

STONE RIDGE CONDOMINIUM TRUST
FINANCIAL STATEMENTS
DECEMBER 31, 2012
TOGETHER WITH
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

**STONE RIDGE CONDOMINIUM TRUST
DECEMBER 31, 2012**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
Stone Ridge Condominium Trust

We have reviewed the accompanying balance sheet of Stone Ridge Condominium Trust as of December 31, 2012, and the related statements of revenues, expenses, and changes in fund balance 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, 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.

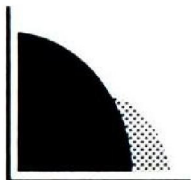
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 11 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, who 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 compiled the required supplementary information without audit or review, and, accordingly, we do not express an opinion or provide any assurance on it.

The financial statements for the year ended December 31, 2011, were audited by us and we expressed an unqualified opinion on them in our report dated March 29, 2012, but we have not performed any auditing procedures since that date.



Holliston, Massachusetts
February 28, 2013



27 Charles Street Holliston, Massachusetts 01746

STONE RIDGE CONDOMINIUM TRUST
BALANCE SHEET
DECEMBER 31, 2012
(With comparative totals for December 31, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>	<u>Total</u>
<u>ASSETS</u>				
ASSETS:				
Cash and cash equivalents	\$ 37,927	\$ 218,078	\$ 256,005	\$ 180,880
Assessments receivable	19,507	-	19,507	25,814
Prepaid expenses	26,260	-	26,260	17,059
Equipment	-	32,497	32,497	-
Due from other fund	-	-	-	44,885
Total current assets	<u>\$ 83,694</u>	<u>\$ 250,575</u>	<u>\$ 334,269</u>	<u>\$ 268,638</u>
 <u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>				
CURRENT LIABILITIES:				
Current portion of note payable	\$ -	\$ 33,700	\$ 33,700	\$ 33,700
Accounts payable and accrued expenses	15,877	-	15,877	56,260
Accrued taxes	66	-	66	-
Prepaid assessments	17,747	-	17,747	8,892
Due to other fund	-	-	-	44,885
Total current liabilities	<u>33,690</u>	<u>33,700</u>	<u>67,390</u>	<u>143,737</u>
NOTE PAYABLE, net of current portion	-	461,439	461,439	463,593
FUND BALANCES (DEFICIT)	<u>50,004</u>	<u>(244,564)</u>	<u>(194,560)</u>	<u>(338,692)</u>
Total liabilities and fund balances	<u>\$ 83,694</u>	<u>\$ 250,575</u>	<u>\$ 334,269</u>	<u>\$ 268,638</u>

See accompanying notes and independent accountants' review report.

STONE RIDGE CONDOMINIUM TRUST

**STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

(With comparative totals for the year ended December 31, 2011)

	<u>2012</u>			<u>2011</u>
	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>	<u>Total</u>
REVENUES:				
Member assessments	\$ 347,882	\$ 257,842	\$ 605,724	\$ 576,872
Special assessments	-	-	-	58,832
Trash income	33,252	-	33,252	33,252
Late fees and fines	2,875	-	2,875	5,610
Miscellaneous income	178	-	178	2,357
Investment income	117	1,126	1,243	1,064
Total revenues	<u>384,304</u>	<u>258,968</u>	<u>643,272</u>	<u>677,987</u>
EXPENSES:				
Leased employee expense	93,262	-	93,262	55,844
Insurance	68,189	-	68,189	63,949
Landscaping	69,842	-	69,842	139,025
Siding repairs	7,771	54,006	61,777	-
Management fee	38,004	-	38,004	40,950
Snow removal	35,485	-	35,485	111,886
Interest expense	-	25,410	25,410	4,134
Trash removal	23,139	-	23,139	38,087
Maintenance supplies	18,970	-	18,970	-
Road replacement	-	13,475	13,475	6,375
Electricity	10,330	-	10,330	13,092
Exterminating and pest control	8,226	-	8,226	8,456
General repairs and replacements	8,884	30	8,914	66,723
Pool expenses	6,298	-	6,298	5,118
Administrative	6,485	-	6,485	8,172
Roof repair and replacement	165	4,290	4,455	536,618
Professional fees	4,550	-	4,550	6,719
Gutter repairs	2,000	-	2,000	2,000
Water and sewer	263	-	263	527
Income taxes	66	-	66	116
Exterior painting	-	-	-	46,200
Carpentry	-	-	-	26,272
Telephone	-	-	-	1,679
Total expenses	<u>401,929</u>	<u>97,211</u>	<u>499,140</u>	<u>1,181,942</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (17,625)</u>	<u>\$ 161,757</u>	<u>\$ 144,132</u>	<u>\$ (503,955)</u>

See accompanying notes and independent accountants' review report.

