



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

## **Riverwatch Tower Condominium Association**

Financial Statements and Required Supplementary Information

December 31, 2022 and 2021

with Independent Auditors' Report

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees and Members  
Riverwatch Tower Condominium Association

### **Opinion**

We have audited the accompanying financial statements of Riverwatch Tower Condominium Association, which comprise the statements of assets and members' equity - cash basis as of December 31, 2022 and 2021, and the related statements of cash receipts and disbursements – cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverwatch Tower Condominium Association as of December 31, 2022 and 2021, and the results of its operations for the years then ended in accordance with the cash basis of accounting as described in Note 1.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Riverwatch Tower Condominium Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Riverwatch Tower Condominium Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Riverwatch Tower Condominium Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us sufficient evidence to express an opinion or provide any assurance.

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
March 13, 2023

Riverwatch Tower Condominium Association  
 Statements of Assets and Members' Equity - Cash Basis  
 December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash:		
Operating	\$ 1,028,758	1,728,588
Reserves	<u>145,275</u>	<u>144,830</u>
	<u>\$ 1,174,033</u>	<u>1,873,418</u>
Members' equity	<u>\$ 1,174,033</u>	<u>1,873,418</u>

See accompanying notes to the financial statements.

Riverwatch Tower Condominium Association  
 Statements of Cash Receipts and Disbursements - Cash Basis  
 Years Ended December 31, 2022 and 2021

	2022	2021
Cash receipts:		
Association dues	\$ 601,246	597,152
Game-day promotions	175,000	170,000
Parking	147,380	104,855
Other income	61,567	51,291
Advertising fees	41,350	800
Laundry	20,987	13,798
Administration fees	19,000	14,377
Application fees	9,300	12,150
Interest	485	-
Licensing	-	37,999
	<u>1,076,315</u>	<u>1,002,422</u>
Cash disbursements:		
Utilities:		
Electric	41,849	37,693
Water and sewer	88,056	71,101
Other	9,460	11,926
Maintenance and repairs:		
HVAC	10,208	4,535
Roof	819,470	3,414
Carpet cleaning	10,641	3,391
Janitorial	42,122	39,150
Trash removal	22,453	12,695
Generator	3,434	194,110
Other	18,916	28,018
Income taxes	3,046	436,180
Security	148,347	122,576
Payroll	216,023	227,898
Insurance	110,309	99,648
Management fees	46,296	46,296
Professional	17,916	21,618
Elevator contract	39,695	480
Office supplies	9,267	6,778
Ground supplies and landscaping:		
Landscaping	8,720	12,607
Snow removal	34,713	15,849
Other	3,091	3,745
Advertising	45,709	42,980
Student copier	8,042	8,270
Miscellaneous	17,917	13,606
	<u>1,775,700</u>	<u>1,464,564</u>
Decrease in cash	(699,385)	(462,142)
Cash - beginning of year	<u>1,873,418</u>	<u>2,335,560</u>
Cash - end of year	<u>\$ 1,174,033</u>	<u>1,873,418</u>

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Riverwatch Tower Condominium Association (the Association) are set forth to facilitate the understanding of data presented in the financial statements:

### **Nature of organization**

The Association, an Ohio not-for-profit organization, was formed in 1986 as the entity responsible for the administration of Riverwatch Tower Condominium, a 322-unit condominium complex located in Columbus, Ohio. Each owner of a condominium unit is required to pay monthly association dues to cover the Association's operating costs.

### **Basis of accounting**

The Association's financial statements are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized.

### **Cash and cash equivalents**

The Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

### **Revenue recognition**

The Association primarily derives its cash receipts from ongoing member assessments and special assessments, which are recorded as association dues and special assessments, if levied, in the cash receipts section of the financial statements. The Association's annual budget is the basis for establishing the annual association dues required from each member to cover the Association's operating expenses, plus an allocation to the replacement fund. Member assessments are due on the 10th of each month. Special assessments are due annually, if levied. The performance obligation related to member and special assessments is the maintenance and management of the common area property, which is satisfied in a consistent and ongoing basis through weekly and monthly maintenance and repairs.

The Association also derives a significant portion its cash receipts from game-day promotions, which is recorded in the cash receipts section of the financial statements. A contract between the Association and licensee is the basis for establishing an annual fee. A game-day promotions fee is collected annually. The performance obligation related to game-day promotions is use of the Association's property, as designated, which is satisfied upon completion of each game-day event.

Until November 2020, the Association also derived revenue from licensing. Contracts between the Association and licensees were the basis for establishing the annual fee. Licensing fees were due either monthly or quarterly, as defined in a separate contract. Effective November 2020, these contracts were sold to a third-party, as described in Note 4. However, true-up payments were received on these contracts through 2021. The performance obligation related to licensing was use of the antenna space on the property's roof, which was satisfied through daily use.

### **Advertising**

Advertising costs are expensed in the period in which the costs are paid.

### **Income taxes**

The Association files its Federal income tax return as a Subchapter C corporation and as a homeowner's association under the provisions of Section 277 of the Internal Revenue Code. Under the latter method, taxable income, which excludes certain exempt function income and expense, is taxed at a rate of 21%.

### **Reserves**

The Association contracted with an independent engineer in February 2020 to perform a study of future major repairs and replacements, the results of which are included as supplementary information on page 7. Additionally, the State of Ohio requires the Association to budget for a reserve of at least 10% of the current year's budget unless the reserve requirement is waived annually by a majority of the unit holders. The Association maintains accounts reserved for the future replacement and major repair of commonly owned assets. Funds for future replacement and major repair of commonly owned assets are being accumulated based on estimated future costs. Actual expenditures, however, may vary from such estimates and the variations may be material.

The Association's bylaws provide for the Board to levy special assessments for capital improvements and other special purposes. There were no special assessments levied during the years ended December 31, 2022 or 2021.

### **Subsequent events**

The Association evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 13, 2023, the date the financial statements were available to be issued.

## **2. MANAGEMENT AGREEMENT:**

The Association entered into a management agreement with NAI Ohio Equities, LLC for the purpose of assisting the Association in handling its day-to-day operations. The agreement provides for a monthly management and administrative fee of \$3,858 for 2022 and 2021. The agreement is renewable on an annual basis.

## **3. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF FEDERALLY INSURED LIMITS:**

The Association maintains its cash and cash equivalent balances at a few financial institutions. Cash and cash equivalent balances in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 as of December 31, 2022 and 2021. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

## **4. TELECOMMUNICATIONS AGREEMENT:**

During November 2020, the Association entered into a contract agreement with a third party for the sale of certain telecommunications agreements, in which the Association sold, transferred and assigned all rights and interest of those agreements to the third party for approximately \$2,000,000. The contract agreement is for a 55-year term.



Riverwatch Tower Condominium Association  
 Required Supplementary Information on Future Major Repairs and Replacements (Unaudited)  
 December 31, 2022

The Association's Board of Trustees hired an independent engineer to conduct a study in February 2020 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 table is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2023 Funding Requirement</u>
Building exterior	5 to 45	\$ 3,152,866	-
Building interior	1 to 25	1,109,313	6,800
Electrical systems	9 to 35	919,900	-
Mechanical systems	1 to 47	607,400	1,000
Site components	1 to 38	<u>1,069,964</u>	<u>-</u>
		<u>\$ 6,859,443</u>	<u>7,800</u>

