

SUN VALLEY ELKHORN ASSOCIATION, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018

SUN VALLEY ELKHORN ASSOCIATION, INC.

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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, 2019 and 2018 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, 2019 and 2018 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.

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 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

Independent Auditor's Report
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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. Such information is the responsibility of management. 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. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Mahlke Hunsaker & Co.

Mahlke Hunsaker & Company, pllc
December 20, 2019

SUN VALLEY ELKHORN ASSOCIATION, INC

**Balance Sheets
October 31, 2019 and 2018**

	<u>2019</u>			<u>2018</u> <u>Totals</u>
	<u>Operating</u> <u>Fund</u>	<u>Capital</u> <u>Reserve</u>	<u>Total</u>	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 552,429	\$ 1,242,880	\$ 1,795,309	\$ 1,848,418
Accrued Interest & Other Receivables	9,284	11,700	20,984	15,089
Assessments Receivables	89,992	26,627	116,619	132,080
Total Current Assets	651,705	1,281,207	1,932,912	1,995,587
Fixed Assets:				
Construction in Progress	-	142,000	142,000	-
Property & Equipment, net of accumulated depreciation	2,384,855	-	2,384,855	2,299,085
Total Assets	\$ 3,036,560	\$ 1,423,207	\$ 4,459,767	\$ 4,294,672
LIABILITIES AND OWNERS' EQUITY				
Liabilities:				
Accounts Payable	\$ 431	\$ 142,000	\$ 142,431	\$ 707
Accrued Liabilities	47	-	47	8
Income Taxes Payable	-	-	-	30
ADC Completion Deposit	22,000	-	22,000	18,500
Deferred Assessment Revenue	376,125	61,916	438,041	444,013
Total Current Liabilities	398,603	203,916	602,519	463,258
Owners' Equity	2,637,957	1,219,291	3,857,248	3,831,414
Total Liabilities and Owners' Equity	\$ 3,036,560	\$ 1,423,207	\$ 4,459,767	\$ 4,294,672

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, 2019 and 2018**

	<u>2019</u>			<u>2018</u> <u>Totals</u>
	<u>Operating Fund</u>	<u>Capital Reserve</u>	<u>Total</u>	
Revenues:				
Member Assessments	\$ 848,118	\$ 257,822	\$ 1,105,940	\$ 1,111,298
Interest	8,280	19,921	28,201	15,420
Other Revenue	27,890	-	27,890	26,634
Total Revenues	884,288	277,743	1,162,031	1,153,352
Expenses:				
Management	502,570	-	502,570	482,347
Common Area	73,105	6,380	79,485	78,014
Harker Center Pool	69,350	292	69,642	67,082
Harker Center Structure	14,680	-	14,680	15,895
Village Pool	84,502	1,460	85,962	83,841
Tennis Program	47,955	38,621	86,576	40,164
Depreciation	238,934	-	238,934	221,902
Other Expenses	58,348	-	58,348	69,736
Total Expenditures	1,089,444	46,753	1,136,197	1,058,981
Net Income (Loss)	(205,156)	230,990	25,834	94,371
Owners' Equity- Beginning	2,618,390	1,213,024	3,831,414	3,737,043
Transfer To/From Capital Reserve	224,723	(224,723)	-	-
Owners' Equity -Ending	<u>\$ 2,637,957</u>	<u>\$ 1,219,291</u>	<u>\$ 3,857,248</u>	<u>\$ 3,831,414</u>

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, 2019 and 2018**

	2019			2018 Totals
	Operating Fund	Capital Reserve	Total	
Cash Flows From Operating Activities:				
Receipts from Members	\$ 857,607	\$ 257,822	\$ 1,115,429	\$ 1,122,538
Other Operating Receipts	27,890	-	27,890	26,634
Interest Income	1,014	21,292	22,306	6,370
Payments to Suppliers	(847,258)	95,227	(752,031)	(834,853)
Net Cash Provided (Used) by Operating Activities	39,253	374,341	413,594	320,689
Cash Flows From Investing Activities				
Transfers	(100,000)	100,000	-	-
Increase in Construction in Progress	-	(142,000)	(142,000)	-
Purchases of Fixed Assets	-	(324,704)	(324,704)	(91,815)
Net Cash Provided (Used) by Investing Activities	(100,000)	(366,704)	(466,704)	(91,815)
Net Increase (Decrease) in Cash	(60,747)	7,637	(53,110)	228,875
Cash - Beginning of Year	613,176	1,235,243	1,848,419	1,619,543
Cash - End of Year	<u>\$ 552,429</u>	<u>\$ 1,242,880</u>	<u>\$ 1,795,309</u>	<u>\$ 1,848,418</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (205,156)	\$ 230,990	\$ 25,834	\$ 94,371
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	238,934	-	238,934	221,902
Changes in Assets and Liabilities				
Receivables	13,863	1,598	15,461	22,569
Accrued Interest Receivables	(7,266)	1,371	(5,895)	(9,049)
Dues Billed in Advance	(4,374)	(1,598)	(5,972)	(11,330)
Accounts and Other Payables	3,252	141,980	145,232	2,226
Net Cash Provided (Used) by Operating Activities	<u>\$ 39,253</u>	<u>\$ 374,341</u>	<u>\$ 413,594</u>	<u>\$ 320,689</u>

