

SUN VALLEY ELKHORN ASSOCIATION, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

SUN VALLEY ELKHORN ASSOCIATION, INC.

TABLE OF CONTENTS

Independent Auditor's Report	1
Balance Sheets	2
Statements of Income and Changes in Owners' Equity	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8



Mahlke Hunsaker & Company PLLC

C e r t i f i e d P u b l i c A c c o u n t a n t s

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sun Valley Elkhorn Association, Inc.
Sun Valley, Idaho

We have audited the balance sheets of Sun Valley Elkhorn Association, Inc. as of October 31, 2015 and 2014 and the related statements of income and cash flows for years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sun Valley Elkhorn Association, Inc. as of October 31, 2015 and 2014 and the results of operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mahlke Hunsaker & Co.

Mahlke Hunsaker & Company, pllc
December 31, 2015

SUN VALLEY ELKHORN ASSOCIATION, INC.

**Balance Sheets
October 31, 2015 and 2014**

	2015			2014
	Operating Fund	Capital Reserve	Total	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 404,334	\$ 761,585	\$ 1,165,919	\$ 1,178,067
Accrued Interest	1,335	8,330	9,665	24,492
Assessments Receivables	108,554	23,157	131,711	120,061
Total Current Assets	514,223	793,072	1,307,295	1,322,620
Fixed Assets:				
Property & Equipment, net of accumulated depreciation	2,657,346	-	2,657,346	2,665,173
Total Assets	\$ 3,171,569	\$ 793,072	\$ 3,964,641	\$ 3,987,793
LIABILITIES AND OWNERS' EQUITY				
Liabilities:				
Accounts Payable	\$ 2,954	\$ -	\$ 2,954	\$ 33,217
Accrued Liabilities	572	-	572	644
Income Taxes Payable	30	-	30	30
ADC Completion Deposit	9,000	-	9,000	18,500
Deferred Assessment Revenue	339,025	50,209	389,234	404,435
Total Current Liabilities	351,581	50,209	401,790	456,826
Owners' Equity	2,819,988	742,863	3,562,851	3,530,967
Total Liabilities and Owners' Equity	\$ 3,171,569	\$ 793,072	\$ 3,964,641	\$ 3,987,793

The accompanying notes are a part of these financial statements

SUN VALLEY ELKHORN ASSOCIATION, INC.

**Statements of Income and Changes in Owners' Equity
For the Years Ended October 31, 2015 and 2014**

	<u>2015</u>			<u>2014</u> <u>Totals</u>
	<u>Operating Fund</u>	<u>Capital Reserve</u>	<u>Total</u>	
Revenues:				
Member Assessments	\$ 859,342	\$ 234,918	\$ 1,094,260	\$ 1,040,684
Interest	806	11,268	12,074	12,642
Other Revenue	17,881	-	17,881	25,603
Total Revenues	878,029	246,186	1,124,215	1,078,929
Expenses:				
Management	492,921	-	492,921	456,248
Common Area	59,950	8,901	68,851	69,393
Harker Center Pool	65,850	-	65,850	92,663
Harker Center Structure	14,974	2,194	17,168	16,575
Village Pool	102,233	-	102,233	88,449
Tennis Program	67,140	-	67,140	76,579
Depreciation	212,046	-	212,046	200,991
Other Expenses	66,122	-	66,122	60,607
Total Expenditures	1,081,236	11,095	1,092,331	1,061,505
Net Income (Loss)	(203,207)	235,091	31,884	17,424
Owners' Equity- Beginning	2,818,976	711,991	3,530,967	3,513,543
Transfer To/From Capital Reserve	204,219	(204,219)	-	-
Owners' Equity -Ending	\$ 2,819,988	\$ 742,863	\$ 3,562,851	\$ 3,530,967

The accompanying notes are a part of these financial statements

SUN VALLEY ELKHORN ASSOCIATION, INC.

**Statements of Cash Flows
For the Years Ended October 31, 2015 and 2014**

	2015			2014 Totals
	Operating Fund	Capital Reserve	Total	
Cash Flows From Operating Activities:				
Receipts from Members	\$ 857,964	\$ 209,448	\$ 1,067,412	\$ 1,041,317
Other Operating Receipts	17,881	-	17,881	25,603
Interest Income	360	26,541	26,901	396
Payments to Suppliers	(890,834)	(29,290)	(920,124)	(822,493)
Net Cash Provided (Used) by Operating Activities	(14,629)	206,699	192,070	244,823
Cash Flows From Capital and Related Financing Activities:				
Transfers Between Funds	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-
Cash Flows From Investing Activities				
Purchases of Fixed Assets	-	(204,218)	(204,218)	(229,159)
Net Cash Provided (Used) by Investing Activities	-	(204,218)	(204,218)	(229,159)
Net Increase (Decrease) in Cash	(14,629)	2,481	(12,148)	15,664
Cash - Beginning of Year	418,963	759,104	1,178,067	1,162,403
Cash - End of Year	<u>\$ 404,334</u>	<u>\$ 761,585</u>	<u>\$ 1,165,919</u>	<u>\$ 1,178,067</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (203,207)	\$ 235,091	\$ 31,884	\$ (1,751)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	212,046	-	212,046	169,781
Changes in Assets and Liabilities				
Receivables	(5,937)	(5,711)	(11,648)	(3,992)
Accrued Interest Receivables	(446)	15,273	14,827	2,360
Dues Billed in Advance	4,559	(19,759)	(15,200)	(25,905)
Accounts and Other Payables	(21,644)	(18,195)	(39,839)	2,407
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,629)</u>	<u>\$ 206,699</u>	<u>\$ 192,070</u>	<u>\$ 142,900</u>

The accompanying notes are a part of these financial statements

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sun Valley Elkhorn Association, Inc. (the Association) was incorporated on June 19, 1972, in the State of Idaho. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 1,630 residential units located on approximately 5,000 acres in Sun Valley, Idaho. The following is a summary of the more significant policies:

(A) Basis of Presentation – Basis of Accounting

Basis of Presentation:

The Association maintains its books using the accrual method of accounting. The Association's governing documents provide certain guidelines for oversight of its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund type accounting.

