

SUN VALLEY ELKHORN ASSOCIATION, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2022 AND 2021

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

Opinion

We have audited the financial statements of Sun Valley Elkhorn Association, Inc. which comprise the balance sheet as of October 31, 2022 and 2021 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. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sun Valley Elkhorn Association, Inc. as of October 31, 2022 and 2021, and the results of operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conduct our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sun Valley Elkhorn Association, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgement were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt and Sun Valley Elkhorn Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism through the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Sun Valley Elkhorn Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise the substantial doubt about Sun Valley Elkhorn Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

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 23, 2022

SUN VALLEY ELKHORN ASSOCIATION, INC

**Balance Sheets
October 31, 2022 and 2021**

	2022			2021
	Operating Fund	Capital Reserve	Total	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 895,330	\$ 703,994	\$ 1,599,324	\$ 1,353,767
Accrued Interest & Other Receivables	1,746	-	1,746	-
Assessments Receivables	82,910	29,427	112,337	181,679
Total Current Assets	979,986	733,421	1,713,407	1,535,446
Fixed Assets:				
Property & Equipment, net of accumulated depreciation	4,590,640	-	4,590,640	4,745,533
Total Assets	\$ 5,570,626	\$ 733,421	\$ 6,304,047	\$ 6,280,979
LIABILITIES AND OWNERS' EQUITY				
Liabilities:				
Accounts Payable	\$ 43	\$ -	\$ 43	\$ 3,341
Accrued Liabilities	3	3,503	3,506	4,303
Income Taxes Payable	20	-	20	20
ADC Completion Deposit	56,000	-	56,000	62,000
Deferred Assessment Revenue	332,012	49,572	381,584	441,506
Total Current Liabilities	388,078	53,075	441,153	511,170
Zion's Bank Loan	-	1,283,891	1,283,891	1,421,931
Total Long Term Liabilities	-	1,283,891	1,283,891	1,421,931
Owners' Equity	5,182,548	(603,545)	4,579,003	4,347,879
Total Liabilities and Owners' Equity	\$ 5,570,626	\$ 733,421	\$ 6,304,047	\$ 6,280,979

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, 2022 and 2021**

	<u>2022</u>			<u>2021</u> <u>Totals</u>
	<u>Operating Fund</u>	<u>Capital Reserve</u>	<u>Total</u>	
Revenues:				
Member Assessments	\$ 941,311	\$ 273,904	\$ 1,215,215	\$ 1,149,014
Facility User Dues	-	197,400	197,400	192,000
Amenity Access Fee	17,752	-	17,752	15,672
Interest	2,668	2,257	4,925	1,491
Other Revenue	165,637	-	165,637	229,834
Total Revenues	1,127,368	473,561	1,600,929	1,588,011
Expenses:				
Management	561,335	-	561,335	574,820
Common Area	93,884	44	93,928	111,674
Harker Center Pool	49,369	8,560	57,929	65,086
Harker Center Structure	13,971	1,047	15,018	16,283
Village Pool	102,866	2,616	105,482	32,711
Tennis Program	166,847	-	166,847	149,050
Depreciation	278,000	-	278,000	192,371
Interest	-	47,721	47,721	56,112
Other Expenses	43,545	-	43,545	35,483
Total Expenditures	1,309,817	59,988	1,369,805	1,233,590
Net Income (Loss)	(182,449)	413,573	231,124	354,421
Owners' Equity- Beginning	5,239,966	(892,087)	4,347,879	3,993,458
Transfer To/From Capital Reserve	125,031	(125,031)	-	
Owners' Equity -Ending	\$ 5,182,548	\$ (603,545)	\$ 4,579,003	\$ 4,347,879

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, 2022 and 2021**

	2022			2021 Totals
	Operating Fund	Capital Reserve	Total	
Cash Flows From Operating Activities:				
Receipts from Members	\$ 950,731	\$ 471,304	\$ 1,422,035	\$ 1,104,279
Other Operating Receipts	183,389	-	183,389	113,989
Interest Income	922	2,257	3,179	20,881
Payments to Suppliers	(1,039,480)	(62,418)	(1,101,898)	(971,802)
Net Cash Provided (Used) by Operating Activities	95,562	411,143	506,705	267,347
Cash Flows From Capital and Related Financing Activities:				
Change in PPP loan	-	-	-	86,100
Change in loan	-	-	-	467,824
Principal payment on loan	-	(138,040)	(138,040)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(138,040)	(138,040)	553,924
Cash Flows From Investing Activities				
(Increase) Decrease in Construction in Progress	-	-	-	(844,839)
Purchases of Fixed Assets	-	(123,108)	(123,108)	(631,390)
Net Cash Provided (Used) by Investing Activities	-	(123,108)	(123,108)	(1,476,229)
Net Increase (Decrease) in Cash	95,562	149,995	245,557	(654,958)
Cash - Beginning of Year	799,768	553,999	1,353,767	1,795,309
Cash - End of Year	<u>\$ 895,330</u>	<u>\$ 703,994</u>	<u>\$ 1,599,324</u>	<u>\$ 1,140,350</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (182,449)	\$ 413,573	\$ 231,124	\$ 136,210
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	278,000	-	278,000	229,105
Changes in Assets and Liabilities				
Receivables	53,075	16,267	69,342	(24,353)
Accrued Interest Receivables	(1,746)	-	(1,746)	14,529
Dues Billed in Advance	(43,655)	(16,267)	(59,922)	41,701
Accounts and Other Payables	(7,663)	(506)	(8,169)	(129,845)
Net Cash Provided (Used) by Operating Activities	<u>\$ 95,562</u>	<u>\$ 413,067</u>	<u>\$ 508,629</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, 2022 AND 2021

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, 2022 AND 2021**

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, 2022 and 2021 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, 2022 and 2021, respectively. These assessments were allocated as follows:

	Operating Fund	Capital Fund
2022	258.50	78.50
2021	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 condominium. 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, 2022 AND 2021

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.

Income Taxes

The Association is a tax-exempt homeowners association under Internal Revenue Code Section 528 for the year ended October 31, 2022 and 2021. 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, 2022 AND 2021

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	5,117,041	58,631		5,175,672
Equipment, Furniture & Fixtures	334,416	31,390		365,806
Land Improvements	409,609	33,086		442,695
Totals	9,012,888	123,107		9,135,995
Accumulated Depreciation	<u>(4,267,356)</u>	<u>(278,000)</u>		<u>(4,545,356)</u>
Net Book Value	<u>\$ 4,745,533</u>			<u>\$ 4,590,640</u>

Depreciation expense was \$278,000 and \$192,371 for 2022 and 2021, 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 \$19,340 and \$18,684 for the years ended October 31, 2022 and 2021, 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, 2022 AND 2021

NOTE 6 SUBSEQUENT EVENTS

Subsequent events were evaluated through December 23, 2022, the date which financial statements were available to be issued. The executive committee has decided to change some accounting practices with the intent to make the financial statement easier to understand and the management of the books easier. The billing cycle will be pushed back a month and the operational and capital accounting records will be combined into one chart of accounts.

Required Supplementary Information

