

SUN VALLEY ELKHORN ASSOCIATION, INC.
FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022

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, 2023 and 2022 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, 2023 and 2022, 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 22, 2023

SUN VALLEY ELKHORN ASSOCIATION, INC

**Balance Sheets
October 31, 2023 and 2022**

	2023		2022	
	Operating Fund	Capital Reserve	Total	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 154,325	\$ 1,700,860	\$ 1,855,185	\$ 1,599,324
Accrued Interest & Other Receivables	-	3,583	3,583	1,746
Assessments Receivables	98,823	26,890	125,713	112,337
Total Current Assets	253,148	1,731,333	1,984,481	1,713,407
Fixed Assets:				
Construction in Progress	-	1,199,733	1,199,733	-
Property & Equipment, net of accumulated depreciation	4,342,696	-	4,342,696	4,590,640
Total Assets	\$ 4,595,844	\$ 2,931,066	\$ 7,526,910	\$ 6,304,047
LIABILITIES AND OWNERS' EQUITY				
Liabilities:				
Accounts Payable	\$ 46	\$ -	\$ 46	\$ 43
Accrued Liabilities	17	1,233	1,250	3,506
Income Taxes Payable	20	-	20	20
ADC Completion Deposit	57,500	-	57,500	56,000
Dues paid in advance	26,016	7,079	33,095	381,584
Total Current Liabilities	83,599	8,312	91,911	441,153
Zion's Bank Loan	-	1,140,872	1,140,872	1,283,891
Total Long Term Liabilities	-	1,140,872	1,140,872	1,283,891
Owners' Equity	4,512,245	1,781,882	6,294,127	4,579,003
Total Liabilities and Owners' Equity	\$ 4,595,844	\$ 2,931,066	\$ 7,526,910	\$ 6,304,047

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, 2023 and 2022**

	2023			2022 Totals
	Operating Fund	Capital Reserve	Total	
Revenues:				
Member Assessments	\$ 916,655	\$ 211,758	\$ 1,128,413	\$ 1,215,215
Facility User Dues	-	192,584	192,584	197,400
Amenity Access Fee	13,052	-	13,052	17,752
Special Assessment	-	1,592,631	1,592,631	-
Interest	5,312	40,041	45,353	4,925
Other Revenue	160,491	3,583	164,074	165,637
Total Revenues	1,095,510	2,040,597	3,136,107	1,600,929
Expenses:				
Management	624,360	-	624,360	561,335
Common Area	94,407	30	94,437	93,928
Harker Center Pool	11,773	-	11,773	57,929
Harker Center Structure	34,861	-	34,861	15,018
Village Pool	128,549	-	128,549	105,482
Tennis Program	167,775	-	167,775	166,847
Depreciation	268,403	-	268,403	278,000
Interest	-	44,487	44,487	47,721
Other Expenses	46,338	-	46,338	43,545
Total Expenditures	1,376,466	44,517	1,420,983	1,369,805
Insurance Payment				
Net Income (Loss)	(280,956)	1,996,080	1,715,124	231,124
Owners' Equity-Beginning	5,182,548	(603,545)	4,579,003	4,347,879
Prior Period Adjustment				
Transfer To/From Capital Reserve	(389,347)	389,347	-	-
Owners' Equity -Ending	\$ 4,512,245	\$ 1,781,882	\$ 6,294,127	\$ 4,579,003

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, 2023 and 2022**

	2023			2022 Totals
	Operating Fund	Capital Reserve	Total	
Cash Flows From Operating Activities:				
Receipts from Members	\$ 594,746	\$ 1,957,017	\$ 2,551,763	\$ 1,422,035
Other Operating Receipts	173,543	3,583	177,126	183,389
Interest Income	7,058	36,458	43,516	3,179
Payments to Suppliers	<u>(1,116,352)</u>	<u>(36,982)</u>	<u>(1,153,334)</u>	<u>(1,101,898)</u>
Net Cash Provided (Used) by Operating Activities	(341,005)	1,960,076	1,619,071	506,705
Cash Flows From Capital and Related Financing Activities:				
Interfund Transfer	(400,000)	400,000	-	-
Principal payment on loan	<u>-</u>	<u>(143,019)</u>	<u>(143,019)</u>	<u>(138,040)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(400,000)	256,981	(143,019)	(138,040)
Cash Flows From Investing Activities				
(Increase) Decrease in Construction in Progress	-	(1,199,733)	(1,199,733)	-
Purchases of Fixed Assets	<u>-</u>	<u>(20,458)</u>	<u>(20,458)</u>	<u>(123,108)</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(1,220,191)</u>	<u>(1,220,191)</u>	<u>(123,108)</u>
Net Increase (Decrease) in Cash	(741,005)	996,866	255,861	245,557
Cash - Beginning of Year	<u>895,330</u>	<u>703,994</u>	<u>1,599,324</u>	<u>1,353,767</u>
Cash - End of Year	<u>\$ 154,325</u>	<u>\$ 1,700,860</u>	<u>\$ 1,855,185</u>	<u>\$ 1,599,323</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (280,956)	\$ 1,996,080	\$ 1,715,124	\$ 136,210
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	268,403	-	268,403	229,105
Changes in Assets and Liabilities				
Receivables	(15,913)	2,537	(13,376)	(24,353)
Accrued Interest Receivables	1,746	(3,583)	(1,837)	14,529
Dues Billed in Advance	(305,996)	(42,493)	(348,489)	41,701
Accounts and Other Payables	<u>(8,289)</u>	<u>7,535</u>	<u>(754)</u>	<u>(129,845)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (341,005)</u>	<u>\$ 1,960,076</u>	<u>\$ 1,619,071</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, 2023 AND 2022

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 1,642 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, 2023 AND 2022

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, 2023 and 2022 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 \$367 for the years ended October 31, 2023 and 2022, respectively. These assessments were allocated as follows:

	Operating Fund	Capital Fund
2023	288.50	78.50
2022	258.50	78.50

The annual budget and assessments of owners are determined by the Board of Directors. 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 November 1, and are payable on December 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, 2023 AND 2022

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, 2023 and 2022. 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, 2023 AND 2022

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	5,175,672	16,694		5,192,366
Equipment, Furniture & Fixtures	365,806	2,090		367,896
Land Improvements	442,695	1,675		444,370
Totals	9,135,995	20,459		9,156,454
Accumulated Depreciation	<u>(4,545,356)</u>	<u>(268,403)</u>		<u>(4,813,759)</u>
Net Book Value	<u>\$ 4,745,533</u>			<u>\$ 4,342,696</u>

Depreciation expense was \$268,403 and \$278,000 for 2023 and 2022, 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 \$20,881 and \$19,340 for the years ended October 31, 2023 and 2022, 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, 2023 AND 2022

NOTE 6 SUBSEQUENT EVENTS

Subsequent events were evaluated through December 18, 2023, 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

Sun Valley Elkhorn Association, Inc.
Supplementary Information of Future
Major Repairs and Replacements
October 31, 2023

	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Repair or Replacement Costs</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	<u>47,250</u>
		<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.