

Star Valley Ranch Association

Financial Report

December 31, 2018

Star Valley Ranch Association
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December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 19, 2019

Financial Statements

**Star Valley Ranch Association
Statements of Financial Position
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 879,262	\$ 394,204
Investments (Note 3)	221,573	925,430
Accounts receivable, net (Note 4)	86,316	114,291
Inventories	24,206	30,852
Prepaid expenses	14,502	15,893
Total current assets	<u>1,225,859</u>	<u>1,480,670</u>
Noncurrent assets:		
Restricted investments (Notes 3 and 5)	8,310	26,537
Fixed assets, net (Note 6)	1,884,494	1,404,900
Water rights	220,000	220,000
Total noncurrent assets	<u>2,112,804</u>	<u>1,651,437</u>
Total assets	<u><u>\$ 3,338,663</u></u>	<u><u>\$ 3,132,107</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 12,880	\$ 16,261
Accrued payroll and related liabilities	29,130	37,379
Deposits	25	50
Member deposits	12,079	9,192
Designated funds payable	3,203	2,464
Total liabilities	<u>57,317</u>	<u>65,346</u>
Commitments and contingencies (Note 7)		
Net assets (Note 8):		
Unrestricted	3,273,036	3,040,224
Temporarily restricted	8,310	26,537
Total net assets	<u>3,281,346</u>	<u>3,066,761</u>
Total liabilities and net assets	<u><u>\$ 3,338,663</u></u>	<u><u>\$ 3,132,107</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, 2018 and 2017

	Total 2018	Total 2017
Operating revenues:		
Homeowner assessments	\$ 740,324	\$ 726,970
Golf course fees	448,645	414,557
Lounge income	102,565	93,801
Facilities rental and other	28,908	29,919
Other administrative income	112,965	47,655
Utilities revenue	745	5,794
Total operating revenues	<u>1,434,152</u>	<u>1,318,696</u>
Operating expenses:		
Program Services:		
Facilities	166,151	194,868
Golf courses	602,553	690,582
Lounge	95,126	83,506
Support Services:		
Administration	<u>375,895</u>	<u>417,539</u>
Total operating expenses	<u>1,239,725</u>	<u>1,386,495</u>
Operating gain (loss)	<u>194,427</u>	<u>(67,799)</u>
Other revenue:		
Interest income	20,158	19,664
Gain on sale of fixed assets	<u>-</u>	<u>4,000</u>
Total other revenue	<u>20,158</u>	<u>23,664</u>
Change in net assets	214,585	(44,135)
Net assets, beginning of year	<u>3,066,761</u>	<u>3,110,896</u>
Net assets, end of year	<u><u>\$ 3,281,346</u></u>	<u><u>\$ 3,066,761</u></u>

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

Star Valley Ranch Association
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	Facilities	Golf Courses	Lounge	Administration	Total 2018	Total 2017
Payroll related expenses:						
Payroll expenses	\$ 86,060	\$ 269,652	\$ 24,788	\$ 176,436	\$ 556,936	\$ 531,662
Total payroll related expenses	86,060	269,652	24,788	176,436	556,936	531,662
Other expenses:						
Accounting fees	-	-	-	14,150	14,150	20,221
Advertising	-	334	-	1,152	1,486	5,880
Bad debt expense	-	-	-	4,202	4,202	9,892
Bank charges	-	-	-	10,590	10,590	13,094
Committee expenses	-	-	-	20,976	20,976	25,332
Cleaning and janitorial	6,818	-	-	-	6,818	4,394
Contract services	1,074	6,971	2,100	-	10,145	6,297
Dues and subscriptions	-	4,900	-	1,523	6,423	12,151
Equipment	-	506	-	11,149	11,655	5,523
Insurance	-	-	-	57,804	57,804	64,831
Lease	-	35,040	-	-	35,040	35,128
Legal and professional fees	-	-	-	18,553	18,553	31,551
Licenses and fees	-	-	1,550	1,932	3,482	3,437
Other	4,926	15,318	783	1,805	22,832	11,922
Postage	-	108	-	3,473	3,581	2,535
Printing and publications	-	35	-	44	79	3,020
Property taxes	-	-	-	35,009	35,009	34,833
Repairs and maintenance	15,305	33,135	-	-	48,440	89,212
Supplies	5,665	133,079	62,682	4,914	206,340	188,557
Telephone	3,174	2,103	1,320	5,554	12,151	12,262
Training	-	836	-	-	836	585
Utilities	22,969	15,096	1,872	4,597	44,534	41,855
Total other expenses	59,931	247,461	70,307	197,427	575,126	622,512
Total expenses before depreciation	145,991	517,113	95,095	373,863	1,132,062	1,154,174
Depreciation	20,160	85,440	31	2,032	107,663	232,321
Total expenses	\$ 166,151	\$ 602,553	\$ 95,126	\$ 375,895	\$ 1,239,725	\$ 1,386,495

