



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of River View Vista Estates, Inc.

We have reviewed the accompanying financial statements of River View Vista Estates, Inc., which comprise the balance sheets as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with the 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.

Accountant's 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

We have previously reviewed River View Vista Estates, Inc.'s December 31, 2019 financial statements and stated that we were not aware of any material modifications that should be made on those financial statements in our report dated March 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

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 12 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. 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.

Hudspeth & Company, PC

Portland, Oregon
February 8, 2022

RIVER VIEW VISTA ESTATES, INC.

BALANCE SHEETS

December 31, 2020 (With Comparative Totals for 2019)

| | Operating Fund | Replacement Fund | Totals | |
|--|-------------------|---------------------|------------|------------|
| | | | 2020 | 2019 |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 13,523 | \$ 180,447 | \$ 193,970 | \$ 195,054 |
| Current portion of investments | - | 58,621 | 58,621 | 56,516 |
| Assessments receivable | 5,726 | - | 5,726 | 2,367 |
| Other receivables related parties | 5,485 | 344 | 5,829 | 344 |
| Prepaid taxes | 102 | - | 102 | 96 |
| Prepaid taxes | - | 2,920 | 2,920 | - |
| Prepaid insurance | 3,234 | - | 3,234 | 3,234 |
| Total Current Assets | 28,070 | 242,332 | 270,402 | 257,611 |
| INVESTMENTS | | | | |
| Certificate of deposits | - | 261,766 | 261,766 | 101,528 |
| Mortgage backed securities | - | 36,348 | 36,348 | 96,719 |
| Total Assets | \$ 28,070 | \$ 540,446 | \$ 568,516 | \$ 455,858 |
| LIABILITIES AND FUND BALANCES | | | | |
| Accounts payable | \$ 1,618 | \$ - | \$ 1,618 | \$ 4,042 |
| Related party payable | 252 | 4,400 | 4,652 | 5,772 |
| Income taxes payable | - | - | - | 2,112 |
| Prepaid dues | 6,267 | - | 6,267 | 12,029 |
| Total Current Liabilities | 8,137 | 4,400 | 12,537 | 23,955 |
| Reserve-contracts liability | - | 536,046 | 536,046 | - |
| Fund balances | 19,933 | - | 19,933 | 431,903 |
| Total Liabilities and Fund Balances | \$ 28,070 | \$ 540,446 | \$ 568,516 | \$ 455,858 |

See accompanying notes and independent accountants' review report

RIVER VIEW VISTA ESTATES, INC.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

| | Operating Fund | Replacement Fund | Totals 2020 | 2019 |
|---|-------------------|---------------------|----------------|------------|
| REVENUE | | | | |
| Member assessments | \$ 219,061 | \$ 104,426 | \$ 323,487 | \$ 291,853 |
| Storm damage assessment | - | - | - | 15,350 |
| Interest income | 18 | 6,996 | 7,014 | 8,280 |
| Other income | 1,429 | - | 1,429 | - |
| Reserve transfer to contracts liability | - | (110,792) | (110,792) | - |
| | 220,508 | 630 | 221,138 | 315,483 |
| EXPENSES | | | | |
| Repairs and replacements | 4,592 | - | 4,592 | 49,955 |
| Water and sewer | 39,480 | - | 39,480 | 33,840 |
| Waste removal | 7,566 | - | 7,566 | 8,636 |
| Legal and professional | 9,574 | - | 9,574 | 3,779 |
| Directors and officers insurance | 3,645 | - | 3,645 | 3,685 |
| Propane expense | 12,846 | - | 12,846 | 12,233 |
| Miscellaneous | 1,214 | 630 | 1,844 | 3,893 |
| Sports center fees | 6,796 | - | 6,796 | 5,584 |
| Eagle Crest Management, LLC charges for: | | | | |
| Guest services | 18,585 | - | 18,585 | 18,096 |
| Common area landscaping | 36,316 | - | 36,316 | 35,361 |
| Snow removal | 339 | - | 339 | 19,045 |
| Management fees | 23,407 | - | 23,407 | 22,792 |
| Eagle Crest Master Association dues | 42,864 | - | 42,864 | 41,736 |
| | 207,224 | 630 | 207,854 | 258,635 |
| EXCESS OF REVENUE OVER EXPENSES BEFORE TAXES | 13,284 | - | 13,284 | 56,848 |
| INCOME TAX EXPENSE | - | - | - | 1,768 |
| EXCESS OF REVENUE OVER EXPENSES | 13,284 | - | 13,284 | 55,080 |
| BEGINNING FUND BALANCES | 6,649 | 425,254 | 431,903 | 376,823 |
| TRANSFER TO RESERVE-CONTRACTS LIABILITY | - | (425,254) | (425,254) | - |
| ENDING FUND BALANCES | \$ 19,933 | \$ - | \$ 19,933 | \$ 431,903 |

