u>276,168</u>	<u>221,540</u>
Total liabilities and fund balances	<u>\$ 339,022</u>	<u>\$ 184,124</u>	<u>\$ 88,772</u>	<u>\$ (301,370)</u>	<u>\$ 310,548</u>	<u>\$ 242,605</u>

See independent accountants' review report and
notes to financial statements

HERITAGE PARK ESTATES CONDOMINIUM TRUST

Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds	
					2012	2011
Revenues						
Condominium fee income	\$ 535,954	\$ -	\$ 93,840	\$ -	\$ 629,794	\$ 632,664
Interest income	-	-	269	-	269	225
Special assessment income	-	-	-	-	-	43,786
Other fee income	7,383	-	-	-	7,383	6,934
	<u>543,337</u>	<u>-</u>	<u>94,109</u>	<u>-</u>	<u>637,446</u>	<u>683,609</u>
Expenses						
Maintenance	234,435	-	65,197	-	299,632	356,176
Insurance	45,259	-	-	-	45,259	41,879
Trash removal	27,070	-	-	-	27,070	31,801
Utilities	20,999	1,514	-	-	22,513	26,230
Water and sewer	70,821	-	-	-	70,821	63,968
Wages	84,838	-	-	-	84,838	89,982
Payroll taxes	7,218	-	-	-	7,218	7,987
State taxes	70	-	-	-	70	-
Other taxes, permits and fees	-	392	-	-	392	420
Office supplies	2,648	-	-	-	2,648	5,941
Bank fees	81	-	-	-	81	-
Telephone	1,481	-	-	-	1,481	1,385
Professional fees	6,467	-	-	-	6,467	7,476
Depreciation	-	13,169	-	-	13,169	10,778
Auto expense	910	-	-	-	910	910
Interest expense	-	36	213	-	249	2,283
	<u>502,297</u>	<u>15,111</u>	<u>65,410</u>	<u>-</u>	<u>582,818</u>	<u>647,216</u>
Excess (deficiency) of revenues over expenses	41,040	(15,111)	28,699	-	54,628	36,393
Fund balances - beginning	<u>275,970</u>	<u>(114,503)</u>	<u>60,073</u>	<u>-</u>	<u>221,540</u>	<u>185,147</u>
Fund balances - ending	<u>\$ 317,010</u>	<u>\$ (129,614)</u>	<u>\$ 88,772</u>	<u>\$ -</u>	<u>\$ 276,168</u>	<u>\$ 221,540</u>

See independent accountants' review report and
notes to financial statements

HERITAGE PARK ESTATES CONDOMINIUM TRUST

Statement of Cash Flows
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds	
					2012	2011
Cash flows from operating activities						
Excess (deficiency) of revenues over expenses	\$ 41,040	\$ (15,111)	\$ 28,699	\$ -	\$ 54,628	\$ 36,393
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:						
Depreciation	-	13,169	-	-	13,169	10,778
(Increase) decrease in:						
Condominium fees receivable	(9,585)	-	-	-	(9,585)	(990)
Due from other funds	(17,554)	-	(105)	17,659	-	17,020
Increase (decrease) in:						
Deferred revenue	-	29,317	-	-	29,317	-
Due to other funds	105	17,554	-	(17,659)	-	(17,020)
Taxes withheld	279	-	-	-	279	(454)
Net cash provided by operating expenses	<u>14,285</u>	<u>44,929</u>	<u>28,594</u>	<u>-</u>	<u>87,808</u>	<u>45,727</u>
Cash flows from investing activities						
Purchases of property and equipment	-	(43,997)	-	-	(43,997)	(994)
Cash flows from financing activities						
Principal payments on long term debt	-	(932)	(15,337)	-	(16,269)	(36,865)
Net increase in cash	14,285	-	13,257	-	27,542	7,868
Cash - beginning	29,254	-	58,566	-	87,820	79,952
Cash - ending	<u>\$ 43,539</u>	<u>\$ -</u>	<u>\$ 71,823</u>	<u>\$ -</u>	<u>\$ 115,362</u>	<u>\$ 87,820</u>

