

SUN VALLEY ELKHORN ASSOCIATION, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2018 AND 2017

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

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, 2018 and 2017 and the related statements of income and changes in owners' equity 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, 2018 and 2017 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 20, 2018

SUN VALLEY ELKHORN ASSOCIATION, INC.

**Balance Sheets
October 31, 2018 and 2017**

	<u>2018</u>			<u>2017</u> <u>Totals</u>
	<u>Operating Fund</u>	<u>Capital Reserve</u>	<u>Total</u>	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 613,176	\$ 1,235,242	\$ 1,848,418	\$ 1,619,545
Accrued Interest	2,018	13,071	15,089	6,039
Assessments Receivables	103,855	28,225	132,080	154,651
Total Current Assets	719,049	1,276,538	1,995,587	1,780,235
Fixed Assets:				
Property & Equipment, net of accumulated depreciation	2,299,085	-	2,299,085	2,429,172
Total Assets	<u>\$ 3,018,134</u>	<u>\$ 1,276,538</u>	<u>\$ 4,294,672</u>	<u>\$ 4,209,407</u>
LIABILITIES AND OWNERS' EQUITY				
Liabilities:				
Accounts Payable	\$ 707	\$ -	\$ 707	\$ 991
Accrued Liabilities	8	-	8	-
Income Taxes Payable	30	-	30	30
ADC Completion Deposit	18,500	-	18,500	16,000
Deferred Assessment Revenue	380,499	63,514	444,013	455,343
Total Current Liabilities	399,744	63,514	463,258	472,364
Owners' Equity	<u>2,618,390</u>	<u>1,213,024</u>	<u>3,831,414</u>	<u>3,737,043</u>
Total Liabilities and Owners' Equity	<u>\$ 3,018,134</u>	<u>\$ 1,276,538</u>	<u>\$ 4,294,672</u>	<u>\$ 4,209,407</u>

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, 2018 and 2017**

	2018			2017 Totals
	Operating Fund	Capital Reserve	Total	
Revenues:				
Member Assessments	\$ 852,683	\$ 258,615	\$ 1,111,298	\$ 1,101,429
Interest	3,000	12,420	15,420	10,597
Other Revenue	26,634	-	26,634	34,203
Total Revenues	882,317	271,035	1,153,352	1,146,229
Expenses:				
Management	482,347	-	482,347	460,808
Common Area	77,198	816	78,014	62,000
Harker Center Pool	67,082	-	67,082	66,664
Harker Center Structure	14,785	1,110	15,895	15,052
Village Pool	78,167	5,674	83,841	68,432
Tennis Program	40,024	140	40,164	53,472
Depreciation	221,902	-	221,902	218,152
Other Expenses	69,736	-	69,736	56,671
Total Expenditures	1,051,241	7,740	1,058,981	1,001,251
Net Income (Loss)	(168,924)	263,295	94,371	144,978
Owners' Equity- Beginning	2,695,499	1,041,544	3,737,043	3,592,065
Transfer To/From Capital Reserve	91,815	(91,815)	-	-
Owners' Equity -Ending	\$ 2,618,390	\$ 1,213,024	\$ 3,831,414	\$ 3,737,043

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, 2018 and 2017**

	2018			2017 Totals
	Operating Fund	Capital Reserve	Total	
Cash Flows From Operating Activities:				
Receipts from Members	\$ 863,922	\$ 258,616	\$ 1,122,538	\$ 1,148,431
Other Operating Receipts	26,634	-	26,634	34,202
Interest Income	982	5,388	6,370	19,568
Payments to Suppliers	(827,113)	(7,740)	(834,853)	(775,049)
Net Cash Provided (Used) by Operating Activities	64,425	256,264	320,689	427,152
Cash Flows From Investing Activities				
Purchases of Fixed Assets	-	(91,815)	(91,815)	(74,687)
Net Cash Provided (Used) by Investing Activities	-	(91,815)	(91,815)	(74,687)
Net Increase (Decrease) in Cash	64,425	164,450	228,875	352,466
Cash - Beginning of Year	548,751	1,070,792	1,619,543	1,267,079
Cash - End of Year	<u>\$ 613,176</u>	<u>\$ 1,235,242</u>	<u>\$ 1,848,418</u>	<u>\$ 1,619,545</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (168,924)	\$ 263,295	\$ 94,371	\$ 144,978
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	221,902	-	221,902	218,152
Changes in Assets and Liabilities				
Receivables	20,178	2,391	22,569	48,631
Accrued Interest Receivables	(2,018)	(7,031)	(9,049)	8,970
Dues Billed in Advance	(8,939)	(2,391)	(11,330)	(1,629)
Accounts and Other Payables	2,226	-	2,226	8,050
Net Cash Provided (Used) by Operating Activities	<u>\$ 64,425</u>	<u>\$ 256,264</u>	<u>\$ 320,689</u>	<u>\$ 427,152</u>

The accompanying notes are a part of these financial statements

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2018 AND 2017

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 1,632 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, 2018 AND 2017**

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, 2018 and 2017 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 for the years ended October 31, 2018 and 2017, respectively. These assessments were allocated as follows:

	Operating Fund	Capital Fund
2018	258.50	78.50
2017	258.50	78.50

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, 2018 AND 2017

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 1.49% to 1.75% and original maturities of five years. US Treasuries have also been purchased with interest rates between 1.694% and 2.737%. 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, 2018 and 2017. 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	Disposals	Ending Balance
Buildings	\$ 2,793,251	\$ 7,508	\$ -	\$ 2,800,759
Recreational Facilities	2,353,713	36,367	-	2,390,080
Equipment, Furniture & Fixtures	301,439	18,947	-	320,386
Land Improvements	365,794	28,993	-	394,787
Totals	5,814,197	91,815	-	5,906,012
Accumulated Depreciation	(3,385,025)	(221,902)	-	(3,606,927)
Net Book Value	<u>\$ 2,429,172</u>			<u>\$ 2,299,085</u>

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2018 AND 2017

NOTE 3 - FIXED ASSETS (continued)

Depreciation expense was \$221,922 and \$218,152 for 2018 and 2017, respectively. Depreciation is calculated on a straight line basis with lives of 3-39 years.

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 matching contribution of up to 6% for eligible employees. Pension Plan expenses were \$16,138 and \$12,837 for the years ended October 31, 2018 and 2017, 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 through December 20, 2018, the date which financial statements were available to be issued.