See accompanying notes and independent accountants' review report

RIVER VIEW VISTA ESTATES, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

| | Operating Fund | Replacement Fund | Totals | |
|---|-------------------|---------------------|-------------------|-------------------|
| | | | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Excess (deficit) of revenue over expenses | \$ 13,284 | \$ - | \$ 13,284 | \$ 55,080 |
| Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities: | | | | |
| (Increase) decrease in: | | | | |
| Assessments receivable | (3,359) | - | (3,359) | (1,034) |
| Other related party receivables | (5,485) | - | (5,485) | 396 |
| Prepaid taxes | (6) | - | (6) | (440) |
| Prepaid insurance | - | - | - | (215) |
| Prepaid income taxes | - | (2,920) | (2,920) | - |
| Increase (decrease) in: | | | | |
| Accounts payable | (2,424) | 4,400 | 1,976 | 1,837 |
| Related party payables | (5,520) | - | (5,520) | (1,543) |
| Reserve-contracts liability | - | 110,792 | 110,792 | - |
| Income taxes payable | - | (2,112) | (2,112) | 2,112 |
| Prepaid dues | (5,762) | - | (5,762) | 7,747 |
| Net Cash Provided (Used) by Operating Activities | <u>(9,272)</u> | <u>110,160</u> | <u>100,888</u> | <u>63,940</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of Certificates of deposit | - | (160,238) | (160,238) | (101,528) |
| Return of principal-marketable securities | - | 58,266 | 58,266 | 46,498 |
| Interfund transfers | <u>(8,408)</u> | <u>8,408</u> | <u>-</u> | <u>-</u> |
| Net Cash Provided (Used) by Investing Activities | <u>(8,408)</u> | <u>(93,564)</u> | <u>(101,972)</u> | <u>(55,030)</u> |
| Net Increase (Decrease) in Cash | (17,680) | 16,596 | (1,084) | 8,910 |
| CASH, beginning of year | <u>31,203</u> | <u>163,851</u> | <u>195,054</u> | <u>186,144</u> |
| CASH, end of year | <u>\$ 13,523</u> | <u>\$ 180,447</u> | <u>\$ 193,970</u> | <u>\$ 195,054</u> |
| SUMMARY OF CASH ACCOUNTS | | | | |
| Operating funds-undesignated | | | \$ 13,523 | \$ 31,203 |
| Designated for future repairs and replacements | | | <u>180,447</u> | <u>163,851</u> |
| | | | <u>\$ 193,970</u> | <u>\$ 195,054</u> |
| Supplemental Disclosure: | | | | |
| Cash paid for income taxes | | | <u>\$ 5,662</u> | <u>\$ -</u> |

See accompanying notes and independent accountants' review report

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

DESCRIPTION OF ORGANIZATION-

River View Vista Estates, Inc. was incorporated on March 29, 1990 in the state of Oregon as a non-profit homeowners' association. The Association is responsible for the operation and maintenance of common property. The development currently includes 47 units, roads and common property occupying approximately 4.5 acres. The Association is part of the Eagle Crest development, which is located near Redmond, Oregon. All owners belong to Eagle Crest Master Association and River View Vista Estates, Inc. The financial statements include the accounts and records of the Association only and do not include the individual accounts and records of the Co-owners (i.e. 5th, 10th, and 12th share owners). Nine units are wholly owned and the other 38 units consist of fractional ownership.

DATE OF MANAGEMENT'S REVIEW-

In preparation of the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 8, 2022, the date that the financial statements were available to be issued. No items were noted.

SUMMARY OF SIGNIFICANT POLICIES-

Fund 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 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 operations of the Association.

Replacement fund

This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from this fund generally may be made only for designated purposes.

Cash and cash equivalents

The Association considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. The Association includes Federated Government Money Market funds in cash equivalents.

Investment in marketable securities

Marketable securities, which consist of debt instruments, are carried at amortized cost which approximates market at the balance sheet date. The cost of marketable securities is determined with premiums and discounts amortized over collections. No unrealized gains or losses were recorded during 2020 or 2019.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

SUMMARY OF SIGNIFICANT POLICIES- (Continued)

Member assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The Association considers all assessments receivable at December 31, 2020 and 2019 to be fully collectible and, accordingly, no allowance for uncollectible accounts is deemed necessary. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Revenue recognition

Assessments and membership dues are billed in advance and are recognized as income when earned. Revenue billed or received, but not earned, is shown as unearned revenue and Reserve-contract liability in the liabilities section of the accompanying balance sheets. All other fees and charges are recognized when the Association's services have been provided. Revenue is not recognized until assessments are collected and adjustments are recorded as contra revenue-bad debt expense.

