



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 sheet as of December 31, 2018, 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.

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, 2017 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 June 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 10 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
May 10, 2019

RIVER VIEW VISTA ESTATES, INC.

BALANCE SHEETS

December 31, 2018 (With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals 2018	2017
CURRENT ASSETS				
Cash and cash equivalents	\$ 25,245	\$ 160,899	\$ 186,144	\$ 33,888
Current portion of investment in marketable securities	-	7,669	7,669	9,556
Assessments receivable	1,333	-	1,333	1,675
Other receivables related parties	396	-	396	1,397
Prepaid taxes	-	-	-	99
Prepaid insurance	3,019	-	3,019	3,003
Total Current Assets	29,993	168,568	198,561	49,618
INVESTMENT IN MARKETABLE SECURITIES	-	192,064	192,064	248,077
Total Assets	\$ 29,993	\$ 360,632	\$ 390,625	\$ 297,695
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 2,205	\$ -	\$ 2,205	\$ 4,892
Related party payable	7,315	-	7,315	444
Prepaid dues	4,282	-	4,282	-
Total Current Liabilities	13,802	-	13,802	5,336
Fund balances	16,191	360,632	376,823	292,359
Total Liabilities and Fund Balances	\$ 29,993	\$ 360,632	\$ 390,625	\$ 297,695

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, 2018 (With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals	
			2018	2017
REVENUE				
Member assessments	\$ 195,261	\$ 97,483	\$ 292,744	\$ 298,317
Late fees	-	-	-	47
Interest income	35	4,100	4,135	1,075
	195,296	101,583	296,879	299,439
EXPENSES				
Repairs and replacements	6,840	15,134	21,974	1,623
Water and sewer	33,276	-	33,276	32,712
Waste removal	10,133	-	10,133	14,339
Legal and professional	3,562	-	3,562	3,465
Snow removal	885	-	885	1,512
Directors and officers insurance	4,283	-	4,283	3,994
Propane expense	16,522	-	16,522	13,665
Miscellaneous	1,948	123	2,071	2,445
Sports center fees	4,702	-	4,702	4,166
Eagle Crest Acquisition Group, LLC charges for:				
Resort management services	-	-	-	5,545
General administrative	-	-	-	5,525
Guest services	17,467	-	17,467	16,877
Common area landscaping	34,368	-	34,368	32,978
Management fees	22,000	-	22,000	20,144
Eagle Crest Master Association dues	41,172	-	41,172	40,608
	197,158	15,257	212,415	199,598
(DEFICIT) EXCESS OF REVENUE OVER EXPENSES	(1,862)	86,326	84,464	99,841
BEGINNING FUND BALANCES	18,053	274,306	292,359	192,518
ENDING FUND BALANCES	\$ 16,191	\$ 360,632	\$ 376,823	\$ 292,359

See accompanying notes and independent accountants' review report

RIVER VIEW VISTA ESTATES, INC.

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

	Operating Fund	Replacement Fund	Totals 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficit) of revenue over expenses	\$ (1,862)	\$ 86,326	\$ 84,464	\$ 99,841
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	342	-	342	(1,798)
Other related party receivables	1,001	-	1,001	
Prepaid taxes	99	-	99	(99)
Prepaid insurance	(16)	-	(16)	(10)
Increase (decrease) in:				
Accounts payable	(2,687)	-	(2,687)	(4,227)
Related party payables	6,871	-	6,871	
Prepaid dues	4,282	-	4,282	(2,684)
Net Cash Provided (Used) by Operating Activities	<u>8,030</u>	<u>86,326</u>	<u>94,356</u>	<u>91,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Return of principal-marketable securities	-	57,900	57,900	4,651
Purchase of marketable securities	-	-	-	(240,571)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>57,900</u>	<u>57,900</u>	<u>(235,920)</u>
Net Increase (Decrease) in Cash	8,030	144,226	152,256	(144,897)
CASH, beginning of year	<u>17,215</u>	<u>16,673</u>	<u>33,888</u>	<u>178,785</u>
CASH, end of year	<u>\$ 25,245</u>	<u>\$ 160,899</u>	<u>\$ 186,144</u>	<u>\$ 33,888</u>
SUMMARY OF CASH ACCOUNTS				
Operating funds-undesignated			\$ 25,245	\$ 17,215
Designated for future repairs and replacements			160,899	16,673
			<u>\$ 186,144</u>	<u>\$ 33,888</u>
Supplemental Disclosure:				
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent accountants' review report

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 May 10, 2019, 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.