The accompanying notes are a part of these financial statements

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018

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, 2019 AND 2018**

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, money market accounts and US Treasuries. At times, such investments may exceed the FDIC insurance limits. At October 31, 2019 and 2018 there was no cash or cash equivalents in excess of FDIC insurance limits. The funds invested in US securities are not insured with FDIC insurance, they are backed by the full faith and credit of the United States government.

Member Assessments and Receivables

Association members are subject to semi-annual assessments. The semi-annual assessments were \$337 for the years ended October 31, 2019 and 2018, respectively. These assessments were allocated as follows:

	Operating Fund	Capital Fund
2019	258.50	78.50
2018	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.

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

<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

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.

Construction in progress is recorded as an asset for construction projects that are in progress. Upon completion of the projects those assets will be classified as assets and depreciated over their useful lives.

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, 2019 and 2018. 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.

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018

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	2,800,759			2,800,759
Recreational Facilities	2,390,080	306,666		2,696,746
Equipment, Furniture & Fixtures	320,386	8,800		329,186
Land Improvements	394,787	9,257		404,044
Totals	5,906,012	324,723	-	6,230,735
Accumulated Depreciation	(3,606,927)	(238,953)		(3,845,880)
Net Book Value	<u>\$ 2,299,085</u>			<u>\$ 2,384,855</u>

Depreciation expense was \$238,953 and \$221,922 for 2019 and 2018, 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 \$17,331 and \$16,138 for the years ended October 31, 2019 and 2018, 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 FUTURE MAJOR REPAIRS AND REPLACEMENTS

A component of the annual assessment is designated for the repair or replacement of capital assets. Typical expenses would include plastering pools, spas, wading pools, diving board replacement, new pool covers, pool furniture, pumps, heaters and other equipment, tennis court resurfacing, wind screens, Harker Center carpeting and tile.

Capital purchase funds are set aside for major capital purchases such as rebuilding tennis courts, bathhouses, or adding amenities not covered by the repairs and replacement policies. Funding for this comes from annual assessments. The board maintains a minimum balance of \$250,000 in the capital purchases fund for these purchases, projects and for unexpected events not covered by insurance policies.

**SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018**

NOTE 6 SUBSEQUENT EVENTS

Subsequent events were evaluated through December 20, 2019, the date which financial statements were available to be issued.

Required Supplementary Information

**Sun Valley Elkhorn Association, Inc.
Supplementary Information of Future
Major Repairs and Replacements
October 31, 2019**

	Estimated Remaining Useful Lives (Years)	Estimated Repair or Replacement Costs
Harker Road & Parking Lot	0 to 6	63,261
Paths - Sagehill	0 to 20	12,611
Harker Center	0 to 20	540,674
Harker Pool	0 to 16	488,151
Wading Pool	0	8,052
Harker Spa	0 to 9	36,450
Harker Pool Storage Building	0 to 19	15,413
Fencing	0 to 22	7,000
Ponds	0 to 11	126,575
Village Pool Bathhouse	0 to 29	273,803
Village Pool	0 to 24	312,186
Village Spa	0 to 16	68,322
Village Steam Room	0 to 17	37,902
Harker Courts	0 to 5	561,686
Harker Tennis Building	0 to 19	67,819
Village Courts	0 to 8	532,696
Rosewater Park	0 to 13	130,835
Irrigation and Landscape	1	3,000
Paths & Open Trails	1	5,000
		<u>3,291,436</u>

The estimates have been compiled by the Association's staff and updated in 2015. Estimates are based on replacements costs or repair costs for the assets. An updated capital reserve study, by an independent third party contractor, is under Board of Director consideration to be conducted during the fiscal year ended October 31, 2020.

The Finance Committee and Board of Directors review the capital component replacement schedule annually and allocate funds or defer expenses as may be required to properly maintain capital assets of the Association.