Adoption of New Accounting Standards

Effective January 1, 2020, the Association adopted FASB Accounting Standards Codification ASC 606 regarding revenue recognition which creates a single framework for recognizing revenue from contracts with members (customers). Based on the Association's CCRs and the approved operating budget the Operating fund's obligation is to collect and expend funds for managing common areas for the well-being of the owners which has been fulfilled. No adjustments have been made to the Operating fund based on this adoption. Revenue is not recognized until assessments are collected.

Reserve fund's performance obligation as to reserve assessments are to collect and expend funds for future major repairs and replacements. Such repairs and replacement do not occur on a continuous basis but are performed when needed. Revenue should only be recognized when the performance obligation is expended. Reserve assessment collections in excess of current year costs increase deferred income and expenditures in excess of assessment collections reduce the deferred income. The total reserve-contracts liability (deferred income) is recorded on the balance sheet. During 2020, this change from existing practice resulted in \$425,254 being a reclassification of pre-adoption fund balance as a reserve-contract liability.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates in determining financial position and results of operations during the reporting period. Actual results could differ from these estimates.

Interest earned

Interest earned in the funds is allocated by a decision of the Board of Directors. Interest earned in the fund is allocated to the fund which generated the earnings during 2020 and 2019.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

SUMMARY OF SIGNIFICANT POLICIES- (Continued)

Income taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. Under the homeowners' association election, the Association is taxed on its net nonexempt function income, such as interest earnings, at 30% Federal, plus state. Exempt function income, which consists primarily of member assessments, is not taxable.

As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its net nonmembership income, such as interest earnings, at regular federal and state corporate rates.

Property, improvements and equipment

Real property and common areas acquired from the developer and improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property and other improvements to which it holds title.

At December 31, 2020 and 2019, property not capitalized consists of sidewalks, access roads and greenbelts. According to the Association's governing documents, eighty percent of all unit owners must approve dispositions of any common real property.

Comprehensive income

The Association has no components of other comprehensive income. Comprehensive income consists of net unrealized gains or losses from certain securities.

INVESTMENTS-

The Association purchases certificates of deposits and mortgage backed securities to invest surplus cash. Investments with over a three-month maturity were:

| | Maturity | Interest | Market | Unrealized | Accrued | 2020 | 2019 |
|-----------------------------------|----------------|-------------|-------------------|--------------------|-----------------|---------------------|---------------------|
| <u>Certificates of Deposit</u> | <u>Date</u> | <u>Rate</u> | <u>Balance</u> | <u>(Gain)</u> | <u>Interest</u> | <u>Adjusted</u> | <u>Adjusted</u> |
| | | | | <u>Loss</u> | | <u>Cost Balance</u> | <u>Cost Balance</u> |
| Goldman Sachs | January 2024 | 3.30% | \$109,431 | \$ (7,903) | \$ 1,528 | \$ 101,528 | \$ 101,528 |
| Nicolet Bank | September 2023 | 0.95% | 166,501 | (6,263) | 21 | 160,238 | - |
| Total CDs | | | 275,932 | (14,166) | 1,549 | 261,766 | 101,528 |
| <u>Mortgage Backed Securities</u> | | | | | | | |
| Ginnie Mae Pools | 2023 to 2047 | 4 to 8.08% | 98,776 | (3,807) | 305 | 94,969 | 153,235 |
| Less current portion | | | (56,767) | - | (1,854) | (58,621) | (56,516) |
| Total Investments | | | <u>\$ 317,941</u> | <u>\$ (17,973)</u> | <u>\$ -</u> | <u>\$ 298,114</u> | <u>\$ 198,247</u> |

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

INVESTMENTS-(Continued)

The investments have unamortized premiums of \$383 at December 31, 2020 (\$5,439 in 2019) that are being amortized as principal is returned. The investment securities are mortgage-backed securities that mature between now and 2048. The Association has \$17,973 in unrealized gain at December 31, 2020 (Gains of \$6,499 in 2019).

ASC topic 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value of financial instruments. The Association has made no adjustments to quoted prices when valuing these investments. The Board of Directors has determined that, based on the rate of return and investments, that the investments have minimal risk.

The certificate of deposit is FDIC insured. The mortgage backed securities are issued by the Government National Mortgage Association (Ginnie Mae), a U.S. government agency, or the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), U.S. government-sponsored enterprises. Ginnie Mae, backed by the full faith and credit of the U.S. government, guarantees that investors receive timely payments. Fannie Mae and Freddie Mac also provide certain guarantees and, while not backed by the full faith and credit of the U.S. government, have special authority to borrow from the U.S. Treasury. Some of these investments are held in an account not insured by FDIC, however, the investments are insured by the SIPC, and were purchased prior to the requirement to invest in FDIC insured assets. Other of the securities are held in an FDIC insured institution. The Board of Directors has determined that, based on the rate of return and guarantees, that the investments have minimal risk.

