

Star Valley Ranch Association

Financial Report
December 31, 2017

**Star Valley Ranch Association
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December 31, 2017 and 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 & Company, PC

DeCoria & Company PC,
Afton, Wyoming

June 20, 2018

Financial Statements

Star Valley Ranch Association
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 394,204	\$ 444,255
Investments (Note 3)	925,430	1,115,416
Accounts receivable, net (Note 4)	114,291	98,018
Inventories	30,852	21,559
Prepaid expenses	15,893	15,220
	<u>1,480,670</u>	<u>1,694,468</u>
Noncurrent assets:		
Restricted investments (Notes 3 and 5)	26,537	26,458
Fixed assets, net (Note 6)	1,404,900	1,243,195
Water rights	220,000	220,000
	<u>1,651,437</u>	<u>1,489,653</u>
Total noncurrent assets	<u>1,651,437</u>	<u>1,489,653</u>
Total assets	<u><u>\$ 3,132,107</u></u>	<u><u>\$ 3,184,121</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 16,261	\$ 20,363
Accrued payroll and related liabilities	37,379	43,442
Deposits	50	250
Member deposits	9,192	4,630
Designated funds payable	2,464	4,540
	<u>65,346</u>	<u>73,225</u>
Total liabilities	<u>65,346</u>	<u>73,225</u>
Commitments and contingencies (Note 7)		
Net assets (Note 8):		
Unrestricted	3,040,224	3,084,438
Temporarily restricted	26,537	26,458
	<u>3,066,761</u>	<u>3,110,896</u>
Total net assets	<u>3,066,761</u>	<u>3,110,896</u>
Total liabilities and net assets	<u><u>\$ 3,132,107</u></u>	<u><u>\$ 3,184,121</u></u>

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

Star Valley Ranch Association
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Homeowner assessments	\$ 726,970	\$ 720,942
Golf course fees	414,557	398,781
Lounge income	93,801	84,397
Facilities rental and other	29,919	27,540
Other administrative income	47,655	27,626
Utilities revenue	5,794	1,243
	<u>1,318,696</u>	<u>1,260,529</u>
Operating expenses:		
Program Services:		
Facilities	194,868	166,025
Golf courses	690,582	677,807
Lounge	83,506	72,646
Support Services:		
Administration	417,539	377,665
	<u>1,386,495</u>	<u>1,294,143</u>
Total operating expenses	<u>1,386,495</u>	<u>1,294,143</u>
Operating loss	<u>(67,799)</u>	<u>(33,614)</u>
Other revenue:		
Interest income	19,664	18,573
Gain on sale of fixed assets	4,000	5,500
	<u>23,664</u>	<u>24,073</u>
Total other revenue	<u>23,664</u>	<u>24,073</u>
Change in net assets	(44,135)	(9,541)
Net assets, beginning of year	<u>3,110,896</u>	<u>3,120,437</u>
Net assets, end of year	<u>\$ 3,066,761</u>	<u>\$ 3,110,896</u>

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

Star Valley Ranch Association
Statements of Functional Expenses
Years Ended December 31, 2017 and 2016

