

The Riverview Resort Condominium Trust

**Financial Statements and
Supplementary Information**

**For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended
December 31, 2018)**

The Riverview Resort Condominium Trust

Table of Contents

	Page
Independent Accountants' Review Report	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Fund Balance	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Schedule of Operating Fund Expenses – Budget and Actual	12
Supplementary Information on Future Major Repairs and Replacements	14



Independent Accountants' Review Report

To the Board of Trustees and Members
The Riverview Resort Condominium Trust

We have reviewed the accompanying financial statements of The Riverview Resort Condominium Trust, which comprise the balance sheet as of December 31, 2019, 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. 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'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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion on the Financial Statements

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 accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The 2018 financial statements of The Riverview Resort Condominium Trust were reviewed by us and our report, dated September 23, 2019, stated that based on the procedures we performed, we did not become aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

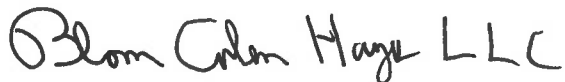
To the Board of Trustees and Members
The Riverview Resort Condominium Trust

Supplementary Information

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information in the Schedule of Operating Fund Expenses—Budget and Actual on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information (except for budget information, which was compiled without audit or review from information that is the representation of management, on which we do not express an opinion or any form of assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to it.

Required Supplementary Information

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 14 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, 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. The information is the representation of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.



November 13, 2020

The Riverview Resort Condominium Trust
Balance Sheet
As of December 31, 2019
(With Comparative Totals as of December 31, 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
Assets				
Cash and cash equivalents	\$ 228,301	\$ 164,747	\$ 393,048	\$ 120,023
Prepaid insurance	16,123	-	16,123	14,535
Other prepaid charges	-	-	-	9,317
Other receivables	8,703	-	8,703	3,246
Contract assets	-	69,568	69,568	-
Interfund balance	(296,255)	296,255	-	-
Total assets	\$ (43,128)	\$ 530,570	\$ 487,442	\$ 147,121
Liabilities and Fund Balance				
Accounts payable	\$ 75,694	\$ -	\$ 75,694	\$ 11,939
Accrued expenses	9,780	-	9,780	12,760
Note payable	-	48,255	48,255	72,181
Prepaid assessments	355,627	482,315	837,942	520,569
Total liabilities	441,101	530,570	971,671	617,449
Fund balance (deficit)	(484,229)	-	(484,229)	(470,328)
Total liabilities and fund balance (deficit)	\$ (43,128)	\$ 530,570	\$ 487,442	\$ 147,121

See accompanying notes and independent accountants' review report.

The Riverview Resort Condominium Trust
Statement of Revenues, Expenses and Changes in Fund Balances
For The Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
Revenues				
Annual assessments	\$ 870,351	\$ -	\$ 870,351	\$ 867,300
Income transfers from contract assets	-	95,764	95,764	-
Rental income	64,657	-	64,657	53,162
Bad debt recovery	5,258	723	5,981	10,378
Collection fee	1,274	-	1,274	1,728
Interest income	4	31	35	52
Miscellaneous income	25,593	-	25,593	21,345
Total revenues	<u>967,137</u>	<u>96,518</u>	<u>1,063,655</u>	<u>953,965</u>
Expenses				
Administrative	409,969	-	409,969	319,734
Utilities	72,366	-	72,366	70,091
Operating	120,873	-	120,873	120,259
Payroll	359,959	-	359,959	354,023
Other charges	77,783	22,378	100,161	84,009
Total operating expenses	<u>1,040,950</u>	<u>22,378</u>	<u>1,063,328</u>	<u>948,116</u>
Major repairs and replacements	-	74,140	74,140	16,338
Total expenses	<u>1,040,950</u>	<u>96,518</u>	<u>1,137,468</u>	<u>964,454</u>
Excess of (deficiency) revenues over expenses	(73,813)	-	(73,813)	(10,489)
Beginning fund balance (deficit)	(410,416)	(59,912)	(470,328)	(459,839)
Adjustment for the cumulative effect on previous years of applying retrospectively the new accounting method for revenue from contracts	-	59,912	59,912	-
Beginning fund balances (deficit), as restated	(410,416)	-	(410,416)	(459,839)
Ending fund balance (deficit)	<u>\$ (484,229)</u>	<u>\$ -</u>	<u>\$ (484,229)</u>	<u>\$ (470,328)</u>

See accompanying notes and independent accountants' review report.

