

PENCHANSKY & CO. PLLC
CERTIFIED PUBLIC ACCOUNTANT



***TIDEVIEW ESTATES
CONDOMINIUM ASSOCIATION***

***Reviewed Financial Statements and
Supplementary Information***

***For The Year Ended
December 31, 2019***

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of
Tideview Estates Condominium Association
Dover, New Hampshire

We have reviewed the accompanying financial statements of Tideview Estates Condominium Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances 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 entity 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 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

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.

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 required part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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 responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Penchansky & Co. PLLC

Penchansky & Co., PLLC
Certified Public Accountants
Manchester, New Hampshire

March 31, 2020

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION

Balance Sheet

As of December 31,

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>2019</u> <u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Equivalents	\$ 39,337	\$ 53,809	\$ 93,146
Member Assessments Receivable	2,344	0	2,344
Other Receivables	11,148	6,258	17,406
Prepaid Expenses	10,396	0	10,396
Contract Asset - (Assesments to be Received in Arrears - Reserve Fund)	<u>0</u>	<u>142,449</u>	<u>142,449</u>
Total Current Assets	<u>63,225</u>	<u>202,516</u>	<u>265,741</u>
<u>Other Assets:</u>			
Closing Cost - Net of Amortization	<u>0</u>	<u>9,026</u>	<u>9,026</u>
Total Assets	<u>\$ 63,225</u>	<u>\$ 211,542</u>	<u>\$ 274,767</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$ 768	\$ 0	\$ 768
Member Assessments Received in Advance	6,495	0	6,495
Note Payable - Current Portion	<u>0</u>	<u>41,187</u>	<u>41,187</u>
Total Current Liabilites	<u>7,263</u>	<u>41,187</u>	<u>48,450</u>
<u>Non Current Liabilities:</u>			
Note Payable - Net of Current	<u>0</u>	<u>170,355</u>	<u>170,355</u>
Total Liabilities	<u>7,263</u>	<u>211,542</u>	<u>218,805</u>
<u>Fund Balances:</u>			
Fund Balances	<u>55,962</u>	<u>0</u>	<u>55,962</u>
Total Liabilities and Fund Balances	<u>\$ 63,225</u>	<u>\$ 211,542</u>	<u>\$ 274,767</u>

See Notes and Independent Accountant's Review Report

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Statement of Revenues, Expenses, and Changes in Fund Balances
For The Year Ended December 31,

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Fund</u>	<u>2019</u> <u>Total</u>
<u>Revenues:</u>			
Member Assessments	\$ 172,000	\$ 34,930	\$ 206,930
Window and Door Replacement Income	0	35,658	35,658
Other Member Income	2,774	5,670	8,444
Insurance Claim Income	24,506	0	24,506
Interest Income	0	70	70
	<hr/>	<hr/>	<hr/>
Total Revenues	199,280	76,328	275,608
<u>Expenses:</u>			
Insurance	38,038	0	38,038
Repair and Maintenance	36,479	0	36,479
Snow Removal	30,680	0	30,680
Landscaping	26,075	0	26,075
Management and Administration	25,698	0	25,698
Insurance Claim Repair	24,506	0	24,506
Septic	4,373	0	4,373
Utilities	4,070	0	4,070
Professional Fees	3,519	0	3,519
Tax	92	0	92
Window and Door Replacement Expense	0	63,491	63,491
Interest	0	11,500	11,500
Amortization	0	1,337	1,337
	<hr/>	<hr/>	<hr/>
Total Expenses	193,530	76,328	269,858
Excess (Deficiency) of Revenues over Expenses	5,750	0	5,750
Fund Balances - January 1,	<hr/>	<hr/>	<hr/>
	50,212	0	50,212
	<hr/>	<hr/>	<hr/>
Fund Balances - December 31,	<u>\$ 55,962</u>	<u>\$ 0</u>	<u>\$ 55,962</u>

See Notes and Independent Accountant's Review Report

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Statement of Cash Flows
For The Year Ended December 31,

