

SUN VALLEY ELKHORN ASSOCIATION, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020

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, 2021 and 2020 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, 2021 and 2020 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 15, 2021

SUN VALLEY ELKHORN ASSOCIATION, INC

**Balance Sheets
October 31, 2021 and 2020**

	2021			2020 Totals
	Operating Fund	Capital Reserve	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 799,768	\$ 553,999	\$ 1,353,767	\$ 1,140,351
Accrued Interest & Other Receivables	-	-	-	6,455
Assessments Receivables	135,985	45,694	181,679	140,970
Prepaid Interest	-	-	-	13,125
Total Current Assets	935,753	599,693	1,535,446	1,300,901
Fixed Assets:				
Construction in Progress	-	-	-	986,839
Property & Equipment, net of accumulated depreciation	4,745,533	-	4,745,533	2,774,014
Total Assets	\$ 5,681,286	\$ 599,693	\$ 6,280,979	\$ 5,061,754
LIABILITIES AND OWNERS' EQUITY				
Liabilities:				
Accounts Payable	\$ 3,341	\$ -	\$ 3,341	\$ 1,898
Accrued Liabilities	293	4,010	4,303	234
Income Taxes Payable	20	-	20	-
ADC Completion Deposit	62,000	-	62,000	32,500
PPP SBA Loan	-	-	-	86,100
Deferred Assessment Revenue	375,667	65,839	441,506	479,742
Total Current Liabilities	441,321	69,849	511,170	600,474
Zion's Bank Loan	-	1,421,931	1,421,931	467,824
Total Long Term Liabilities	-	1,421,931	1,421,931	467,824
Owners' Equity	5,239,965	(892,087)	4,347,878	3,993,458
Total Liabilities and Owners' Equity	\$ 5,681,286	\$ 599,693	\$ 6,280,979	\$ 5,061,754

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, 2021 and 2020**

	2021			2020 Totals
	Operating Fund	Capital Reserve	Total	
Revenues:				
Member Assessments	\$ 884,563	\$ 264,451	\$ 1,149,014	\$ 1,086,931
Facility User Dues	-	192,000	192,000	-
Amenity Access Fee	15,672	-	15,672	-
Interest	841	650	1,491	6,352
Other Revenue	229,834	-	229,834	113,989
Total Revenues	1,130,910	457,101	1,588,011	1,207,272
Expenses:				
Management	574,820	-	574,820	490,016
Common Area	110,006	1,668	111,674	77,372
Harker Center Pool	65,086	-	65,086	47,104
Harker Center Structure	16,283	-	16,283	16,308
Village Pool	32,711	-	32,711	34,771
Tennis Program	149,050	-	149,050	119,392
Depreciation	192,371	-	192,371	229,105
Interest	-	56,112	56,112	-
Other Expenses	35,483	-	35,483	56,994
Total Expenditures	1,175,810	57,780	1,233,590	1,071,062
Net Income (Loss)	(44,900)	399,321	354,421	136,210
Owners' Equity- Beginning	3,116,775	876,683	3,993,458	3,857,248
Transfer To/From Capital Reserve	2,168,091	(2,168,091)	-	-
Owners' Equity -Ending	\$ 5,239,966	\$ (892,087)	\$ 4,347,879	\$ 3,993,458