Fund Financial Statements: Funds of the Association are segregated according to the fund method of accounting. This methodology requires that funds such as operating funds and funds for major repairs and replacements be classified separately for accounting and financial reporting purposes.

The Association reports the following funds:

Operating Fund. This account is funded with regular semi-annual assessments and shall contain funds needed to run the ordinary operations of the Sun Valley Elkhorn Association on a day-to-day basis. The amount to be collected and contained in this fund shall be determined by the Board of Directors through the annual operational budgeting process and shall be collected in the fashion prescribed by the Master Declaration governing Sun Valley Elkhorn Association.

Capital Reserve Fund. The funds are for the purpose of repairing, maintaining or replacing existing capital assets, or for the purchase of capital assets and shall be funded through a regular semi-annual capital assessment. The amount to be collected in this fund shall be determined by the Board of Directors through the annual budgeting process which takes into account the Capital Component Replacement Analysis (Capital Reserve Study) and shall be collected in the fashion prescribed by the Master Declaration governing Sun Valley Elkhorn Association.

Management's Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

**SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

(B) Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Association considers all securities purchased to be cash deposits. The balances of securities are adjusted to the current fair market value. The Association places its temporary cash investments with high credit quality financial institutions. The Funds are kept in banks in regular checking accounts, certificates of deposit, and money market accounts. At times, such investments may exceed the FDIC insurance limits. At October 31, 2015 and 2014 there was no cash or cash equivalents in excess of FDIC insurance limits.

Member Assessments and Receivables

Association members are subject to semi-annual assessments. The semi-annual assessments were \$337 and \$315 for the years ended October 31, 2015 and 2014, respectively. These assessments were allocated as follows:

	Operating Fund	Capital Fund
2015	265.00	60.00
2014	265.00	50.00

The annual budget and assessments of owners are determined by the Board of Directors. During the budgeting process the Association includes a 3% contingency line item for essential unexpected expenses in both the operating and capital funds. Any surplus funds remaining at the end of the audited fiscal year shall be carried forward in the respective funds.

Receivables: Assessments receivable as of the balance sheet date represents fees due from property owners. The Association's policy is to place liens on the properties of homeowners whose assessments are ninety days or more delinquent.

The Association bills its members on a semi-annual basis one month in advance of the semi-annual period. The assessments are payable on the first day of the first month of the semi-annual period. In accordance with this policy, assessments for the months of November through April are billed on October 1, and are payable on November 1. Deferred assessments revenue represents assessments billed in advance of the period in which the assessments are earned by the Association.

Allowance for Doubtful Accounts

The Association's policy is to retain legal counsel and place liens on members whose assessments are in arrears. This policy is strictly enforced after all reasonable efforts to collect have been exhausted. No allowance for doubtful accounts has been established by the Board of Directors. Any outstanding amounts not collectible are expensed in the current period.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the following estimated useful lives of the related assets.

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-30 years
Land Improvements	2-25 years
Recreation Facilities	5-40 years
Furniture & Equipment	4-10 years

**SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Normal repairs and maintenance are expensed as incurred whereas significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

The Association does not recognize common real property as an asset on its balance sheet as it is owned commonly among association members and not by the Association itself.

Accrued Interest Receivable

The Association has several certificates of deposits with interest rates varying from 1.27% to 2.25% and original maturities of five years. Interest is accrued annually for these accounts.

Income Taxes

The Association is a tax-exempt homeowners association under Internal Revenue Code Section 528 for the year ended October 31, 2015 and 2014. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Association's property. Net nonexempt function income, which includes earned interest, may be taxed by the federal government and the State of Idaho.

NOTE 2 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Association considers all highly liquid investments held by the bank in the form of checking or savings to be cash equivalents.

NOTE 3 FIXED ASSETS

The following summarizes the Association's change in fixed assets during the current period.

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 2,749,265	\$ 23,273	\$ -	\$ 2,772,538
Recreational Facilities	2,211,841	88,588	-	2,300,429
Equipment, Furniture & Fixtures	192,138	14,198	-	206,336
Land Improvements	248,925	78,160	-	327,085
Totals	5,402,169	204,219	-	5,606,388
Accumulated Depreciation	(2,736,996)	(212,046)	-	(2,949,042)
Net Book Value	<u>\$ 2,665,173</u>			<u>\$ 2,657,346</u>

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2015 AND 2014

NOTE 3 FIXED ASSETS (continued)

Depreciation expense was \$212,046 and \$200,991 for 2015 and 2014, respectively

NOTE 4 PENSION PLAN

The Association maintains a qualified retirement plan under Section 401(k) of the Internal Revenue Code. This plan allows employees to defer a portion of their income on a pretax basis through contributions to the plan. The Association makes a contribution of 6% for eligible employees. Pension Plan expenses were \$14,207 and \$14,134 for the years ended October 31, 2015 and 2014, respectively. The expenses have been included with the various expenses in which the employees are involved on the statements of Income and changes in Owners' Equity.

NOTE 5 SUBSEQUENT EVENTS

Subsequent events were evaluated as of December 31, 2015 and no additional items were noted and necessary to be disclosed.