	Operating Fund	Reserve Fund	2019 Totals
<u>Cash Flows from Operating Activities:</u>			
Excess (Deficiency) of Revenues over Expenses	\$ 5,750	\$ 0	\$ 5,750
<u>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities</u>			
Amortization	0	1,337	1,337
(Increase) Decrease in Member Assessments Receivable	4,610	0	4,610
(Increase) Decrease in Other Receivables	(11,148)	(6,258)	(17,406)
(Increase) Decrease in Prepaid Expenses	(3,009)	0	(3,009)
(Increase) Decrease in Contract Assests - (Assessments to be Received in Arrears - Reserve Fund)	0	45,070	45,070
Increase (Decrease) in Accounts Payable	768	0	768
Increase (Decrease) in Member Assessments Received in Advance	(728)	0	(728)
Total Adjustments	(9,507)	40,149	30,642
Net Cash Provided (Used) by Operating Activities	(3,757)	40,149	36,392
<u>Cash Flows from Financing Activities:</u>			
Interfund Loan Activity	(4,478)	4,478	0
Payments on Notes Payable	0	(39,211)	(39,211)
Net Cash Provided (Used) by Financing Activities	(4,478)	(34,733)	(39,211)
Net Increase (Decrease) in Cash and Equivalents	(8,235)	5,416	(2,819)
Cash and Equivalents - January 1,	47,572	48,393	95,965
Cash and Equivalents - December 31,	\$ 39,337	\$ 53,809	\$ 93,146

See Notes and Independent Accountant's Reviw Report

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Statement of Cash Flows
For The Year Ended December 31,

	Operating <u>Fund</u>	Reserve <u>Fund</u>	2019 <u>Totals</u>
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Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Taxes	\$ <u>92</u>	\$ <u>0</u>	\$ <u>92</u>
Interest	\$ <u>0</u>	\$ <u>11,500</u>	\$ <u>11,500</u>

See Notes and Independent Accountant's Reveiw Report

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Notes to the Financial Statements
For The Year Ending December 31, 2019

Nature of Organization:

Tideview Estates Condominium Association (the "Association") was formed in January 2000, and consists of 100 residential units located in Dover New Hampshire. The Association is responsible for the operation and maintenance of the common property within the development.

NOTE 1 - Summary of Significant Accounting Policies:

Method of Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

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.

Reserve Fund - This fund is used to accumulate financial resources designated by the Board of Directors for future major repairs and replacements.

Member Assessments Receivable and Bad Debt

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Member assessment revenue is recognized as the related performance obligations are satisfied. The Association's performance obligation related to operating assessments is satisfied on a daily pro rata basis. The Association's performance obligation related to the reserve fund assessments are satisfied when these funds are expended for their designated purpose. Member assessments receivable at the balance sheet date are stated at the amount expected to be collected. The amount expected to be collectible is equal to the gross amount of receivables less an estimated allowance for uncollectible accounts. At December 31, 2019 the Association asserts that all assessments receivable are collectible and has not established an allowance for doubtful accounts. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Notes to the Financial Statements
For The Year Ending December 31, 2019

NOTE 1 - Summary of Significant Accounting Policies – Continued:

Cash and Equivalents

For purposes of reporting cash flows, the Association considers all money market funds purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates in the Preparation of Financial Statements

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

Fixed Assets

Real property and related improvements to such property are not record in the Association's financial statements because the individual unit owners in common own those properties, not the Association.

Contract Asset (Assessments to be Received in Arrears-Reserve Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract asset (assessments to be received in arrears-reserve fund) is recorded when the Association has the right to receive payment for the satisfaction of performance obligations related to reserve assessments.

NOTE 2 - Income Taxes:

Residential condominium associations may be taxed either as condominium management associations under IRC Section 528, or as regular corporations under IRS Section 277. For the year ended December 31, 2019, the Association elected to be taxed under IRC Section 528. The Association is subject to taxation by the state of New Hampshire.

The Association's evaluation on December 31, 2019 revealed no uncertain tax positions that would have a material impact on the financial statements. The Association's tax returns remain subject to examination by taxing authorities for a period of three years

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TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Notes to the Financial Statements
For The Year Ending December 31, 2019

NOTE 3 - Future Major Repairs and Replacements:

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The cash portion of this reserve fund totaled \$53,809 at December 31, 2019 and is held in separate accounts and is generally not available for operating purposes.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on a reserve study's estimates of current replacement costs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. **Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs.** However, if additional funds are needed the Association has the right, subject to board approval, to increase regular assessments, or may delay major repairs and replacements until funds are available. See the required supplementary information on future major repairs and replacements.