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 2018 or 2017.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

SUMMARY OF SIGNIFICANT POLICIES-

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, 2018 and 2017 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.

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 2018 and 2017.

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, 2018 and 2017, 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.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

INVESTMENTS-

The Association purchases marketable securities to invest surplus cash. Investments with over a three-month maturity were:

	<u>2018</u>	<u>2017</u>
Held-to-maturity investments	<u>\$ 199,542</u>	<u>\$ 257,633</u>
Fair market value	<u>\$ 197,188</u>	<u>\$ 256,274</u>

The held-to-maturity investments are recorded at an amortized cost. The investments have unamortized premiums of \$8,295 at December 31, 2018 (\$12,939 in 2017) that are being amortized as principal is returned. The investment securities are mortgage-backed securities that mature between now and 2047. The Association has \$2,354 in unrealized loss at December 31, 2018.

These investments 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.

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 2018, 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 2.8% 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.

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 \$100,895 was estimated and included in the 2019 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.

RIVER VIEW VISTA ESTATES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

RELATED PARTY TRANSACTIONS-

During 2018 and 2017, the Association has a management agreement with Eagle Crest Management, LLC a subsidiary of Eagle Crest Acquisition Group, LLC (the "Corporation") the developer who succeeded the former manager, Eagle Crest Management and affiliates in February 2018. The Corporation is to provide all services and personnel necessary to administer the Association. Under the terms of the agreement, the Association is assessed a management fee equal to 10% of the Association's basic expenses, as defined, exclusive of manager's compensation and property taxes. The Corporation charged \$22,000 for management fees in 2018 (\$20,144 in 2017).

Certain expenses are incurred by the Corporation 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 \$1,023 in 2018 for the wholly- owned units; the fractional units paid their fees directly. The expenses for 2018 are as follows: landscape \$34,132, guest services \$17,467.

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 \$3,679 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 \$77,404 for 2018 (\$76,185 in 2017). Eagle Crest Acquisition Group, LLC owned two fractional units at December 31, 2018 and 2017. Eagle Crest Acquisition Group, LLC paid \$661 in dues in 2018 (\$667 in 2017) on the unsold units.

INCOME TAXES-

The Association had no net taxable income for the years ended December 31, 2018 and 2017. The Association elected to file as a homeowners' association for those years. The Association has no deferred tax assets or liabilities.

The Association includes investment earnings and deposits held by the fractional owners and allocates taxes based on their respective income. For 2018 and 2017, all taxes were paid by the fractional owners. The returns have not been examined by taxing authorities and all returns from December 2016 to present are subject to examination.

The State of Oregon has determined that a Homeowners Association is not subject to corporate minimum taxes if they do not have net taxable income. Because the returns include the earnings on the fractional owners reserve funds the Association will continue to file with the state. No taxes have been paid by the Association to Oregon during the years affected and so no refund is due.

RECLASSIFICATION-

Certain reclassifications have been made to prior year financial statements to conform with current presentation. The reclassifications had no effect on previously reported results of operations or fund balances.

RIVER VIEW VISTA ESTATES, INC.

Supplementary Information on Future Major Repairs and Replacements (Compiled)

December 31, 2018

The Board of Directors, in 2018, 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 <u>(Years)</u>	Estimated Current Replacement <u>Cost</u>	Estimated Expenditures <u>2019</u>
Exteriors	0 to 19	\$ 1,542,755	\$ 52,817
Roofs	24 to 27	193,587	-
Sewers	0 to 5	162,751	12,572
Roads and paths	1 to 17	<u>103,172</u>	<u>-</u>
Totals		<u>\$ 2,002,265</u>	<u>\$ 65,389</u>

The Association at December 31, 2018 has \$360,632 in the replacement fund available to cover reserve expenditures. At funding levels projected in the reserve study, the Association has adequate reserves through 2048.

See independent accountants' review report.