

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**REPORT TO THE BOARD OF DIRECTORS
DECEMBER 31, 2020**



Bonn, Dioguardi & Ray LLP
Certified Public Accountants • Business & Financial Advisors

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June 21, 2021

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

We are pleased to present this report related to our audit of the financial statements of Rivers Run Homeowners Association, Inc. (the Association) for the year ended December 31, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibilities for the Association's reporting process.

This report is not intended to imply any wrong-doing or incompetence of your management company. Its intent is to strengthen your accounting and reporting procedures to comply with generally accepted accounting principles.

This report is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to be of service to the Association.

Bonn, Dioguardi & Ray, LLP

Rochester, New York

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

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June 21, 2021

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

We have audited the financial statements of Rivers Run Homeowners Association, Inc., for the year ended December 31, 2020, and have issued our report thereon dated June 21, 2021. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 11, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rivers Run Homeowners Association, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted, however, the implementation of existing policies occurred during the year ended December 31, 2020. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Association currently does not have any significant accounting estimates.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected, as a result of our audit procedures, and corrected by management are shown in the attached "Summary of Recorded Audit Adjustments."

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 21, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues


We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the board of directors and management of Rivers Run Homeowners Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Bruno, DiGuercio & Roy, LLP".

Rochester, New York

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**SUMMARY OF RECORDED AUDIT ADJUSTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To record contract liabilities			
3020	MAINTENANCE RESERVE FUND BALANCE	178,374.23	
2065	CONTRACT LIABILITIES		178,374.23
Total		178,374.23	178,374.23
Adjusting Journal Entries JE # 2			
To adjust fund balances to financial statements			
1071	CASH-SAVINGS	36.67	
3020	MAINTENANCE RESERVE FUND BALANCE	2,280.13	
4100.1	INTEREST INCOME - MM	68.12	
3010	OPERATING FUND BALANCE		2,384.92
Total		2,384.92	2,384.92
Adjusting Journal Entries JE # 3			
To adjust assessments, prepaid assessments, and receivables to actual			
1210	ASSESSMENTS RECEIVABLE	38.60	
2020	PREPAID ASSESSMENTS	478.71	
4010	ASSESSMENT FEES	12,665.98	
4000	CABLE FEES		6,180.69
4060	SPONSOR CONTRIBUTIONS		6,265.00
4150	MISC INCOME		737.60
Total		13,183.29	13,183.29
Adjusting Journal Entries JE # 4			
To reverse PY accounts payable			
2010	ACCOUNTS PAYABLE	1,887.30	
2040	ACCRUED INCOME TAXES	405.00	
5010	BUILDING REPAIRS		71.25
5010	BUILDING REPAIRS		250.70
5040	ELECTRIC		424.53
5043	NYSFT		405.00
5045	LEGAL		404.30
5060	OFFICE EXPENSE		75.56
5070	REFUSE		660.96
Total		2,292.30	2,292.30

Adjusting Journal Entries JE # 5

To accrue CY accounts payable

5010	BUILDING REPAIRS	10.89	
5010	BUILDING REPAIRS	306.00	
5040	ELECTRIC	235.33	
5045	LEGAL	3,413.20	
5060	OFFICE EXPENSE	7.25	
5060	OFFICE EXPENSE	27.67	
5060	OFFICE EXPENSE	77.92	
5070	REFUSE	772.20	
5080	LANDSCAPE MAINTENANCE	864.00	
2010	ACCOUNTS PAYABLE		5,714.46
Total		5,714.46	5,714.46

Adjusting Journal Entries JE # 6

To adjust prepaid expense to actual

1310	PREPAID INSURANCE	696.48	
5065	REAL ESTATE TAXES	40.65	
1315	PREPAID REAL ESTATE TAXES		40.65
5044	INSURANCE		696.48
Total		737.13	737.13