The Riverview Resort Condominium Trust
Statement of Cash Flows
For The Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
Cash flows from operating activities				
Excess (deficiency) of revenues over expenses	\$ (73,813)	\$ -	\$ (73,813)	\$ (10,489)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Adjustment for the cumulative effect on previous years of applying retrospectively the new accounting method for revenue from contracts	-	59,912	59,912	
Interfund balance	302,506	(302,506)	-	-
(Increase) decrease in:				
Prepaid insurance	(1,588)	-	(1,588)	164
Other prepaid charges	9,317	-	9,317	190
Other receivables	(5,457)	-	(5,457)	(1,212)
Contract assets	-	(69,568)	(69,568)	-
(Decrease) increase in:				
Accounts payable	63,755	-	63,755	(1,480)
Accrued expenses	(2,980)	-	(2,980)	1,463
Prepaid assessments	(118,283)	435,656	317,373	27,797
Net cash provided by operating activities	173,457	123,494	296,951	16,433
Cash flows from financing activities				
Principal payments on note payable	-	(23,926)	(23,926)	(21,594)
Net increase (decrease) in cash and cash equivalents	173,457	99,568	273,025	(5,161)
Cash and cash equivalents, beginning of year	54,844	65,179	120,023	125,184
Cash and cash equivalents, end of year	<u>\$ 228,301</u>	<u>\$ 164,747</u>	<u>\$ 393,048</u>	<u>\$ 120,023</u>
Supplemental cash flow disclosures:				
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ 6,549</u>	<u>\$ 6,549</u>	<u>\$ 8,658</u>

See accompanying notes and independent accountants' review report.

The Riverview Resort Condominium Trust

Notes to Financial Statements December 31, 2019 and 2018

Note 1 – Nature of Organization

The Riverview Resort Condominium Trust was originally recorded on December 9, 1997 in the County of Barnstable of the Commonwealth of Massachusetts. The Master Deed was created pursuant to the provisions of Chapter 183B of the General Laws of the Commonwealth of Massachusetts. The condominium is located in the Town of South Yarmouth and consists of 43 units contained in 1 building.

The master deed provides for 1,978 ownership intervals, based upon 43 units, times 46 weeks, retaining 6 weeks for maintenance. The original developer and the successor developer exercised their discretion, however, and only sold intervals in 40 weeks. The Board of Trustees has subsequently reduced available intervals to 36 weeks reserving 16 weeks for maintenance.

The affairs of the Trust are administered by a Board of Trustees.

Note 2 – Summary of Significant Accounting Policies

Method of 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 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 Association.

Replacement Fund

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

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 vary from those estimates.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

The Riverview Resort Condominium Trust

Notes to Financial Statements December 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Association considers all highly liquid investments with maturities of no greater than 90 days to be cash equivalents. From time to time, cash balances in these accounts may exceed federally insured limits. To date, the Association has not experienced any losses in any of its accounts and does not believe it is exposed to any significant credit risk on its cash.

At December 31, 2019 and 2018 the Association had deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits of approximately \$60,000 and \$0, respectively.

Property and Equipment

The Association only capitalizes property and equipment to which it holds title or has other evidence of ownership and which may be disposed of at the discretion of the Board of Trustees. Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Associations' financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it over its useful life.

Contract Assets

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract asset is recorded when the Association has the obligation to assess future fees to pay for previously satisfied replacement fund performance obligations. The balances of contract assets as of the beginning and end of the year are \$59,912 and \$69,568, respectively.

Prepaid Assessments

Prepaid assessments shown in the accompanying balance sheet represents the amount of subsequent year member assessments collected from interval owners on or before December 31, 2019 and 2018.

Income Taxes

Timeshare associations may be taxed either as homeowners associations or as regular corporations. For the year ended December 31, 2019, the Association was taxed as homeowners association in accordance with Internal Revenue Code Section 528. Under that section the Association is taxed only on its net nonexempt function income, such as interest income, at the rate of 32%.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2019 and 2018, the Association did not incur any penalties and interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by federal and state taxing authorities.

The Riverview Resort Condominium Trust

Notes to Financial Statements December 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events have been evaluated through November 13, 2020, which is the date the financials were available to be issued.

Note 3 – Management Company Fees

The Association has a management agreement with Vacation Resorts International (agent) to perform total management services. Services require the collection of annual and special assessments, supervision of the complex, control of the funds, etc. Compensation for these services is based on an annual fee of \$137,314, payable monthly. The agreement also provides for additional services for rentals, collections, etc., at specific charges as set forth in the agreement.

Note 4 – 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 \$69,568, and are presented on the accompanying balance sheet as contract assets at December 31, 2019, are held in separate accounts and are generally not available for operating purposes. Accumulated deficit, which aggregates \$59,912 at December 31, 2018, has been reclassified as of January 1, 2019 from the replacement fund balance to the contract assets account. It is the Association's policy to allocate interest earned on such funds to the replacement fund.

Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement 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, levy special assessments, borrow the necessary funds or delay major repairs and replacements until funds are available.

Note 5 – Note Payable

In December 2016, the Association entered into a note payable to finance the purchase of furniture and carpet replacement secured by the Association's assets. Monthly payments of \$2,521 including interest at 10.3% will be made for 60 months through December 2021. The outstanding balance at December 31, 2019 and 2018 was \$48,255 and \$72,181, respectively.