STONE RIDGE CONDOMINIUM TRUST

**STATEMENT OF CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>			<u>2011</u>
	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>	<u>Total</u>
FUND BALANCES (DEFICIT), beginning of year	\$ 67,629	\$ (406,321)	\$ (338,692)	\$ 146,332
Prior period adjustment (see note 4)	-	-	-	18,931
Excess (deficiency) of revenues over expenses	<u>(17,625)</u>	<u>161,757</u>	<u>144,132</u>	<u>(503,955)</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 50,004</u>	<u>\$ (244,564)</u>	<u>\$ (194,560)</u>	<u>\$ (338,692)</u>

See accompanying notes and independent accountants' review report.

STONE RIDGE CONDOMINIUM TRUST

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

(With comparative totals for the year ended December 31, 2011)

	<u>2012</u>		<u>2011</u>
	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	\$ (17,625)	\$ 161,757	\$ 144,132
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in operating assets:			
Assessments receivable	6,307	-	6,307
Prepaid expenses	(9,201)	-	(9,201)
Due from other fund	44,885	-	44,885
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses	(5,173)	(35,210)	(40,383)
Accrued taxes	66	-	66
Prepaid assessments	8,855	-	8,855
Due to other fund	-	(44,885)	(44,885)
Net cash provided by (used in) operating activities	28,114	81,662	109,776
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of equipment	-	(32,497)	(32,497)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on note payable	-	(2,154)	(2,154)
Net increase (decrease) in cash and cash equivalents	28,114	47,011	75,125
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,813</u>	<u>171,067</u>	<u>180,880</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 37,927</u>	<u>\$ 218,078</u>	<u>\$ 256,005</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Income taxes paid	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 56</u>
Interest paid	<u>\$ -</u>	<u>\$ 25,410</u>	<u>\$ 25,410</u>

See accompanying notes and independent accountants' review report.

STONE RIDGE CONDOMINIUM TRUST

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of organization:

Stone Ridge Condominium Trust was organized in April 1987 under the provisions of Chapter 183A of the General Laws of the Commonwealth of Massachusetts for the purpose of operating, maintaining and improving the common elements and facilities for the benefit of the unit owners. The property is located in Franklin, Massachusetts and consists of 163 residential units.

The affairs of the condominium are administered by the Board of Trustees, duly elected by the unit owners.

The Board of Trustees had a management agreement with Advanced Condominium Management Corp. (agent) for 2011. The agent collects member assessments, takes direction from the Board of Trustees regarding the maintenance of certain common areas and administers certain activities for the benefit of the unit owners. The Board of Trustees entered into a new management agreement for 2012 with Sterling Services, Inc.

Date of management's review:

In preparing the financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through February 28, 2013, the date that the financial statements were available to be issued.

Method of Accounting:

The Trust'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 Trust prepares financial statements using accrual-basis 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 operation of the Trust.

Replacement Fund:

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

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent accountants' review report

STONE RIDGE CONDOMINIUM TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Member assessments:

Association members are subject to monthly assessments to provide funds for the Trust's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Trust's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are excessively delinquent. Any excess assessments at year-end are retained by the Trust for use in future years.

Cash and cash equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less at the purchase date. From time to time, cash balances in these accounts exceed federally insured limits. The Trust has not experienced any losses in any of its accounts and does not believe it is exposed to any significant credit risk.

Income taxes:

As permitted under United States Internal Revenue Code, the Trust excludes from taxation exempt function income, which is in excess of revenue from unit owners assessments over expenditures for maintenance of common property. The Trust is taxed only on its nonmember income, such as interest income, at the rate of 30%.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this authoritative guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. At December 31, 2012, there were no unrecognized tax benefits identified or recorded as liabilities. The Trust's federal and state tax returns for the past three years remain subject to examination by federal and state taxing authorities.

Equipment and Depreciation:

Equipment is stated at cost and is depreciated using a straight-line method over ten years.

Common property:

The Trust does not include property and equipment for which it does not hold proper title in the financial statements. The Trust is responsible for maintaining the common property for the benefit of the unit owners.