Adjusting Journal Entries JE # 7

To adjust management fees to actual

5050	MANAGEMENT FEES	221.40	
2015	DUE TO MANAGEMENT COMPANY		221.40
Total		221.40	221.40

Adjusting Journal Entries JE # 8

To defer current year major maintenance allocation

4010	ASSESSMENT FEES	29,205.00	
4010.1	RESERVE DEPOSIT	29,205.00	
2065	CONTRACT LIABILITIES		29,205.00
9010	RESERVE CONTRIBUTION		29,205.00
Total		58,410.00	58,410.00

Adjusting Journal Entries JE # 9

To accrue current year income taxes

5043	NYSFT	75.00	
5046	FEDERAL INCOME TAXES	65.00	
2040	ACCRUED INCOME TAXES		140.00
Total		140.00	140.00



June 21, 2021

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

In planning and performing our audit of the financial statements of Rivers Run Homeowners Association, Inc. as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Rivers Run Homeowners Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we noted deficiencies in internal control that we consider to be material weaknesses. We did not note any deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Rivers Run Homeowners Association, Inc.'s internal control to be a material weakness:

Auditing standards consider auditor involvement in making material adjusting journal entries, in aggregate, indicative of a material weakness. We have recorded adjustments this year that are material in the aggregate primarily in order to present financial statements on the accrual basis of accounting as promulgated by the American Institute of Certified Public Accountants.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies in Rivers Run Homeowners Association, Inc.'s internal control considered to be significant deficiencies.

This communication is intended solely for the information and use of management, the board of directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce, Disquardis & Ry, LLP

Rochester, New York

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Opinion

We have audited the accompanying financial statements of Rivers Run Homeowners Association, Inc. which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rivers Run Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rivers Run Homeowners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

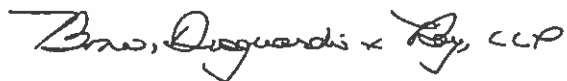
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rivers Run Homeowners Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rivers Run Homeowners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on page 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Rochester, New York
June 21, 2021

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2020

ASSETS

Assets	
Cash and cash equivalents	\$ 182,310
Accounts receivable from homeowners	134
Prepaid expenses	<u>6,026</u>
Total assets	\$ <u><u>188,470</u></u>

LIABILITIES AND FUND BALANCES

Liabilities	
Accounts payable	\$ 6,121
Advance payments from homeowners	3,239
Accrued income tax	140
Contract liabilities (assessments received in advance-major maintenance fund)	<u>207,579</u>
Total liabilities	<u>217,079</u>
Fund balances	
Operating	(29,839)
Major maintenance	<u>1,230</u>
Total fund balances	<u>(28,609)</u>
	\$ <u><u>188,470</u></u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Operating <u>Fund</u>	Major Maintenance <u>Fund</u>	<u>Total</u>
Revenues			
Common charges	\$ 159,890	\$ 0	\$ 159,890
Cable assessments	40,424	0	40,424
Sponsor assessments	9,145	0	9,145
Interest income	0	1,230	1,230
Other income	738	0	738
	<hr/>	<hr/>	<hr/>
Total revenues	210,197	1,230	211,427
Expenses			
Administrative expense	1,263	0	1,263
Landscaping	73,327	0	73,327
Repairs and maintenance	12,651	0	12,651
Cable	42,642	0	42,642
Utilities	3,393	0	3,393
Insurance	21,973	0	21,973
Legal and professional fees	14,755	0	14,755
Management fee	12,398	0	12,398
Refuse removal	8,632	0	8,632
Snow removal	31,454	0	31,454
Property taxes	3,650	0	3,650
Income taxes	140	0	140
	<hr/>	<hr/>	<hr/>
Total expenses	226,278	0	226,278
Excess of revenues over (under) expenses	(16,081)	1,230	(14,851)
Transfers	0	0	0
Fund balances - beginning of year	<hr/> (13,758)	<hr/> 0	<hr/> (13,758)
Fund balances - end of year	\$ <u>(29,839)</u>	\$ <u>1,230</u>	\$ <u>(28,609)</u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash flows from operating activities:	
Excess of revenues under expenses	\$ (14,851)
Adjustments to reconcile excess of revenues under expenses to net cash and cash equivalents provided by operating activities:	
(Increase) decrease in:	
Accounts receivable from homeowners	(39)
Prepaid expenses	(656)
Increase (decrease) in:	
Accounts payable	4,048
Advance payments from homeowners	(479)
Accrued income taxes	(265)
Contract liabilities (assessments received in advance-major maintenance fund)	<u>29,205</u>
Net cash and cash equivalents provided by operating activities	16,963
Cash and cash equivalents - beginning of year	<u>165,347</u>
Cash and cash equivalents - end of year	<u>\$ 182,310</u>
 Supplemental disclosure of cash flow information:	
Cash paid for income taxes	<u>\$ 405</u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 fifty-eight units, of which fifty-five are sold, and three are completed and currently owned by the sponsor, 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.