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HERITAGE PARK ESTATES CONDOMINIUM TRUST

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds	
					2012	2011
Supplemental disclosures of cash flows information						
Cash paid during the year for:						
Interest	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 213</u>	<u>\$ -</u>	<u>\$ 249</u>	<u>\$ 2,283</u>
Income taxes	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 35</u>

See independent accountants' review report and
notes to financial statements

HERITAGE PARK ESTATES CONDOMINIUM TRUST

Notes to Financial Statements
For the Year Ended December 31, 2012

1. Nature of Organization

Heritage Park Estates Condominium Trust (the Association) is a homeowners' association which was organized on January 18, 1985 in the Commonwealth of Massachusetts. The Association is responsible for the operation and maintenance of the common property within a development of 218 residential units located in Whitinsville, Massachusetts.

2. Summary of Significant Accounting Policies

Fund Accounting

The Association's governing documents provide guidelines governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, 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:

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

Property Fund – This fund is used to account for the financial resources associated with the management and ownership of real estate investments.

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

The Association prepares its financial statements on the accrual basis of accounting, whereby revenues are generally recognized when earned and expenses are generally recognized when incurred.

The financial statements include prior-year summarized comparative information in total but not by fund category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011; from which the summarized information was derived.

Interest Income

Interest income is allocated to the replacement fund.

Property

The Association capitalizes, at cost, all property to which it has title or other evidence of ownership with the exception of real property directly associated with the units. According to the Association's governing documents, two thirds of all unit owners must approve of dispositions of any common real property.

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HERITAGE PARK ESTATES CONDOMINIUM TRUST

Notes to Financial Statements
For the Year Ended December 31, 2012

2. Summary of Significant Accounting Policies (Continued)

Depreciation

Depreciation is computed using the straight-line method at rates sufficient to write off the cost of the applicable assets over their estimated useful lives.

Income Taxes

Homeowners' associations may be taxed as homeowners' associations or as regular corporations. For the year ended December 31, 2012, the Association was taxed federally as a homeowners' association. As a homeowners' association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its net non-membership income, such as interest earnings minus losses on real estate rentals, at regular federal and state corporate rates.

The Association evaluates all significant tax positions as required by generally accepted accounting principles in the United States of America. As of December 31, 2012, the Association does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would increase or decrease within the next twelve months. The Association's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2012, the Association's federal and Massachusetts returns generally remain open for the last three years.

Use of Estimates

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

Subsequent Events

The Association has evaluated subsequent events through February 16, 2013, the date which the financial statements were available to be issued.

3. Deferred Revenue

In March 2012, the Association received a one-time payment in the amount of \$32,700 for a nonexclusive installation and service agreement with a local vendor. This agreement is effective through August 31, 2021. The Association is recognizing the revenue over the life of the agreement and is included with Other fee income on the Statement of Revenue, Expenses and Changes in Fund Balances. During 2012, the Association recognized \$3,383 on revenue related to this agreement.

HERITAGE PARK ESTATES CONDOMINIUM TRUST

Notes to Financial Statements
For the Year Ended December 31, 2012

4. Future Major Repairs and Replacements

The Association is funding future major repairs and replacements over the estimated useful lives of the components based on estimates of future replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments, or to delay major repairs and replacements until funds are available.

On-Site Insight, a consulting company, conducted a study in December, 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 4% and interest at 3% on amounts funded for future major repairs and replacements.

The following table was used in the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lifes(Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>Components of Fund Balances at 12/31/2012</u>
Site surfaces and structures	1 - 20	\$ 1,037,694	\$ 41,433
Building mechanical and electrical	1 - 20	73,343	2,928
Building architectural	1 - 20	1,112,275	44,411
Total		<u>\$ 2,223,312</u>	<u>\$ 88,772</u>

See independent accountants' review report