

**HERITAGE PARK ESTATES CONDOMINIUM TRUST**

**FINANCIAL STATEMENTS**  
**AND**  
**SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**WITH**

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

# 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 financial statements of **Heritage Park Estates Condominium Trust**, which comprise the balance sheet as of December 31, 2016 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.. 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 as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

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



### Summarized Comparative Information

We previously reviewed **Heritage Park Estates Condominium Trust's** 2015 financial statements and in our conclusion dated February 4, 2016, stated that based on our review, we were not aware of any material modifications that should be made to the 2015 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2015, for it to be consistent with the reviewed financial statements from which it has been derived.

### Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements on Page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.



Worcester, Massachusetts

February 1, 2017

**HERITAGE PARK ESTATES CONDOMINIUM TRUST**

Balance Sheet  
December 31, 2016  
(With Comparative Totals for 2015)

	Assets				Total All Funds	
	Operating Fund	Property Fund	Replacement Fund	Eliminations	2016	2015
Property						
Building	\$ -	\$ 264,090	\$ -	\$ -	\$ 264,090	\$ 264,090
Equipment	-	80,122	-	-	80,122	80,122
Accumulated depreciation	-	(158,192)	-	-	(158,192)	(138,610)
	<u>-</u>	<u>186,020</u>	<u>-</u>	<u>-</u>	<u>186,020</u>	<u>205,602</u>
Other assets						
Cash	25,963	-	51,658	-	77,621	79,986
Condominium fees receivable	1,416	-	-	-	1,416	5,312
Prepaid taxes	16	-	-	-	16	28
Due from operating fund	-	-	61,766	(61,766)	-	-
Due from property fund	380,699	-	-	(380,699)	-	-
	<u>408,094</u>	<u>-</u>	<u>113,424</u>	<u>(442,465)</u>	<u>79,053</u>	<u>85,326</u>
<b>Total assets</b>	<b><u>\$ 408,094</u></b>	<b><u>\$ 186,020</u></b>	<b><u>\$ 113,424</u></b>	<b><u>\$ (442,465)</u></b>	<b><u>\$ 265,073</u></b>	<b><u>\$ 290,928</u></b>
	Liabilities and Fund Balances					
Due to operating fund	\$ -	\$ 380,699	\$ -	\$ (380,699)	\$ -	\$ -
Due to replacement fund	61,766	-	-	(61,766)	-	-
Deferred revenue	-	15,786	-	-	15,786	19,169
Taxes withheld	4,203	-	-	-	4,203	3,704
Deferred condominium fees	-	-	-	-	-	-
	<u>65,969</u>	<u>396,485</u>	<u>-</u>	<u>(442,465)</u>	<u>19,989</u>	<u>22,873</u>
<b>Fund balances</b>	<b><u>342,125</u></b>	<b><u>(210,465)</u></b>	<b><u>113,424</u></b>	<b><u>-</u></b>	<b><u>245,084</u></b>	<b><u>268,055</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 408,094</u></b>	<b><u>\$ 186,020</u></b>	<b><u>\$ 113,424</u></b>	<b><u>\$ (442,465)</u></b>	<b><u>\$ 265,073</u></b>	<b><u>\$ 290,928</u></b>

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, 2016  
(With Comparative Totals for 2015)

	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds 2016	2015
<b>Revenues</b>						
Condominium fee income	\$ 561,804	\$ -	\$ 109,740	\$ -	\$ 671,544	\$ 678,744
Interest income	-	-	45	-	45	83
Special assessment income	-	-	-	-	-	50,263
Other fee income	5,113	-	-	-	5,113	9,366
	<u>566,917</u>	<u>-</u>	<u>109,785</u>	<u>-</u>	<u>676,702</u>	<u>738,456</u>
<b>Expenses</b>						
Maintenance	246,485	-	109,947	-	356,432	414,912
Insurance	93,724	-	-	-	93,724	85,129
Trash removal	29,682	-	-	-	29,682	29,661
Utilities	22,021	1,601	-	-	23,622	24,082
Water and sewer	64,075	-	-	-	64,075	65,308
Wages	92,781	-	-	-	92,781	90,956
Payroll taxes	7,872	-	-	-	7,872	7,923
State taxes	4	-	-	-	4	-
Federal taxes	12	-	-	-	12	-
Other taxes, permits and fees	4	753	-	-	757	731
Office supplies	4,167	-	-	-	4,167	3,466
Bank fees	50	-	-	-	50	42
Telephone	1,253	-	-	-	1,253	1,463
Professional fees	4,750	-	-	-	4,750	4,500
Depreciation	-	19,582	-	-	19,582	19,582
Auto expense	910	-	-	-	910	910
	<u>567,790</u>	<u>21,936</u>	<u>109,947</u>	<u>-</u>	<u>699,673</u>	<u>748,665</u>
Excess (deficiency) of revenues over expenses	(873)	(21,936)	(162)	-	(22,971)	(10,209)
Fund balances - beginning	<u>342,998</u>	<u>(188,529)</u>	<u>113,586</u>	<u>-</u>	<u>268,055</u>	<u>278,264</u>
Fund balances - ending	<u>\$ 342,125</u>	<u>\$ (210,465)</u>	<u>\$ 113,424</u>	<u>\$ -</u>	<u>\$ 245,084</u>	<u>\$ 268,055</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, 2016  
(With Comparative Totals for 2015)

