

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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
June 13, 2019

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 155,586	\$ 169,083
Accounts receivable from homeowners	50	50
Other accounts receivables	0	1,631
Prepaid expenses	<u>3,815</u>	<u>3,914</u>
Total assets	<u>\$ 159,451</u>	<u>\$ 174,678</u>

LIABILITIES AND FUND BALANCES

	<u>2018</u>	<u>2017</u>
Liabilities		
Accounts payable	\$ 5,471	\$ 4,142
Advance payments from homeowners	3,829	2,028
Insurance claim payable	0	8,350
Accrued income tax	<u>116</u>	<u>144</u>
Total liabilities	<u>9,416</u>	<u>14,664</u>
Fund balances		
Operating	(11,694)	25,075
Major maintenance	<u>161,729</u>	<u>134,939</u>
Total fund balances	<u>150,035</u>	<u>160,014</u>
	<u>\$ 159,451</u>	<u>\$ 174,678</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, 2018 AND 2017**

	2018			2017		
	Operating Fund	Major Maintenance Fund	Total	Operating Fund	Major Maintenance Fund	Total
Revenues						
Common charges	\$ 133,038	\$ 25,137	\$ 158,175	\$ 125,088	\$ 29,472	\$ 154,560
Cable assessments	32,742	0	32,742	32,742	0	32,742
Sponsor contributions	12,690	0	12,690	10,800	0	10,800
Interest income	0	876	876	0	442	442
Other income	75	8,350	8,425	50	0	50
Total revenues	178,545	34,363	212,908	168,680	29,914	198,594
Expenses						
Administrative expense	1,852	0	1,852	2,350	0	2,350
Landscaping	74,993	7,573	82,566	39,368	2,883	42,251
Repairs and maintenance	37,605	0	37,605	10,033	944	10,977
Cable	30,144	0	30,144	28,304	0	28,304
Utilities	4,042	0	4,042	3,856	0	3,856
Insurance	18,424	0	18,424	18,916	0	18,916
Legal and professional fees	4,710	0	4,710	17,036	0	17,036
Management fee	9,886	0	9,886	9,594	0	9,594
Refuse removal	5,306	0	5,306	5,279	0	5,279
Snow removal	24,840	0	24,840	25,056	0	25,056
Property taxes	3,396	0	3,396	3,611	0	3,611
Income taxes	116	0	116	144	0	144
Total expenses	215,314	7,573	222,887	163,547	3,827	167,374
Excess of revenues over (under) expenses	(36,769)	26,790	(9,979)	5,133	26,087	31,220
Transfers	0	0	0	0	0	0
Fund balances - beginning of year	25,075	134,939	160,014	19,942	108,852	128,794
Fund balances - end of year	\$ (11,694)	\$ 161,729	\$ 150,035	\$ 25,075	\$ 134,939	\$ 160,014

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Excess of revenues over (under) expenses	\$ (9,979)	\$ 31,220
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	0	(50)
Other accounts receivables	1,631	(131)
Prepaid expenses	99	90
Increase (decrease) in:		
Accounts payable	1,329	(2,936)
Advance payments from homeowners	1,801	(4,059)
Insurance claim payable	(8,350)	0
Accrued income taxes	(28)	13
	<hr/>	<hr/>
Net cash and cash equivalents provided (used) by operating activities	(13,497)	24,147
Cash and cash equivalents - beginning of year	<hr/> 169,083	<hr/> 144,936
Cash and cash equivalents - end of year	\$ <u><u>155,586</u></u>	\$ <u><u>169,083</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ <u><u>144</u></u>	\$ <u><u>131</u></u>

See accompanying notes and independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 forty-six 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 uses fund accounting, 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. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the major maintenance fund generally may be made only for designated purposes.

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 2015, 2016 and 2017 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 June 13, 2019, the date the financial statements were available to be issued.

See independent auditors' report.

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 3: OWNERS' ASSESSMENTS

Monthly assessments to owners for the years ended December 31, 2018 and 2017 were \$285 and \$280, 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, 2019, monthly assessments increased to \$290. There is also an additional \$60 charge to homeowners who want cable television and internet.

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 the homeowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts has not been established.

NOTE 4: 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 \$824 for the year ending December 31, 2019.

NOTE 5: 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 6: 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.



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, 2018 and 2017, and our report thereon dated June 13, 2019, 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
June 13, 2019

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

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

DECEMBER 31, 2018

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.