

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Homeowners
Rivers Run Homeowners Association, Inc.
Henrietta, New York

We have audited the accompanying financial statements of Rivers Run Homeowners Association, Inc., which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rivers Run Homeowners Association, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bruce, Desjardins & Roy, LLP

Rochester, New York
May 5, 2020

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 165,347	\$ 155,586
Accounts receivable from homeowners	95	50
Prepaid expenses	<u>5,370</u>	<u>3,815</u>
Total assets	<u>\$ 170,812</u>	<u>\$ 159,451</u>

LIABILITIES AND FUND BALANCES

	<u>2019</u>	<u>2018</u>
Liabilities		
Accounts payable	\$ 2,073	\$ 5,471
Advance payments from homeowners	3,718	3,829
Accrued income tax	<u>405</u>	<u>116</u>
Total liabilities	<u>6,196</u>	<u>9,416</u>
Fund balances		
Operating	(13,758)	(11,694)
Major maintenance	<u>178,374</u>	<u>161,729</u>
Total fund balances	<u>164,616</u>	<u>150,035</u>
	<u>\$ 170,812</u>	<u>\$ 159,451</u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Operating Fund	Major Maintenance Fund	Total	Operating Fund	Major Maintenance Fund	Total
Revenues						
Common charges	\$ 145,406	\$ 27,144	\$ 172,550	\$ 133,038	\$ 25,137	\$ 158,175
Cable assessments	34,595	0	34,595	32,742	0	32,742
Sponsor contributions	11,880	0	11,880	12,690	0	12,690
Interest income	0	2,019	2,019	0	876	876
Other income	173	0	173	75	8,350	8,425
Total revenues	192,054	29,163	221,217	178,545	34,363	212,908
Expenses						
Administrative expense	1,699	0	1,699	1,852	0	1,852
Landscaping	54,156	0	54,156	74,993	7,573	82,566
Repairs and maintenance	13,935	12,518	26,453	37,605	0	37,605
Cable	34,119	0	34,119	30,144	0	30,144
Utilities	4,322	0	4,322	4,042	0	4,042
Insurance	18,230	0	18,230	18,424	0	18,424
Legal and professional fees	16,439	0	16,439	4,710	0	4,710
Management fee	10,656	0	10,656	9,886	0	9,886
Refuse removal	6,589	0	6,589	5,306	0	5,306
Snow removal	29,985	0	29,985	24,840	0	24,840
Property taxes	3,583	0	3,583	3,396	0	3,396
Income taxes	405	0	405	116	0	116
Total expenses	194,118	12,518	206,636	215,314	7,573	222,887
Excess of revenues over (under) expenses	(2,064)	16,645	14,581	(36,769)	26,790	(9,979)
Transfers	0	0	0	0	0	0
Fund balances - beginning of year	(11,694)	161,729	150,035	25,075	134,939	160,014
Fund balances - end of year	<u>\$ (13,758)</u>	<u>\$ 178,374</u>	<u>\$ 164,616</u>	<u>\$ (11,694)</u>	<u>\$ 161,729</u>	<u>\$ 150,035</u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Excess of revenues over (under) expenses	\$ 14,581	\$ (9,979)
Adjustments to reconcile excess of revenues over (under) expenses to net cash and cash equivalents provided (used) by operating activities:		
(Increase) decrease in:		
Accounts receivable from homeowners	(45)	0
Other accounts receivables	0	1,631
Prepaid expenses	(1,555)	99
Increase (decrease) in:		
Accounts payable	(3,398)	1,329
Advance payments from homeowners	(111)	1,801
Insurance claim payable	0	(8,350)
Accrued income taxes	289	(28)
	<hr/>	<hr/>
Net cash and cash equivalents provided (used) by operating activities	9,761	(13,497)
Cash and cash equivalents - beginning of year	<hr/> 155,586	<hr/> 169,083
Cash and cash equivalents - end of year	<hr/> <u>\$ 165,347</u>	<hr/> <u>\$ 155,586</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<hr/> <u>\$ 116</u>	<hr/> <u>\$ 144</u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF OPERATIONS

