

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

**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, 2020 and 2019 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, 2020 and 2019 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 31, 2020

**SUN VALLEY ELKHORN ASSOCIATION, INC**

**Balance Sheets  
October 31, 2020 and 2019**

	2020			2019 Totals
	Operating Fund	Capital Reserve	Total	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	760,520	\$ 379,831	\$ 1,140,351	\$ 1,795,309
Accrued Interest & Other Recievables	6,455	-	6,455	20,984
Assessments Receivables	104,550	36,420	140,970	116,619
Prepaid Interest	-	13,125	13,125	-
<b>Total Current Assets</b>	871,525	429,376	1,300,901	1,932,912
<b>Fixed Assets:</b>				
Construction in Progress	-	986,839	986,839	142,000
Property & Equipment, net of accumulated depreciation	2,774,014	-	2,774,014	2,384,855
<b>Total Assets</b>	\$ 3,645,540	\$ 1,416,215	\$ 5,061,755	\$ 4,459,767
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 1,898	\$ -	\$ 1,898	\$ 142,431
Accrued Liabilities	234	-	234	47
ADC Completion Deposit	32,500	-	32,500	22,000
PPP SBA Loan	86,100	-	86,100	-
Deferred Assessment Revenue	408,034	71,708	479,742	438,041
<b>Total Current Liabilities</b>	528,766	71,708	600,474	602,519
Bank Line of Credit	-	467,824	467,824	-
<b>Total Long Term Liabilities</b>	-	467,824	467,824	-
<b>Owners' Equity</b>	3,116,775	876,683	3,993,457	3,857,248
<b>Total Liabilities and Owners' Equity</b>	\$ 3,645,540	\$ 1,416,215	\$ 5,061,755	\$ 4,459,767

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, 2020 and 2019**

	<b>2020</b>			<b>2019 Totals</b>
	<b>Operating Fund</b>	<b>Capital Reserve</b>	<b>Total</b>	
<b>Revenues:</b>				
Member Assessments	\$ 811,499	\$ 275,432	\$ 1,086,931	\$ 1,105,940
Interest	1,130	5,222	6,352	28,201
Other Revenue	113,989	-	113,989	27,890
<b>Total Revenues</b>	<b>926,618</b>	<b>280,654</b>	<b>1,207,272</b>	<b>1,162,031</b>
<b>Expenses:</b>				
Management	490,016	-	490,016	502,570
Common Area	75,818	1,554	77,372	79,485
Harker Center Pool	47,104	-	47,104	69,642
Harker Center Structure	13,333	2,975	16,308	14,680
Village Pool	34,771	-	34,771	85,962
Tennis Program	118,924	468	119,392	86,576
Depreciation	229,105	-	229,105	238,934
Other Expenses	56,994	-	56,994	58,348
<b>Total Expenditures</b>	<b>1,066,065</b>	<b>4,997</b>	<b>1,071,062</b>	<b>1,136,197</b>
<b>Net Income (Loss)</b>	<b>(139,447)</b>	<b>275,657</b>	<b>136,210</b>	<b>25,834</b>
<b>Owners' Equity- Beginning</b>	<b>2,637,957</b>	<b>1,219,291</b>	<b>3,857,248</b>	<b>3,831,414</b>
Transfer To/From Capital Reserve	618,265	(618,265)	-	-
<b>Owners' Equity -Ending</b>	<b>\$ 3,116,775</b>	<b>\$ 876,683</b>	<b>\$ 3,993,458</b>	<b>\$ 3,857,248</b>

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, 2020 and 2019**

	<b>2020</b>			<b>2019 Totals</b>
	<b>Operating Fund</b>	<b>Capital Reserve</b>	<b>Total</b>	
<b>Cash Flows From Operating Activities:</b>				
Receipts from Members	\$ 828,848	\$ 275,431	\$ 1,104,279	\$ 1,115,429
Other Operating Receipts	113,989	-	113,989	27,890
Interest Income	3,959	16,922	20,881	22,306
Payments to Suppliers	(824,805)	(146,997)	(971,802)	(752,031)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>121,991</b>	<b>145,356</b>	<b>267,347</b>	<b>413,594</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Increase in PPP loan	86,100	-	86,100	-
Increase in Line of Credit	-	467,824	467,824	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>86,100</b>	<b>467,824</b>	<b>553,924</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>				
Increase in Construction in Progress	-	(844,839)	(844,839)	(142,000)
Purchases of Fixed Assets	-	(631,390)	(631,390)	(324,704)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>(1,476,229)</b>	<b>(1,476,229)</b>	<b>(466,704)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>208,091</b>	<b>(863,049)</b>	<b>(654,958)</b>	<b>(53,109)</b>
Cash - Beginning of Year	552,429	1,242,880	1,795,309	1,848,419
Cash - End of Year	<u>\$ 760,520</u>	<u>\$ 379,831</u>	<u>\$ 1,140,351</u>	<u>\$ 1,795,310</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (139,447)	\$ 275,657	\$ 136,210	\$ 94,371
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	229,105	-	229,105	221,902
Changes in Assets and Liabilities				
Receivables	(14,560)	(9,793)	(24,353)	22,569
Accrued Interest Receivables	2,829	11,700	14,529	(9,049)
Dues Billed in Advance	31,909	9,792	41,701	(11,330)
Accounts and Other Payables	12,155	(142,000)	(129,845)	2,226
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 121,991</u>	<u>\$ 145,356</u>	<u>\$ 267,347</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, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 and 2019 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, 2020 and 2019, respectively. These assessments were allocated as follows:

	<b>Operating Fund</b>	<b>Capital Fund</b>
2020	258.50	78.50
2019	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, 2020 AND 2019**

**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, 2020 and 2019. 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, 2020 AND 2019**

**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	\$351,063		\$ 3,151,822
Recreational Facilities	2,696,746	259,382		2,956,128
Equipment, Furniture & Fixtures	329,186	2,255		331,441
Land Improvements	404,044	5,565		409,609
Totals	6,230,735	618,265		6,849,000
Accumulated Depreciation	(3,845,880)	(229,105)		(4,074,985)
Net Book Value	<u>\$ 2,384,855</u>			<u>\$ 2,774,015</u>

Depreciation expense was \$229,105 and \$238,953 for 2020 and 2019, 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 \$18,095 and \$17,331 for the years ended October 31, 2020 and 2019, 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 BANK LINE OF CREDIT**

The Association secured a draw down line of credit with a bank. As of October 31, 2020, the Association has drawn \$467,824 the total available is \$1,500,000. The line of credit matures on September 2, 2030 and has a fixed interest rate of 3.5%. The Association prepaid interest on the line of credit in the amount of \$13,125.

**SUN VALLEY ELKHORN ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2020 AND 2019**

**NOTE 6 FUTURE MAJOR REPAIRS AND REPLACEMENTS**

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.

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.

**NOTE 7 PAYCHECK PROTECTION PROGRAM**

On May 6, 2020, the Company received loan proceeds in the amount of approximately \$86,100 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part.

**NOTE 8 SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 31, 2020, 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, 2020**

	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Repair or Replacement Costs</b>
General Site / Grounds	0 to 15	336,900
Village Pool / Spa	0 to 30	1,793,050
Village Tennis / Pickleball	6 to 49	304,750
Harker Pool / Spa	1 to 39	1,530,350
Harker Park	3 to 22	96,250

Estimates are based on replacements costs or repair costs for the assets. An independent third party contractor prepared a capital reserve study as of October 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.