	Facilities	Golf Courses	Lounge	Administration	Total 2017	Total 2016
Payroll related expenses:						
Payroll expenses	\$ 85,159	\$ 252,478	\$ 20,383	\$ 173,642	\$ 531,662	\$ 529,930
Total payroll related expenses	85,159	252,478	20,383	173,642	531,662	529,930
Other expenses:						
Accounting fees	-	-	-	20,221	20,221	14,114
Advertising	-	1,453	-	4,427	5,880	7,593
Bad debt expense	-	-	-	9,892	9,892	3,858
Bank charges	-	-	-	13,094	13,094	11,631
Committee expenses	-	-	-	25,332	25,332	27,540
Cleaning and janitorial	4,394	-	-	-	4,394	9,950
Contract services	821	3,476	2,000	-	6,297	2,829
Dues and subscriptions	-	10,200	-	1,951	12,151	6,422
Equipment	-	818	-	4,705	5,523	30,197
Insurance	-	-	-	64,831	64,831	42,710
Lease	-	35,128	-	-	35,128	36,901
Legal and professional fees	-	-	-	31,551	31,551	22,059
License and fees	-	-	1,645	1,792	3,437	6,812
Other	829	8,658	976	1,459	11,922	10,671
Postage	-	31	-	2,504	2,535	3,272
Printing and publications	-	756	-	2,264	3,020	195
Property taxes	-	-	-	34,833	34,833	35,336
Repairs and maintenance	48,792	39,315	1,105	-	89,212	40,136
Supplies	4,901	122,840	55,102	5,714	188,557	185,461
Telephone	3,685	1,944	469	6,164	12,262	10,499
Training	-	585	-	-	585	605
Utilities	17,579	15,575	1,738	6,963	41,855	40,165
Total other expenses	81,001	240,779	63,035	237,697	622,512	548,956
Total expenses before depreciation	166,160	493,257	83,418	411,339	1,154,174	1,078,886
Depreciation	28,708	197,325	88	6,200	232,321	215,257
Total expenses	\$ 194,868	\$ 690,582	\$ 83,506	\$ 417,539	\$ 1,386,495	\$ 1,294,143

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

Star Valley Ranch Association
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Operating loss	\$ (67,799)	\$ (33,614)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	232,321	215,257
Change in:		
Accounts receivable, net	(16,273)	(14,157)
Inventories	(9,293)	(2,563)
Prepaid expenses	(673)	(2,245)
Accounts payable	(4,102)	12,547
Accrued payroll and related liabilities	(6,063)	3,481
Deposits	(200)	150
Member deposits	4,562	(927)
Designated funds payable	(2,076)	(4,126)
	<u>130,404</u>	<u>173,803</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Interest income	19,664	18,573
Proceeds from sale of fixed assets	4,000	5,500
Purchases of fixed assets	(394,026)	(74,774)
Change in restricted investments	(79)	(80)
Change in investments, net	189,986	100,551
	<u>(180,455)</u>	<u>49,770</u>
Net cash provided (used) by investing activities		
Change in cash and cash equivalents	(50,051)	223,573
Cash and cash equivalents, beginning of year	<u>444,255</u>	<u>220,682</u>
Cash and cash equivalents, end of year	<u>\$ 394,204</u>	<u>\$ 444,255</u>

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

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016**

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, an 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 assumed responsibility for the roads, culinary water system and other functions from the Association. However, the Association continues to operate the recreational facilities within the boundaries of SVRA.

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 and 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.

Recent Accounting Pronouncements

New accounting standards are issued by the Financial Accounting Standards Board (FASB) through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). The FASB does not consider the updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In February 2016, the FASB issued ASU No. 2016-02, which created a new ASC Topic 842, *Leases*. This standard requires a lessee to recognize the lease assets and lease liabilities arising from operating leases in the Statement of Financial Position. Qualitative and quantitative disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. The Association is currently evaluating the financial statement impact of adopting this ASU.

In August 2016, the FASB issued ASU No. 2016-14, which amended ASC Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities. Among other provisions, ASU 2016-14 reduces the number of classes of net assets from three to two; requires the presentation of expenses in both natural and functional classifications; requires investment returns to be reported net of external and direct internal investment expenses; and eliminates the requirement to prepare a reconciliation in the statement of cash flows when applying the direct method. It also revises the definitions of certain terms, and provides enhanced disclosures including amounts and purposes of any governing board designations; the composition of net assets with donor restrictions; qualitative and quantitative information on liquid resources and the availability of financial assets to meet cash needs for general expenditures; method(s) used to allocate costs among program and support functions; and underwater endowments. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As prescribed by this ASU, the Association is anticipating a significant impact on the presentation of the financial statements and certain additional disclosures.

In November 2016, the FASB issued ASU No. 2016-18, which amended ASC Topic 230, *Statement of Cash Flows – Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018. The Association is currently evaluating the financial statement impact of adopting this ASU.