See independent accountants' review report

STONE RIDGE CONDOMINIUM TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Prepaid assessments:

Prepaid assessments shown in the accompanying balance sheet represents the amount of subsequent year member assessments collected from unit owners on or before December 31.

Fair Value of Financial Instruments:

As required by the authoritative guidance related to fair value measurements, the Organization abides by the established fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1 measurements), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurements), then the lowest priority to unobservable inputs (Level 3 measurements).

The Organization's financial instruments include cash and cash equivalents, investments, assessments receivable and accounts payable. The recorded values of cash and cash equivalents, investments, assessments receivable and accounts payable approximate their fair values based on their short-term nature.

NOTE 2 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Trust's governing documents and Massachusetts General Law require the Trust to accumulate funds for future major repairs and replacements. As of December 31, 2012, the replacement reserve fund had an accumulated deficit balance of (\$244,564). Accumulated funds, which aggregate \$218,078 at December 31, 2012 are held in separate accounts and are generally not available for operating purposes but rather to meet debt obligations. It is the Trust's policy to allocate interest earned on such funds to the replacement fund.

Actual expenditures may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Board of Trustees has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The Trust is financing the replacement fund deficiency by securing a loan; original borrowing at the end of the draw period of \$528,834 and a balance at December 31, 2012 of \$495,139 (see Note 3)

See independent accountants' review report

STONE RIDGE CONDOMINIUM TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Continued)

NOTE 3 – NOTES PAYABLE:

Long-term debt consists of the following:

	<u>2012</u>	<u>2011</u>
Note payable to a bank with monthly payments of \$3,018 of principal and interest at 4.95%. The interest rate is fixed at 4.95% until August 2017 and then either variable at prime plus 75 basis points or fixed at 225 basis points above the 5 year FHLBCA rate. Final payment due August 2021 and the note is secured by all assets of the Trust including its rights and interests to the collection of future assessments.	\$ 254,721	\$ 258,558
Note payable to a bank with monthly payments of \$2,848 of principal and interest at 4.95%. The interest rate is fixed at 4.95% for until August 2017 and then either variable at prime plus 75 basis points or fixed at 225 basis points above the 5 year FHLBCA rate. Final payment due August 2021 and the note is secured by all assets of the Trust including its rights and interests to the collection of future assessments.	<u>240,418</u>	<u>238,735</u>
Notes payable	495,139	497,293
Less- current portion	<u>(46,920)</u>	<u>(33,700)</u>
Notes payable, net of current portion	<u>\$ 448,219</u>	<u>\$ 463,593</u>

A schedule of current maturities of long-term debt for the years ending December 31 is as follows:

2013	\$ 46,920
2014	49,297
2015	51,793
2016	54,416
2017	57,172
Thereafter	<u>235,541</u>
Total	<u>\$ 495,139</u>

See independent accountants' review report

STONE RIDGE CONDOMINIUM TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

(Continued)

NOTE 4 – PRIOR PERIOD ADJUSTMENT

An understatement of previously reported prepaid expenses and accounts payable as of December 31, 2010 was discovered during the 2011 year. Accordingly, an adjustment of \$18,931 was made during 2011 to adjust for December 31, 2010 prepaid expenses and accounts payable being understated in error.

\$24,043 of the adjustment is in connection with prepaid insurance not accounted for. The remaining (\$5,112) of the adjustment is in connection with some 2010 invoices recorded in 2011.

The following balance sheet line items of and for the year ended December 31, 2011 were affected by this error correction:

	<u>As Previously Stated</u>	<u>As Restated</u>	<u>Effect of Correction</u>
Prepaid expenses - Operating	\$ -	\$ 24,043	\$ 24,043
Accounts Payable- Operating	23,323	28,435	5,112
Fund Balance- Operating	39,425	58,356	18,931

See independent accountants' review report

**SCHEDULE OF OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

The Trustees conducted a study by using experienced professionals in 2003 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property:

<u>Component</u>	<u>Estimated Remaining Useful Life in Years as of December 31, 2003</u>	<u>Estimated Replacement Costs as of 2003</u>
Site improvements	1-9	\$ 264,834
Roofs	5	797,670
Building exterior	1-10	1,982,935
Swimming pool	9-20	48,680
Tennis court	10-20	37,200
Club house	3-23	<u>131,508</u>
Total		<u>\$ 3,262,827</u>

See accompanying notes and independent accountants' review report.