The Association was incorporated under Section 402 of the New York State Not-For-Profit Corporation Law on November 16, 2005, for the purpose of maintaining the common areas (consisting of exteriors, asphalt, lawns and grounds) of sixty-two units, of which fifty-five are sold, located in Henrietta, New York. The homeowners elect a board of directors who hire an independent property management firm to manage the Association.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents - The Association considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Fund Accounting - The Association's governing documents provide certain guidelines for governing its financial activities, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. 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 Association.

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

Member Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating and major maintenance expenses. Assessment revenue is recognized as the related performance obligations related to its operating and major maintenance assessments are satisfied over time on a daily pro-rata basis using the input method as disclosed in Note 3 to the financial statements.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are significantly in arrears. It is the opinion of management that the Association will ultimately prevail against all of the homeowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts is not deemed necessary. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

See independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes - Pursuant to the Tax Reform Act of 1976, homeowner associations are permitted to make an annual election to be treated as a regular corporation or a tax-exempt organization. Each year the Association will file its tax returns under the election which is most beneficial to the organization. Under Section 528 of the Internal Revenue Code, taxes are paid on non-exempt function income (principally interest, net of expenses).

The Association's tax returns for the years ending 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted 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 - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition and disclosure through May 5, 2020, the date the financial statements were available to be issued.

NOTE 3: NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods and services.

NOTE 4: OWNERS' ASSESSMENTS

Monthly assessments to owners for the years ended December 31, 2019 and 2018 were \$290 and \$285, respectively, of which a portion is allocated to the major maintenance fund. The annual budget and assessments of owners are determined by the board of directors. The Association retains any year end operating surplus to be used in future years. As of January 1, 2020, monthly assessments increased to \$295. There is also an additional \$60 charge to homeowners for cable television and internet.

See independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 5: COMMITMENTS

The Association has entered into an agreement with Crofton Perdue Associates, Inc. for management of its operations. The agreement provides for a monthly fee of \$18 per month per sold unit for the year ending December 31, 2020. For each of the years ending December 31, 2021 and 2022 the monthly fee per unit will increase to \$19.

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has elected to accumulate funds for future major repairs and replacements. Accumulated funds are accounted for separately and generally are not available for expenditures for normal operations.

The board of directors and management company determine amounts to be allocated to the major maintenance fund. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the major maintenance fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 7: CONCENTRATIONS OF CREDIT RISK

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Association places its cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Association routinely assesses the financial strength of these organizations and, as a consequence, believes that its credit risk exposure is limited.

NOTE 8: SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is expected to be temporary, there is some uncertainty about homeowners' continued ability to pay common charges. This could have a negative impact on operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

See independent auditors' report.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors and the Homeowners
Rivers Run Homeowners Association, Inc.
Henrietta, New York

We have audited the financial statements of Rivers Run Homeowners Association, Inc. as of and for the years ended December 31, 2019 and 2018, and our report thereon dated May 5, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The information on future major repairs and replacements, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rochester, New York
May 5, 2020

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS**

DECEMBER 31, 2019

Crofton Perdue Associates, Inc. updated a study dated January 4, 2017, to estimate the remaining useful lives and the replacement costs of components of common property. The costs are based upon estimated current replacement costs.

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

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
Asphalt sealing	2	\$ 7,500
Asphalt/catch basins - repairs	3	5,000
Asphalt resurface	14	175,000
Roofs	14 to 17	180,000
Sidewalks - repairs	1	1,000
Sidewalks - replacements	12 to 15	74,000
Gutters/downspouts	14 to 17	30,000
Trim painting	Annually	4,100 - 5,700
Miscellaneous	Annually	1,000

See independent auditors' report on supplemental information.