

Star Valley Ranch Association

Financial Report

December 31, 2015

**Star Valley Ranch Association
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December 31, 2015 and 2014**

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Report of Independent Auditor

Board of Directors
Star Valley Ranch Association
Star Valley Ranch, Wyoming

We have audited the accompanying financial statements of Star Valley Ranch Association (a nonprofit organization), which are comprised of the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Star Valley Ranch Association as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Information on Future Major Repairs and Replacements is supplementary information required by accounting principles generally accepted in the United States of America. This information has not been included as part of these financial statements.

DeCoria, Maichel & Teague, P.S.

DeCoria, Maichel & Teague, P.S.
Spokane, Washington

May 2, 2016

**Star Valley Ranch Association
Statements of Financial Position
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 220,682	\$ 179,037
Investments (Note 3)	1,215,967	1,161,766
Accounts receivable, net (Note 4)	83,861	93,573
Inventories	18,996	16,173
Prepaid expenses	<u>12,975</u>	<u>14,378</u>
Total current assets	<u>1,552,481</u>	<u>1,464,927</u>
Noncurrent assets:		
Restricted investments (Notes 3 and 5)	26,378	26,299
Fixed assets, net (Note 6)	1,383,678	1,459,842
Water rights	<u>220,000</u>	<u>220,000</u>
Total noncurrent assets	<u>1,630,056</u>	<u>1,706,141</u>
Total assets	<u><u>\$ 3,182,537</u></u>	<u><u>\$ 3,171,068</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,816	\$ 4,681
Accrued payroll and related liabilities	39,961	24,216
Deposits	100	175
Member deposits	5,557	5,015
Designated funds payable	<u>8,666</u>	<u>11,494</u>
Total liabilities	<u>62,100</u>	<u>45,581</u>
Commitments and contingencies (Note 7)		
Net assets (Note 8):		
Unrestricted net assets	3,094,059	3,099,188
Restricted net assets	<u>26,378</u>	<u>26,299</u>
Total net assets	<u>3,120,437</u>	<u>3,125,487</u>
Total liabilities and net assets	<u><u>\$ 3,182,537</u></u>	<u><u>\$ 3,171,068</u></u>

Star Valley Ranch Association
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Homeowner assessments	\$ 719,712	\$ 704,900
Golf course fees	411,386	376,347
Lounge income	70,475	54,764
Facilities rental and other	30,662	27,924
Other administrative income	23,203	8,288
Utilities revenue	1,405	2,090
	<u>1,256,843</u>	<u>1,174,313</u>
Operating expenses:		
Program Services:		
Facilities	153,515	150,258
Golf courses	667,626	617,105
Lounge	61,391	52,038
Support Services:		
Administration	399,085	367,464
	<u>1,281,617</u>	<u>1,186,865</u>
Operating loss	<u>(24,774)</u>	<u>(12,552)</u>
Other revenue:		
Interest income	16,324	18,259
Gain (loss) on sale of assets	3,400	(2,082)
	<u>19,724</u>	<u>16,177</u>
Change in net assets	(5,050)	3,625
Net assets, beginning of year	<u>3,125,487</u>	<u>3,121,862</u>
Net assets, end of year	<u>\$ 3,120,437</u>	<u>\$ 3,125,487</u>

The accompanying notes are an integral part of the financial statements.