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

Star Valley Ranch Association
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	Total 2018	Total 2017
Cash flows from operating activities:		
Operating gain (loss)	\$ 194,427	\$ (67,799)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:		
Depreciation	107,663	232,321
Change in:		
Accounts receivable, net	27,975	(16,273)
Inventories	6,646	(9,293)
Prepaid expenses	1,391	(673)
Accounts payable	(3,381)	(4,102)
Accrued payroll and related liabilities	(8,249)	(6,063)
Deposits	(25)	(200)
Member deposits	2,887	4,562
Designated funds payable	739	(2,076)
Net cash provided by operating activities	<u>330,073</u>	<u>130,404</u>
Cash flows from investing activities:		
Interest income	20,158	19,664
Proceeds from sale of fixed assets	-	4,000
Purchases of fixed assets	(587,257)	(394,026)
Change in restricted investments	18,227	(79)
Change in investments, net	<u>703,857</u>	<u>189,986</u>
Net cash provided (used) by investing activities	<u>154,985</u>	<u>(180,455)</u>
Change in cash and cash equivalents	485,058	(50,051)
Cash and cash equivalents, beginning of year	<u>394,204</u>	<u>444,255</u>
Cash and cash equivalents, end of year	<u><u>\$ 879,262</u></u>	<u><u>\$ 394,204</u></u>

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

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2018 and 2017

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 took over 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.

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, 2018 and 2017

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, 2018 and 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, 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 2018 and 2017.

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 \$378 for 2018 and \$367 for 2017. 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, 2018 and 2017

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 2018 and 2017.

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 19, 2019, the date on which these financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in these financial statements.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 was \$1,109,145, and combined bank balances totaled \$1,099,344. 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, 2018. 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 879,262	\$ 394,204
Investments (certificates of deposit)	221,573	925,430
Restricted investments (see Note 5)	<u>8,310</u>	<u>26,537</u>
Total bank deposits	1,109,145	1,346,171
Portion insured by FDIC	<u>611,974</u>	<u>685,539</u>
Uninsured portion	<u>\$ 497,171</u>	<u>\$ 660,632</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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Assessments due from members	\$ 99,429	\$ 132,850
Allowance for doubtful accounts	<u>(13,113)</u>	<u>(18,559)</u>
Accounts receivable, net	<u>\$ 86,316</u>	<u>\$ 114,291</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 \$8,310 and \$26,537 at December 31, 2018 and 2017, respectively.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2018 and 2017

6. Fixed Assets

Fixed assets at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 1,040,290	\$ 1,040,290
Equipment	937,028	853,064
Vehicles	40,400	40,400
Land improvements	212,245	212,245
Water and irrigation system	<u>1,663,526</u>	<u>1,663,526</u>
Total depreciable fixed assets	3,893,489	3,809,525
Accumulated depreciation	<u>(2,922,338)</u>	<u>(2,814,675)</u>
Net depreciable fixed assets	971,151	994,850
Construction in progress	796,026	292,733
Land	<u>117,317</u>	<u>117,317</u>
Net fixed assets	<u>\$ 1,884,494</u>	<u>\$ 1,404,900</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$107,663 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, 2018 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:

Year Ending December 31,

2019	\$ 22,585
2020	10,104
2021	736

Lease expense pursuant to lease agreements for the years ended December 31, 2018 and 2017 was \$35,843 and \$35,843, respectively.

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2018 and 2017**

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 \$8,310 and \$26,378, at December 31, 2018 and 2017, 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, 2018 and 2017.