NOTE 4 - Administration and Management:

The Association has entered into an on-going management contract with Evergreen Harvard Group ("Evergreen"). Evergreen is to act on the Board's behalf in managing the day-to-day affairs of the Association such as collecting monthly dues, maintenance of Association financial records, maintenance of Association property, etc. Evergreen also provides various services for the Association on an agreed upon basis. In addition, the Association uses the services of a contractor with common ownership with Evergreen on an agreed upon basis.

NOTE 5 - Intangible Assets

The Association had the following intangible assets:

Loan Costs	Gross Carrying Amount	Accumulated Amortization
December 31, 2019	\$ 14,040	\$ 5,014

Amortization expense for the next five years and thereafter is:

December 31,	2020	\$ 1,337
	2021	1,337
	2022	1,337
	2023	1,337
	2024	1,337
	Thereafter	2,341
	Total	\$ <u>9,026</u>

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TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Notes to the Financial Statements
For The Year Ending December 31, 2019

NOTE 6 – Note Payable:

2019

Note payable to a bank, secured by the assets of the Association. Payable monthly based upon a ten-year amortization with a fixed interest rate of 4.87% thru March 23, 2021, a fixed interest rate of the Federal Home Loan Bank 5 Year Classic Advance Rate at March 23, 2021 thru March 23, 2026 and a fixed interest rate of the Federal Home Loan Bank 5 Year Classic Advance rate at March 23, 2026 thru loan maturity at September 23, 2026. Because of additional principal payments made by the Association, as of December 31, 2019 the note is expected to mature on August 23, 2024

	\$ <u>211,542</u>
Total Note Payable	211,542
Less: Current Portion of Note Payable	<u>(41,187)</u>
Total Long-Term Note Payable	\$ <u>170,355</u>

Note payments for the next five years and thereafter are as follows:

<u>Year Ending</u> <u>December 31.</u>		<u>Amount</u>
2020	\$	41,187
2021		43,268
2022		45,454
2023		47,750
2024		<u>33,883</u>
Total	\$	<u>211,542</u>

NOTE 7 – Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 31, 2020, the date the financial statements were available to be issued.

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TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Notes to the Financial Statements
For The Year Ending December 31, 2019

NOTE 8 - 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 asset (assessments to be received in arrears-reserve fund), 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 deficit as previously reported, at January 1, 2019	\$	(137,307)
Adjustment – to contract asset assessments to be received in arrears – reserve fund		187,519
		50,212
Fund balance as adjusted, at January 1, 2019		50,212

The effect of the adoption is a decrease in 2019 assessments by \$45,070 and a decrease in contract asset at December 31, 2019 of \$45,070. 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:

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TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Notes to the Financial Statements
For The Year Ending December 31, 2019

NOTE 8 - FASB ASC 606 New Accounting Guidance Implementation - Continued:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Assets:</u>			
Contract asset (Assessments to be received in arrears-reserve fund)	\$ 0	\$ 142,449	\$ 142,449
Total assets	132,318	142,449	274,767

Fund Balance:

Ending fund balance	(86,487)	142,449	55,962
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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>
<u>Revenue:</u>			
Member assessments	\$ 252,000	\$ (45,070)	\$ 206,930
Excess (deficiency) of revenues over expenses	50,820	(45,070)	5,750
<u>Cash Flows:</u>			
Excess (deficiency) of revenues over expenses	50,820	(45,070)	5,750
Decrease in contract asset	-0-	45,070	45,070

SUPPLEMENTARY INFORMATION

TIDEVIEW ESTATES CONDOMINIUM ASSOCIATION
Required Supplementary Information on Future Major Repairs and Replacements
For The Year Ended December 31, 2019

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's board of directors along with the management company conducted a study dated May 2018 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. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Components	Estimated Replacement Dates	Estimated Current Replacement Costs Thru 2030
Roofs	2027 thru 2031	\$ 625,000
Privacy Fences	2030 thru 2031	75,000
Generator	2038 thru 2039	4,000
Windows and Doors	2020 thru 2048	139,000
Sewer Pumps	2020 thru 2021	20,000
Roads	2040	400,000
Loan Interest	2020 thru 2024	25,850
Concrete Slabs/Steps	2022 thru 2026	75,000
Total		\$ <u>1,363,850</u>

The reserve fund balance has not been allocated to the components of this information.

See Independent Accountant's Review Report