Star Valley Ranch Association
Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	Facilities	Golf Courses	Lounge	Administration	Total 2015	Total 2014
Payroll related expenses:						
Payroll expenses	\$ 78,148	\$ 250,157	\$ 18,185	\$ 172,945	\$ 519,435	\$ 479,006
Total payroll related expenses	78,148	250,157	18,185	172,945	519,435	479,006
Other expenses:						
Accounting fees	-	-	-	14,147	14,147	15,165
Advertising	-	6,253	-	4,987	11,240	10,913
Bad debt expense	-	-	-	915	915	4,167
Bank charges	-	-	-	11,256	11,256	10,122
Committee expenses	-	-	-	24,179	24,179	19,084
Cleaning and janitorial	9,711	-	-	-	9,711	9,851
Contract services	6,734	360	-	-	7,094	7,541
Dues and subscriptions	-	2,850	-	840	3,690	4,495
Equipment	-	2,327	-	5,660	7,987	8,463
Insurance	-	-	-	54,609	54,609	48,971
Lease	-	38,816	-	-	38,816	38,605
Legal and professional fees	-	-	-	39,974	39,974	24,346
License and fees	-	-	885	1,579	2,464	1,068
Other	1,724	7,805	920	983	11,432	10,520
Postage	-	-	-	3,311	3,311	3,219
Printing and publications	-	505	-	1,858	2,363	617
Property taxes	-	-	-	34,406	34,406	35,164
Repairs and maintenance	16,389	26,480	4,513	963	48,345	39,441
Supplies	3,740	134,662	34,853	6,139	179,394	154,529
Telephone	2,557	1,861	636	4,388	9,442	8,322
Training	-	765	-	-	765	1,364
Travel	-	-	-	-	-	205
Utilities	14,434	16,541	1,311	7,423	39,709	38,084
Total other expenses	55,289	239,225	43,118	217,617	555,249	494,256
Total expenses before depreciation	133,437	489,382	61,303	390,562	1,074,684	973,262
Depreciation	20,078	178,244	88	8,523	206,933	213,603
Total expenses	\$ 153,515	\$ 667,626	\$ 61,391	\$ 399,085	\$ 1,281,617	\$ 1,186,865

The accompanying notes are an integral part of the financial statements.

Star Valley Ranch Association
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Operating loss	\$ (24,774)	\$ (12,552)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	206,933	213,603
Change in:		
Accounts receivable, net	9,712	(23,545)
Inventories	(2,823)	(1,560)
Prepaid expenses	1,403	3,472
Accounts payable	3,135	(3,318)
Accrued payroll and related liabilities	15,745	9,585
Deposits	(75)	-
Member deposits	542	(1,540)
Designated funds payable	(2,828)	4,203
	<u>206,970</u>	<u>188,348</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Interest income	16,324	18,259
Proceeds from sale of fixed assets	9,401	-
Purchases of fixed assets	(136,770)	(53,565)
Change in restricted investments	(79)	(78)
Change in investments, net	(54,201)	(112,876)
	<u>(165,325)</u>	<u>(148,260)</u>
Net cash used by investing activities		
Change in cash and cash equivalents	41,645	40,088
Cash and cash equivalents, beginning of year	<u>179,037</u>	<u>138,949</u>
Cash and cash equivalents, end of year	<u>\$ 220,682</u>	<u>\$ 179,037</u>

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2015 and 2014**

1. Organization

Star Valley Ranch Association (SVRA or the Association) is located in Star Valley Ranch, Wyoming and is tax-exempt under Internal Revenue Code Section 501(c)(4).

The Association was incorporated under the laws of the State of Wyoming on November 16, 1970, as a nonprofit corporation to serve the representative owners and inhabitants of the self-contained residential community located in Lincoln County, Wyoming known as Star Valley Ranch. The members of the Association are property owners of Star Valley Ranch Association, which comprises approximately 2,035 lots, 2016 of which are assessed, and recreational facilities, including two golf courses, two pro shops, a swimming pool, two tennis courts, a grill and lounge, and airstrip and other facilities. Recreational facilities are available on a user fee basis. The primary purposes of SVRA are to provide community services and recreational facilities for the general use, benefit and welfare of the owners of the residential lots situated within the real property area. The Association's main sources of revenue are annual assessments and golf course fees.

In 2007, residents of the area elected to incorporate as the Town of Star Valley Ranch (the Town). Subsequently, the Town has taken over the roads, culinary water system and other functions from the Association. However, the Association continues to operate the recreational facilities in Star Valley Ranch.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations*. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized as incurred.

Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*, establishes standards for external financial statements of not-for-profit organizations. These standards require classification of net assets and revenues, expenses, gains and losses into three categories, based on the existence or absence of donor-imposed restrictions. The categories are unrestricted, temporarily restricted, and permanently restricted (see Note 8). In addition, the organization is required to present a statement of cash flows.

**Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014**

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks and other highly liquid investments which have original maturities of three months or less when purchased.

Investments

The Association's investments consist of certificates of deposit with local banks and are carried at cost plus accrued interest. These certificates of deposit have various interest rates and maturity dates, ranging from three months to one year from the original purchase date.

Accounts Receivable

Accounts receivable are stated at the amount that management of the Association expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the current status of individual receivables. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Payments received on receivables subsequent to being written off are recorded as a bad debt recovery. Changes in the allowance for doubtful accounts have not been material to the financial statements.

Inventories

Inventories, consisting of pro shop merchandise, liquor and pool merchandise, are valued at the lower of weighted average cost or market value.

Fixed Assets

Purchased fixed assets are carried at cost. Donated fixed assets, if any, are carried at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire fixed assets, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies, Continued

Fixed Assets, Continued

Expenditures for repairs and maintenance that represent betterments or substantially prolong the useful lives of assets are also capitalized. Only assets with a cost or value of \$4,000 or greater are capitalized as fixed assets. Normal maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are recognized in the Statements of Activities and Changes in Net Assets.

Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	5-50
Equipment	5-25
Vehicles	5-7
Land improvements	7-20
Water and irrigation systems	7-40

Valuation of Long-Lived Assets

Management of the Association periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for an asset impairment write-down. Impaired assets are reported at the lower of cost or fair value. At December 31, 2015 and 2014, no assets were considered to be impaired.

Financial Instruments

ASC Topic 825, *Financial Instruments*, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At December 31, 2015 and 2014, the carrying value of financial instruments, such as receivables, accounts payable and other current liabilities, approximated their fair values based on the short-term maturities of these instruments.

Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization.

At December 31, 2015 and 2014, there were no assets or liabilities that are measured at fair value on a recurring basis. Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Association had no assets measured at fair value on a nonrecurring basis during 2015 and 2014.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses and future capital acquisitions. Assessments are approved by a vote of the Board of Directors. The annual assessment for lots was \$357 and \$350 for 2015 and 2014, respectively. Assessments are recognized as revenue in the year for which they are levied.

Revenue Recognition

Revenue is recognized when services have been provided and collectability is reasonably assured.

Income Taxes

The Association is a tax exempt organization under the provisions of Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for income taxes is recorded in the accompanying financial statements. However, the Association is subject to tax on unrelated business income, if any. The association had no unrelated business income during 2015 and 2014.

The association has not identified any uncertain income tax positions that would jeopardize its tax-exempt status. The Association's tax returns are subject to possible examination by taxing authorities. With few exceptions, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies, Continued

Credit Risk

Financial instruments which potentially subject the Association to concentration of credit risk consist primarily of cash and cash equivalents and investments, if any. The Association maintains its cash and cash equivalents and certificates of deposit with high quality financial institutions, which at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk on cash and cash equivalents and investments.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Association to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Reclassifications

Certain 2014 amounts in the financial statements have been reclassified to conform with the 2015 presentation. Such reclassifications have no effect on net assets or the change in net assets, as previously reported.

Subsequent Events

The Association has evaluated subsequent events through May 2, 2016, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since December 31, 2015 that required recognition or disclosure in these financial statements.

3. Cash and Investments

Cash and cash equivalents and investments consist of deposits held in checking accounts and certificates of deposit with local banks. The carrying amount of cash and cash equivalents and investments (including restricted investments) at December 31, 2015 was \$1,463,027, and combined bank balances totaled \$1,468,261. The differences between the carrying amounts of bank deposits and bank balances consist of outstanding checks and deposits not processed by the banks as of December 31, 2015. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank.

Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014

3. Cash and Investments, Continued

A summary of the total insured and uninsured cash balances at December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Total bank deposits	\$ 1,468,261	\$ 1,364,834
Portion insured by FDIC	<u>914,722</u>	<u>865,785</u>
Uninsured portion	<u>\$ 553,539</u>	<u>\$ 499,049</u>

4. Accounts Receivable

The Association assesses membership fees to its members annually. A summary of accounts receivable and the related allowance for doubtful accounts as of December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Assessments due from members	97,691	110,098
Allowance for doubtful accounts	<u>(13,830)</u>	<u>(16,525)</u>
Accounts receivable, net	<u>\$ 83,861</u>	<u>\$ 93,573</u>

5. Restricted Cash and Investments

Restricted cash and investments were acquired through a gift from a member. The cost of the securities was determined using the fair market value at the date of the gift. Terms of the gift require the proceeds from the sale of the securities and the restricted cash to be used to construct two additional tennis courts.

Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014

6. Fixed Assets

Changes in fixed assets during 2015 are summarized as follows:

	Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/2015</u>
Buildings and improvements	\$ 933,869	41,725	--	975,594
Equipment	706,171	48,572	(9,829)	744,914
Vehicles	40,400	--	--	40,400
Land improvements	145,856	46,473	--	192,329
Water and irrigation system	<u>1,654,628</u>	<u>8,899</u>	<u>--</u>	<u>1,663,527</u>
Total depreciable fixed assets	3,480,924	145,669	(9,829)	3,616,764
Accumulated depreciation	<u>(2,276,996)</u>	<u>(206,933)</u>	<u>9,281</u>	<u>(2,474,648)</u>
Net depreciable fixed assets	1,203,928	(61,264)	(548)	1,142,116
Construction in progress	133,144	--	(8,899)	124,245
Land	<u>122,770</u>	<u>--</u>	<u>(5,453)</u>	<u>117,317</u>
Net fixed assets	<u>\$ 1,459,842</u>	<u>(61,264)</u>	<u>(14,900)</u>	<u>1,383,678</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$206,933 and \$213,603, respectively.

7. Commitments and Contingencies

The Association leases certain equipment under agreements which are accounted for as operating leases, in accordance with accounting principles generally accepted in the United States of America. Lease commitments for operating leases that the Association had entered into as of December 31, 2015 are as follows:

<u>Description of Leased Property</u>	<u>Months</u>	<u>Start Date</u>	<u>End Date</u>	<u>Annual Payments</u>
12 Golf Carts	48	07/01/12	06/30/16	\$ 9,444
16 Golf Carts	60	04/01/15	03/31/20	9,922
22 Golf Carts	48	05/01/15	03/31/19	17,677
12 Golf Carts	60	12/01/15	11/30/20	<u>7,441</u>
Total				<u>\$ 44,484</u>

**Star Valley Ranch Association
Notes to Financial Statements, Continued
December 31, 2015 and 2014**

7. Commitments and Contingencies, Continued

Scheduled future minimum payments due under operating leases are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 38,188
2017	35,040
2018	35,040
2019	17,363
2020	7,441

Lease expense pursuant to lease agreements was \$38,816 and \$38,605 for the years ended December 31, 2015 and 2014, respectively.

8. Net Assets

Unrestricted Net Assets

Unrestricted net assets include assets not subject to donor-imposed restrictions, either temporary or permanent, and consist of net assets received that are general in nature as to use and operating purposes. Gifts of long-lived assets without donor-imposed stipulations about how long the assets must be used are classified as unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets include assets subject to donor-imposed time or use restrictions that have not been met at the reporting date. Contributions of cash and other assets with donor-imposed temporary restrictions, where the restrictions have been satisfied in the same reporting period as received, are reported as increases in unrestricted net assets. Temporarily restricted net assets consist of investments that were acquired through a gift from a member (see Note 5). These investments totaled \$26,378 and \$26,299, for the years ended December 31, 2015 and 2014, respectively.

Permanently Restricted Net Assets

Permanently restricted net assets include assets subject to donor-imposed restrictions whereby the principal assets or amounts must be maintained in perpetuity. The Association had no permanently restricted net assets at December 31, 2015 and 2014.