The Association also invested in a Federated Government Obligations Fund which is not FDIC insured and invests in a portfolio of U S Treasury and government securities in 397 days or less and repurchase agreements collateralized by U S Treasury and government securities. The Association had \$60,417 in this fund as of December 31, 2020 which are included as cash equivalents (\$40,592 in 2019).

FUTURE MAJOR REPAIRS AND REPLACEMENTS-

The Association's governing documents require funds to be accumulated for major repairs and replacements. Accumulated funds are held in separate accounts and are not generally available for operating purposes. The study includes components with initial lives of between three and thirty years.

During 2020, the Board, through an independent consultant, updated its reserve study to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements assume an annual inflation rate of 3.2% and rate of investment earnings of 1.5%, net of tax. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on this study.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

FUTURE MAJOR REPAIRS AND REPLACEMENTS-(Continued)

Funds are being accumulated in the replacement fund over the estimated useful lives of the components and estimates of current replacement expenditures over the subsequent 30-year period, considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$108,081 was estimated and included in the 2021 budget. Actual expenditures may vary from the estimated amounts and the amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, levy special assessments, subject to member approval, or delay major repairs and replacements until funds are available.

RESERVE-CONTRACTS LIABILITY

The Association has collected dues for future reserve assessments in excess of current year costs which are considered deferred income and are recorded as reserve-contracts liability on the balance sheet. At December 31, 2020, \$536,046 was included on the balance sheet.

RELATED PARTY TRANSACTIONS-

During 2020 and 2019, the Association has a management agreement with Eagle Crest Management. The Corporation is to provide all services and personnel necessary to administer the Association. The Corporation charged \$23,407 for management fees in 2020 (\$22,792 in 2019).

Certain expenses are incurred by the Corporation and its related entities and are charged to the Association based on estimated service provided to the Association. The Corporation owns two sports centers which are available for the members' use for which they paid \$1,474 in 2020 for the wholly- owned units; the fractional units paid their fees directly. The expenses for 2020 are as follows: landscape \$36,316, snow removal \$339 and guest services \$18,585.

The Association pays Eagle Crest Master Association for use of its water and sewer system. Eagle Crest Master Association also charges dues for upkeep of the common property and fees for use of its sports center. The Association collected and paid \$5,322 in sports center fees from wholly-owned units; the fractional units paid sports center fees directly to Eagle Crest Master Association. The total amounts charged by Eagle Crest Master Association to this Association were \$87,468 for 2020 (\$80,617 in 2019). Eagle Crest Acquisition Group, LLC owned two fractional units at December 31, 2020 and 2019. Eagle Crest Acquisition Group, LLC paid \$716 in dues in 2020 (\$693 in 2019) on the unsold units.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

INCOME TAXES-

Income taxes for the years ended December 30, consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|------------------|-------------|-----------------|
| Current: Federal | \$ - | \$ 1,431 |
| State | <u>-</u> | <u>337</u> |
| | <u>\$ -</u> | <u>\$ 1,768</u> |

In 2020 and 2019, the Association has elected to be taxed as a homeowner's association. The Association has no deferred tax assets or liabilities. The returns have not been examined by taxing authorities and all returns from December 30, 2018 to present are subject to examination. The Association had no excess membership income for the year ended December 31, 2020

RECLASSIFICATIONS-

Certain prior year amounts have been reclassified for consistency with the current year presentation. These classifications have no effect on the previously reported results of operations or fund balances.

RIVER VIEW VISTA ESTATES, INC.

Supplementary Information on Future Major Repairs and Replacements (Compiled)

December 31, 2020

The Board of Directors, in 2020, through an independent consultant, updated its study to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were obtained from licensed contractors and suppliers who were familiar with the property. Replacement costs were based on estimated costs to repair or replace the common components at the date of the study. The study includes items with remaining lives between one and thirty years.

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

| <u>Components</u> | Estimated Remaining Useful Lives (Years) | Estimated Current Replacement Cost | Estimated Expenditures 2021 |
|-------------------------------|---|---|-----------------------------------|
| Siding | 9 to 14 | \$ 968,501 | \$ - |
| Roofs | 22 to 25 | 205,375 | - |
| Decks | 14 to 17 | 482,770 | - |
| Signs and garbage disclosures | 2 to 14 | 38,730 | - |
| Paint | 1 to 6 | 129,499 | - |
| Sewers | 0 to 29 | 209,295 | 13,338 |
| Roads and paths | 0 to 15 | 109,447 | 11,227 |
| Bark | 1 | 12,854 | - |
| Totals | | <u>\$ 2,156,471</u> | <u>24,565</u> |

The Association at December 31, 2020 has \$536,046 available in the Reserve-contracts liability. At funding levels projected in the reserve study, the Association has adequate reserves through 2049.

See independent accountants' review report.