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, 2021 and 2020**

	2021			2020 Totals
	Operating Fund	Capital Reserve	Total	
Cash Flows From Operating Activities:				
Receipts from Members	\$ 820,763	\$ 249,308	\$ 1,070,071	\$ 1,104,279
Other Operating Receipts	229,834	-	229,834	113,989
Interest Income	7,296	650	7,946	20,881
Payments to Suppliers	(1,014,423)	(53,771)	(1,068,194)	(971,802)
Net Cash Provided (Used) by Operating Activities	43,470	196,187	239,657	267,347
Cash Flows From Capital and Related Financing Activities:				
Increase (Decrease) in PPP loan	-	-	-	86,100
Increase in loan	-	1,032,176	1,032,176	467,824
Principal payment on loan	-	(78,069)	(78,069)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	954,107	954,107	553,924
Cash Flows From Investing Activities				
Transfers	(211,894)	211,894	-	-
(Increase) Decrease in Construction in Progress	-	-	-	(844,839)
Purchases of Fixed Assets	-	(1,188,020)	(1,188,020)	(631,390)
Net Cash Provided (Used) by Investing Activities	(211,894)	(976,126)	(1,188,020)	(1,476,229)
Net Increase (Decrease) in Cash	(168,424)	174,168	5,744	(654,958)
Cash - Beginning of Year	760,520	379,831	1,140,351	1,795,309
Cash - End of Year	<u>\$ 592,096</u>	<u>\$ 553,999</u>	<u>\$ 1,146,095</u>	<u>\$ 1,140,350</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 147,099	\$ 207,321	\$ 354,420	\$ 136,210
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	192,371	-	192,371	229,105
Changes in Assets and Liabilities				
Receivables	(31,433)	(9,274)	(40,707)	(24,353)
Accrued Interest Receivables	6,455	-	6,455	14,529
Dues Billed in Advance	(32,367)	(5,869)	(38,236)	41,701
Accounts and Other Payables	(30,983)	4,009	(26,974)	(129,845)
Net Cash Provided (Used) by Operating Activities	<u>\$ 251,142</u>	<u>\$ 196,187</u>	<u>\$ 447,329</u>	<u>\$ 267,347</u>

The accompanying notes are a part of these financial statements

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020

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, 2021 AND 2020**

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, 2021 and 2020 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, 2021 and 2020, respectively. These assessments were allocated as follows:

	Operating Fund	Capital Fund
2021	258.50	78.50
2020	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.

The Board approved facility access fees to be charged to those members who have rental activities for their home or units. These fees allow tenants to access the amenities. The charge is \$600 annually and are designated for future replacement and repair of capital assets in which the rental clients enjoy throughout the year. A \$5 public access fee was also approved for guests who use the amenities.

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.

SUN VALLEY ELKHORN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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

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. For the year ended October 31, 2021 no accrued there was no accrued interest.

Income Taxes

The Association is a tax-exempt homeowners association under Internal Revenue Code Section 528 for the year ended October 31, 2021 and 2020. 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, 2021 AND 2020

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	\$ 3,151,822			\$ 3,151,822
Recreational Facilities	2,956,128	2,160,913		5,117,041
Equipment, Furniture & Fixtures	331,441	2,975		334,416
Land Improvements	409,609			409,609
Totals	6,849,000	2,163,888		9,012,888
Accumulated Depreciation	(4,074,985)	(192,371)		(4,267,356)
Net Book Value	<u>\$ 2,774,015</u>			<u>\$ 4,745,533</u>

Depreciation expense was \$192,371 and \$229,105 for 2021 and 2020, 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 \$18,684 and \$18,095 for the years ended October 31, 2021 and 2020, 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, 2021 AND 2020

NOTE 6 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.

As of October 31, 2021 the full amount of the Company’s PPP loan was forgiven and recorded as miscellaneous revenue.

NOTE 6 SUBSEQUENT EVENTS

Subsequent events were evaluated through December 20, 2021, 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, 2021**

	Estimated Remaining Useful Lives (Years)	Estimated Repair or Replacement Costs
	<u> </u>	<u> </u>
General Site/Grounds	0 to 15	336,900
Village Pool/Spa	0 to 30	1,793,050
Village Tennis/Pickleball	4 to 49	304,750
Harker Pool/Spa	1 to 39	1,530,350
Harker Park	3 to 22	96,250
Harker Tennis	0 to 40	855,500
Harker Center Building	4 to 19	408,800
Systems & Equipment	3 to 5	47,250
		<u><u>5,372,850</u></u>

The estimates above have been compiled by an independent third party as of October 15, 2020. Estimates are based on current average costs and remaining estimated useful lives.