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, which approximates fair value. These certificates of deposit have various interest rates and maturity dates, ranging from three months to one year from the original purchase date.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

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.

Inventories

Inventories, consisting of pro shop merchandise, pool merchandise and liquor, 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.

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

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016**

2. Summary of Significant Accounting Policies, Continued

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, 2017 and 2016, 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, 2017 and 2016, 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.

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, 2017 and 2016, 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 assets 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 2017 and 2016.

Homeowner 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 \$361 and \$358 for 2017 and 2016, 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.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Functional Expenses

Costs associated with providing the various programs and other activities of SVRA have been summarized in the Statement of Activities and Changes in Net Assets and have been detailed on a functional basis in the Statement of Functional Expenses. Any program expenses or support costs of SVRA not directly chargeable to a specific program are allocated to the programs based on management policies and estimates.

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 2017 and 2016.

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.

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.

Subsequent Events

The Association has evaluated subsequent events through June 20, 2018, the date on which these financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that required recognition or disclosure in these financial statements.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016

3. Cash and Cash Equivalents 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, 2017 was \$1,346,171, and combined bank balances totaled \$1,341,302. 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, 2017. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank.

A summary of the total insured and uninsured cash and cash equivalents and investment balances at December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 394,204	\$ 199,226
Investments (certificates of deposit)	925,430	1,115,416
Restricted investments (see Note 5)	<u>26,537</u>	<u>26,458</u>
Total bank deposits	1,346,171	1,341,100
Portion insured by FDIC	<u>685,539</u>	<u>718,220</u>
Uninsured portion	<u>\$ 660,632</u>	<u>\$ 622,880</u>

4. Accounts Receivable

The Association assesses membership fees to its homeowners annually. A summary of accounts receivable and the related allowance for doubtful accounts as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Assessments due from members	\$ 132,850	\$ 114,510
Allowance for doubtful accounts	<u>(18,559)</u>	<u>(16,492)</u>
Accounts receivable, net	<u>\$ 114,291</u>	<u>\$ 98,018</u>

5. Restricted Investments

Restricted investments were originally received through a member's donation of securities to the Association. The fair market value of the securities was determined using quoted market prices in active markets on the date of the gift (see Note 2). Terms of the gift required the proceeds from the sale of the securities to be used to construct two additional tennis courts. SVRA used the proceeds from the sale of the securities to purchase a certificate of deposit (see Note 3), which it plans to hold until the tennis courts can be constructed in satisfaction of the terms of the original gift. Interest earned on the restricted certificate of deposit is included in the restricted balances of \$26,537 and \$26,458 at December 31, 2017 and 2016, respectively.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016

6. Fixed Assets

Fixed assets at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 1,040,290	\$ 975,595
Equipment	853,064	759,268
Vehicles	40,400	40,400
Land improvements	212,245	208,036
Water and irrigation system	<u>1,663,526</u>	<u>1,663,526</u>
Total depreciable fixed assets	3,809,525	3,646,825
Accumulated depreciation	<u>(2,814,675)</u>	<u>(2,645,194)</u>
Net depreciable fixed assets	994,850	1,001,631
Construction in progress	292,733	124,247
Land	<u>117,317</u>	<u>117,317</u>
Net fixed assets	<u>\$ 1,404,900</u>	<u>\$ 1,243,195</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$232,321 and \$215,257, 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, 2017 are as follows:

<u>Description of Leased Property</u>	<u>Months</u>	<u>Start Date</u>	<u>End Date</u>	<u>Annual Payments</u>
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	7,441
Postage Meter Machine	63	9/1/16	11/30/21	<u>803</u>
Total				<u>\$ 35,843</u>

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

<u>Year Ending December 31,</u>	
2018	35,843
2019	18,166
2020	8,245
2021	736

Lease expense pursuant to lease agreements for the years ended December 31, 2017 and 2016 was \$35,843 and \$36,901, respectively.

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2017 and 2016**

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 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 \$26,537 and \$26,458, at December 31, 2017 and 2016, 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, 2017 and 2016.