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 not ultimately prevail against all of the homeowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts has not been established. 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, 2020

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 2017, 2018 and 2019 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 Condominium has evaluated events and transactions for potential recognition and disclosure through June 21, 2021, the date the financial statements were available to be issued. Specific events have been identified in Note 10 to these financial statements.

NOTE 3: NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued 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 or services.

The Association adopted the new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning major maintenance fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities (assessments received in advance-major maintenance fund).

See independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 3: NEW ACCOUNTING GUIDANCE IMPLEMENTATION (CONTINUED)

The adoption of the new revenue recognition guidance resulted in the following change to major maintenance fund balance as of January 1, 2020:

Major maintenance fund balance, as previously reported at January 1, 2020	\$ 178,374
Adjustment	<u>(178,374)</u>
Major maintenance fund balance, as adjusted at January 1, 2020	\$ <u>0</u>

The effect of the adoption is a decrease in assessments by \$178,374, which is recorded as a contract liability at January 1, 2020. The Association had no customer contract modifications that had an effect on the Association's transition to the new guidance.

NOTE 4: CONTRACT LIABILITIES (ASSESSMENTS RECEIVED IN ADVANCE-MAJOR MAINTENANCE FUND)

Contract liabilities (assessments received in advance-major maintenance fund) records the deferral of assessments allocated to the major maintenance fund as a result of the adoption of the new revenue recognition policy described in Note 3.

The implementation of this new policy requires assessments budgeted for the major maintenance fund to be deferred as follows:

Budgeted assessments for the year ended December 31, 2020	\$ 29,205
Assessments deferred in the current year	(29,205)
Assessments previously deferred recognized in the current year	<u>0</u>
Major maintenance assessments at December 31, 2020	\$ <u>0</u>

As of December 31, 2020, contract liabilities (assessments received in advance-major maintenance fund) is recorded as follows:

Contract liabilities, as of January 1, 2020	\$ 178,374
Assessments deferred in the current year	<u>29,205</u>
Contract liabilities, as of December 31, 2020	\$ <u>207,579</u>

See independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 5: OWNERS' ASSESSMENTS

Monthly assessments to owners for the year ended December 31, 2020 was \$295, 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 or deficit to be used in future years. As of January 1, 2021, monthly assessments increased to \$325 and the additional charge to homeowners for cable television and internet increased to \$73.

NOTE 6: 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 \$19 per month per sold unit for each of the years ending December 31, 2021 and 2022.

NOTE 7: 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. Accumulated funds, which aggregate \$178,374 at January 1, 2020, are presented in the accompanying balance sheet as contract liabilities (assessments received in advance-major maintenance fund) at December 31, 2020.

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 8: 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.

See independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 9: RECLASSIFICATION

Certain amounts in the prior period statement of revenues, expenses and changes in fund balances have been reclassified to conform to the presentation of the current period statement of revenues, expenses, and changes in fund balances. These amounts effected the previously reported fund balances as described in Note 3 to conform to the new revenue recognition policy implemented in the year ended December 31, 2020.

NOTE 10: 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.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

DECEMBER 31, 2020

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.