	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds 2016      2015	
Cash flows from operating activities						
Excess (deficiency) of revenues over expenses	\$ (873)	\$ (21,936)	\$ (162)	\$ -	\$ (22,971)	\$ (10,209)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used for) operating activities:						
Depreciation	-	19,582	-	-	19,582	19,582
(Increase) decrease in:						
Condominium fees receivable	3,896	-	-	-	3,896	5,663
Prepaid taxes	12	-	-	-	12	(28)
Due from other funds	(5,737)	-	(25)	5,762	-	-
Increase (decrease) in:						
Deferred revenue	-	(3,383)	-	-	(3,383)	(3,383)
Deferred condominium fees	-	-	-	-	-	(2,671)
Due to other funds	25	5,737	-	(5,762)	-	-
Taxes withheld	499	-	-	-	499	495
Net cash provided by (used for) operating activities:	<u>(2,178)</u>	<u>-</u>	<u>(187)</u>	<u>-</u>	<u>(2,365)</u>	<u>9,449</u>
Cash flows from investing activities						
Purchases of property and equipment	-	-	-	-	-	-
Net increase (decrease) in cash	(2,178)	-	(187)	-	(2,365)	9,449
Cash - beginning	28,141	-	51,845	-	79,986	70,537
Cash - ending	<u>\$ 25,963</u>	<u>\$ -</u>	<u>\$ 51,658</u>	<u>\$ -</u>	<u>\$ 77,621</u>	<u>\$ 79,986</u>

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HERITAGE PARK ESTATES CONDOMINIUM TRUST

Statement of Cash Flows (Continued)  
For the Year Ended December 31, 2016  
(With Comparative Totals for 2015)

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	Operating Fund	Property Fund	Replacement Fund	Eliminations	Total All Funds	
					2016	2015
Supplemental disclosures of cash flows information						
Cash paid during the year for:						
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ -</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, 2016

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## 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, 2015; from which the summarized information was derived.

### *Revenue Recognition*

Revenues are recognized and reported when earned and when the amount and timing of the receipt of payment can be reasonably estimated. Revenues consist primarily of monthly member fees.

### *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, 2016

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## 2. Summary of Significant Accounting Policies (Continued)

### *Interest Income*

Interest income is allocated to the replacement fund.

### *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, 2016, the Association was taxed federally as a regular corporation.

The Association evaluates all significant tax positions as required by generally accepted accounting principles in the United States of America. As of December 31, 2016, 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, 2016, 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 1, 2017, 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 Revenues, Expenses and Changes in Fund Balances. During 2016, the Association recognized \$3,383 of revenue related to this agreement.

# HERITAGE PARK ESTATES CONDOMINIUM TRUST

Notes to Financial Statements  
For the Year Ended December 31, 2016

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## 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.

See independent accountants' review report

## HERITAGE PARK ESTATES CONDOMINIUM TRUST

### Supplementary Information on Future Major Repairs and Replacements For the Year Ended December 31, 2016

On-Site Insight, a consulting company, conducted a study in December, 2014 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 3% and interest at 2% 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 Lives (Years)</u>	<u>Estimated Future Replacement Costs</u>	<u>Components of Fund Balances at 12/31/2016</u>
Site surfaces and structures	1 - 20	\$ 1,593,270	\$ 58,443
Building mechanical and electrical	1 - 20	132,294	4,853
Building architectural	1 - 20	<u>1,366,577</u>	<u>50,128</u>
Total		<u>\$ 3,092,141</u>	<u>\$ 113,424</u>

The independent accountants' review report should be  
read with this supplementary schedule