Future principal payments will be as follows:

2020	\$	26,510
2021		<u>21,745</u>
	\$	<u><u>48,255</u></u>

The Riverview Resort Condominium Trust

Notes to Financial Statements December 31, 2019 and 2018

Note 6 – FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from 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, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning 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, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2019:

Fund balance (deficit), as previously reported, at January 1, 2019	\$	(470,328)
Adjustment		<u>59,912</u>
Fund balance (deficit), as adjusted, at January 1, 2019	\$	<u><u>(410,416)</u></u>

The effect of the adoption is an increase in 2019 assessments by \$9,656 and a recording of a contract asset at December 31, 2019 of \$69,568. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
Assets			
Contract assets	\$ -	\$ 69,568	\$ 69,568
Total assets	417,874	69,568	487,442
Fund balance			
Ending fund balance (deficit)	(553,797)	69,568	(484,229)

The Riverview Resort Condominium Trust

Notes to Financial Statements December 31, 2019 and 2018

Note 6 – FASB ASC 606 New Accounting Guidance Implementation (continued)

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
Revenue			
Member assessments	\$ 956,459	\$ (86,108)	\$ 870,351
Income transfers from contract assets	-	95,764	95,764
Excess (deficiency) of revenues over expenses	(83,469)	9,656	(73,813)
Cash Flows			
Excess (deficiency) of revenues over expenses	(83,469)	9,656	(73,813)
Increase in contract assets	-	(69,568)	(69,568)

Note 7 – Special Assessment

In October 2019, the Board of Trustees levied a \$1,451,691 special assessment to fund unit renovations. Interval owners could pay in full January 1, 2020 or pay in two installments January 1, 2020 and January 1, 2021. Those interval owners who paid in full by January 1, 2020 received a 10% discount.

Note 8 – Subsequent Event

Beginning in early 2020, the COVID-19 outbreak in the United States has caused significant business disruption throughout all sectors of the United States economy. As of November 13, 2020, the financial impact to the Association is unknown and cannot be reasonably estimated.

Supplementary Information

The Riverview Resort Condominium Trust
Schedule of Operating Fund Expenses - Budget and Actual
For The Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019		2018
	(Compiled) Budget	Actual	Actual
Administrative			
Advertising	\$ 1,245	\$ -	\$ 395
Bad debt	40,904	156,890	77,243
Billing and collections	11,125	9,317	9,432
Computer and accounting fees	38,340	38,340	37,404
Credit card fees	8,794	8,479	8,247
Data line	4,285	5,355	5,056
Licenses	1,150	1,227	787
Management fee	137,394	137,314	133,962
Miscellaneous	18,308	18,718	23,375
Office expense	4,400	3,636	2,974
Payroll processing fee	2,000	5,362	2,043
Printing and mailing	9,755	13,073	9,304
Professional fees	7,050	7,400	6,784
Travel	2,775	4,858	2,728
	<u>287,525</u>	<u>409,969</u>	<u>319,734</u>
Utilities			
Water	4,650	4,316	5,014
Electricity	59,100	52,750	50,556
Gas	10,000	15,300	14,521
	<u>73,750</u>	<u>72,366</u>	<u>70,091</u>
Operating			
General repairs and maintenance	9,500	5,429	9,018
Guest/cleaning supplies	45,000	40,472	38,868
HVAC	3,000	5,014	450
Landscaping	3,750	4,303	4,126
Maintenance supplies and equipment	8,000	7,345	12,141
Miscellaneous	10,900	7,409	8,829
Recreation activities	4,400	2,685	3,666
Room furnishings	17,584	17,246	15,504
Septic system	3,630	3,795	3,450
Swimming pool/spa	6,000	4,980	3,603
Telephone, internet and cable	17,040	18,845	16,909
Trash removal	4,479	3,350	3,695
	<u>133,283</u>	<u>120,873</u>	<u>120,259</u>

See independent accountants' review report.

The Riverview Resort Condominium Trust
Schedule of Operating Fund Expenses - Budget and Actual
For The Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019		2018
	(Compiled)		
	Budget	Actual	Actual
Payroll			
Administrative	68,627	70,962	68,102
Front desk	82,564	87,472	84,455
Housekeeping	82,380	76,725	74,769
Maintenance	60,589	60,880	57,164
Taxes and benefits	63,187	63,920	69,533
	<u>357,347</u>	<u>359,959</u>	<u>354,023</u>
Other charges			
Real estate taxes	20,000	20,555	19,848
Insurance	55,000	57,228	56,312
	<u>75,000</u>	<u>77,783</u>	<u>76,160</u>
 Total operating fund expenses	 <u>\$ 926,905</u>	 <u>\$ 1,040,950</u>	 <u>\$ 940,267</u>

See independent accountants' review report.

The Riverview Resort Condominium Trust
Supplementary Information on Future Major Repairs and Replacements
December 31, 2019
(Compiled)

Better Reserve Consultants, an independent appraisal firm, conducted a study in May 2016 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.

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</u>	<u>Estimated Replacement Cost at May 2016</u>
Building exterior	0-14	\$ 456,501
Building interior	0-20	605,900
Common area	0-10	23,000
Pool area	1-9	86,000
Roads and parking	0-20	68,563
Units	0-21	1,636,275
Utilities/mechanical/systems	9	30,000
Reserve study - annual & update	0-2	3,300
		<u>\$ 2,909,539</u>

See independent accountants' review report.