

MARC VAN ZANDT

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Heritage Glen Townhome Association
Woodbury, Minnesota

I have reviewed the accompanying balance sheet of Heritage Glen Townhome Association as of June 30, 2013, 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 Association 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, I 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.

My 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 me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am 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.

The financial statements for the year ended June 30, 2012, were audited by me and I expressed an unqualified opinion on them in my report dated August 18, 2012, but I have not performed any auditing procedures since that date.

Management has not included supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. The results of my review of the basic financial statements are not affected by that missing information.

"Original Signed By"
Marc van Zandt, CPA

Rosemount, Minnesota

August 24, 2013

HERITAGE GLEN TOWNHOME ASSOCIATION
 BALANCE SHEETS
 June 30, 2013 (Reviewed) and 2012 (Audited)

	Operating Fund	Replacement Fund	Totals 2013	2012
ASSETS				
Cash, including interest-bearing deposits	\$38,993.41	\$101,349.08	\$140,342.49	\$121,786.73
Assessments receivable	1,744.47		1,744.47	2,287.65
Interest receivable-homeowners	1,797.50		1,797.50	1,708.19
Interest receivable-certificates		253.62	253.62	556.38
Late fees receivable	5,265.00		5,265.00	4,750.12
Prepaid expenses	123.18		123.18	104.92
Due from (to) other funds	41.97	(41.97)		
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TOTAL ASSETS	\$47,965.53	\$101,560.73	\$149,526.26	\$131,193.99
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LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 1,561.66	\$	\$ 1,561.66	\$ 5,910.19
Assessments received in advance	4,764.94		4,764.94	6,966.00
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TOTAL LIABILITIES	6,326.60		6,326.60	12,876.19
Fund balances	41,638.93	101,560.73	143,199.66	118,317.80
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TOTAL LIABILITIES AND FUND BALANCES	\$47,965.53	\$101,560.73	\$149,526.26	\$131,193.99
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See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
 Years Ended June 30, 2013 (Reviewed) and 2012 (Audited)

	Operating Fund	Replacement Fund	Totals <u>2013</u>	<u>2012</u>
REVENUES				
Regular assessments	\$ 99,168.00	\$ 16,032.00	\$115,200.00	\$115,200.00
Interest income-homeowners	551.38		551.38	558.90
Interest income-investments	63.79	620.59	684.38	823.26
Late fees	2,025.00		2,025.00	2,070.00
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	101,808.17	16,652.59	118,460.76	118,652.16
ADMINISTRATIVE EXPENSES				
Insurance	1,696.00		1,696.00	1,582.66
Management fees	12,000.00		12,000.00	12,000.00
Other administrative expenses	96.00		96.00	
Printing & postage	2,435.81		2,435.81	1,987.24
Professional fees	3,052.00		3,052.00	700.00
Social committee	217.86		217.86	221.68
Uncollectible assessments	1,563.41		1,563.41	1,114.44
BUILDING & GROUNDS EXPENSES				
Electricity	120.58		120.58	120.45
Grounds & landscape maintenance	4,425.92		4,425.92	1,617.41
Irrigation system maintenance	4,492.45		4,492.45	4,000.17
Irrigation system maintenance (prior year)	(770.00)		(770.00)	
Irrigation valves & heads	1,056.58		1,056.58	664.58
Lawn care & snow removal contract	44,995.50		44,995.50	44,995.50
Refuse removal	11,235.00		11,235.00	11,235.00
Replacement-irrigation main control				7,687.00
Replacement-tree mulching				2,400.00
Water-irrigation	6,961.79		6,961.79	5,352.25
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	93,578.90		93,578.90	95,678.38
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
	8,229.27	16,652.59	24,881.86	22,973.78
BEGINNING FUND BALANCES				
	28,289.10	90,028.70	118,317.80	95,344.02
INTERFUND ADJUSTMENT				
	5,120.56	(5,120.56)		
ENDING FUND BALANCES				
	\$ 41,638.93	\$101,560.73	\$143,199.66	\$118,317.80
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See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2013 (Reviewed) and 2012 (Audited)

	Operating Fund	Replacement Fund	Totals 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ 8,229.27	\$ 16,652.59	\$ 24,881.86	\$ 22,973.78
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	543.18		543.18	330.00
Interest receivable-homeowners	(89.31)		(89.31)	(423.80)
Interest receivable-certificates		302.76	302.76	(192.45)
Late fees receivable	(514.88)		(514.88)	(803.68)
Prepaid expenses	(18.26)		(18.26)	(2.00)
Increase (decrease) in:				
Accounts payable	(1,948.53)	(2,400.00)	(4,348.53)	2,885.54
Assessments received in advance	(2,201.06)		(2,201.06)	(198.26)
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	4,000.41	14,555.35	18,555.76	24,569.13
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfers	5,078.59	(5,078.59)		
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NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	5,078.09	(5,078.09)		
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NET INCREASE (DECREASE) IN CASH	9,079.00	9,476.76	18,555.76	24,569.13
CASH AT BEGINNING OF YEAR	29,914.41	91,872.32	121,786.73	97,217.60
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CASH AT END OF YEAR	\$38,993.41	\$101,349.08	\$140,342.49	\$121,786.73
	=====	=====	=====	=====
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$.00	\$.00	\$.00	\$.00

See accompanying notes and independent accountant's review report.

HERITAGE GLEN TOWNHOME ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

Heritage Glen Townhome Association was incorporated on May 14, 1998, in the State of Minnesota. The Association is responsible for the operation and maintenance of common property within the development. The development consists of one hundred (100) residential units located in Woodbury, Minnesota.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has review events and transactions for potential recognition or disclosure through August 24, 2013, the date that the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for 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 and purpose:

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

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

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and future major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any assessment not paid within ten (10) days of the due date, shall bear interest from the due date at the "judgment rate". The effective interest rate at June 30, 2013, was eight percent (8%). In addition, a one-time late fee of fifteen dollars (\$15.00) is charged on any assessment not received by the tenth (10th) day of the month. The Association considers all assessments receivable at June 30, 2013, to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Interest Income

Interest income is allocated to the operating and replacement funds based upon the actual interest earned by the interest-bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE D – INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the years ended June 30, 2013 and 2012, the Association was taxed as a regular corporation and filed Form 1120. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings, at regular federal and state corporate rates.

As a homeowners' association, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat federal rate of thirty percent (30%) and at regular state corporate rates. Exempt function income, which consists primarily of member assessments, is not taxable.

As of June 30, 2013, the tax years that remain subject to examination by taxing authorities begin with the year ended June 30, 2010.

NOTE E - LITIGATION

As of June 30, 2013, there was no legal action in process either on behalf of, or against the Association.

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$101,300 and \$91,800 at June 30, 2013 and 2012, respectively, are held in separate accounts and are generally not available for operating purposes.