

Financial Statements

Island Park Village Association, Inc.

**For the Year Ended
September 30, 2014**

Draft

Island Park Village Association, Inc.

Contents

September 30, 2014

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Draft

Independent Auditor's Report

Board of Directors
Island Park Village Association, Inc.
Island Park, Idaho

We have audited the accompanying financial statements of Island Park Village Association, Inc., which comprise the balance sheet as of September 30, 2014, and the related statements of income, expenses, fund balances, cash flows and other operating income and expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Island Park Village Association, Inc. as of September 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. Island Park Village Association, Inc. has not presented this supplementary information.

Redlands, California
May 26, 2015

Draft

Island Park Village Association, Inc.

Balance Sheet September 30, 2014

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>Total</u>
Assets					
Cash, including interest- bearing deposits	\$ 66,435	\$ 673,510	\$ -	\$ 245,682	\$ 985,627
Accounts receivable, net	4,843	-	-	-	4,843
Prepaid expenses	17,171	-	-	-	17,171
Note receivable	-	-	150,000	-	150,000
Property and equipment, net	-	-	22,261	13,399	35,660
Interfund balances	(25,450)	(150,000)	150,000	25,450	-
Total assets	<u>\$ 62,999</u>	<u>\$ 523,510</u>	<u>\$322,261</u>	<u>\$ 284,531</u>	<u>\$ 1,193,301</u>
Liabilities and Fund Balances					
Accounts payable	\$ 28,814	\$ -	\$ -	\$ 19,366	\$ 48,180
Accrued expenses	16,666	-	-	-	16,666
Note payable	-	185,033	-	-	185,033
Total liabilities	45,480	185,033	-	19,366	249,879
Fund balance	<u>17,519</u>	<u>338,477</u>	<u>322,261</u>	<u>265,165</u>	<u>943,422</u>
Total liabilities and fund balances	<u>\$ 62,999</u>	<u>\$ 523,510</u>	<u>\$322,261</u>	<u>\$ 284,531</u>	<u>\$ 1,193,301</u>

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

Island Park Village Association, Inc.

Statement of Revenue, Expenses, and Fund Balances For the Year Ended September 30, 2014

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>Total</u>
Revenue					
Member assessments, net of discounts	\$ 426,658	\$ 176,000	\$ -	\$ -	\$ 602,658
Land improvement assessment	-	-	71,209	-	71,209
Water assessments	-	-	-	20,474	20,474
Golf course and clubhouse	160,327	-	-	-	160,327
Golf surcharge income	8,160	-	-	-	8,160
Rental income	4,319	-	-	-	4,319
Interest income	138	2,129	-	1,508	3,775
Other income (schedule)	24,407	-	-	-	24,407
Total revenue	<u>624,009</u>	<u>178,129</u>	<u>71,209</u>	<u>21,982</u>	<u>895,329</u>
Expenses					
Golf course and clubhouse	322,860	-	-	-	322,860
Activities supplies	2,005	-	-	-	2,005
Facilities					
Maintenance (schedule)	51,657	-	-	-	51,657
General and administrative					
Services (schedule)	295,175	-	-	-	295,175
Income taxes	971	-	-	-	971
Interest expense	74	-	-	-	74
Bad debt expense	30,771	12,693	-	192	43,656
Water system expenses	-	-	-	29,149	29,149
Utilities	1,014	-	-	-	1,014
Depreciation expense	-	-	5,353	932	6,285
Repairs and replacements	-	126,797	-	-	126,797
Total expenses	<u>704,527</u>	<u>139,490</u>	<u>5,353</u>	<u>30,273</u>	<u>879,643</u>
Excess revenue (expenses)	(80,518)	38,639	65,856	(8,291)	15,686
Fund balances, beginning	71,279	308,292	274,709	273,456	927,736
Fund transfers	<u>26,758</u>	<u>(8,454)</u>	<u>(18,304)</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 17,519</u>	<u>\$ 338,477</u>	<u>\$ 322,261</u>	<u>\$ 265,165</u>	<u>\$ 943,422</u>

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

Island Park Village Association, Inc.

Statement of Cash Flows For the Year Ended September 30, 2014

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>Total</u>
Cash Flows From Operating Activities					
Excess revenue (expenses)	\$ (80,518)	\$ 38,639	\$ 65,856	\$ (8,291)	\$ 15,686
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:					
Depreciation	-	-	5,353	932	6,285
Gain on sale of property and equipment	(5,219)	-	-	-	(5,219)
Changes in:					
Accounts receivable	11,007	-	-	-	11,007
Prepaid expenses	10,432	-	-	-	10,432
Accounts payable	(53,158)	(28,722)	-	(10,341)	(92,221)
Accrued expenses	(642)	-	-	-	(642)
Income taxes payable	(1,933)	-	-	-	(1,933)
Prepaid assessments	(109,829)	-	-	-	(109,829)
Net cash provided (used) by operating activities	<u>(229,860)</u>	<u>9,917</u>	<u>71,209</u>	<u>(17,700)</u>	<u>(166,434)</u>
Cash Flows From Investing Activities					
Purchase of property and equipment	(19,465)	-	-	-	(19,465)
Proceeds from sale of property and equipment	4,000	-	-	-	4,000
Net cash provided (used) by investing activities	<u>(15,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,465)</u>
Cash Flows From Financing Activities					
Interfund balances	25,450	-	-	(25,450)	-
Fund transfers	54,820	(36,736)	(71,209)	53,125	-
Net cash provided (used) by financing activities	<u>80,270</u>	<u>(36,736)</u>	<u>(71,209)</u>	<u>27,675</u>	<u>-</u>
Net increase (decrease) in cash	(165,055)	(26,819)	-	9,975	(181,899)
Cash, beginning of year	231,490	700,329	-	235,707	1,167,526
Cash, end of year	<u>\$ 66,435</u>	<u>\$ 673,510</u>	<u>\$ -</u>	<u>\$ 245,682</u>	<u>\$ 985,627</u>

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

Island Park Village Association, Inc.

Statement of Other Operating Income and Expenses For the Year Ended September 30, 2014

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Other Income

Late fees	\$ 4,994
Snow removal	12,077
Gain on sale of property and equipment	5,219
Other	2,117
	<u>24,407</u>

Total other income \$ 24,407

Maintenance

Exterior maintenance salaries and related	\$ 1,898
Outside services	15,361
Snow removal	34,398
	<u>51,657</u>

Total maintenance \$ 51,657

General and Administrative Services

Audit and tax fees	\$ 7,700
Board meetings and board travel	6,636
Insurance	8,382
Legal and collection fees	52,260
Management and accounting fees	70,379
Property taxes	11,189
Telephone and television	8,814
General and administrative salaries and related	96,304
Bank and merchant fees	10,382
Outside services	1,330
Printing and stationary	7,197
Postage and delivery	4,608
Supplies	3,892
Other general and administrative	6,102
	<u>295,175</u>

Total general and administrative services \$ 295,175

The accompanying notes are an integral part of these financial statements

Island Park Village Association, Inc.

Notes to Financial Statements September 30, 2014

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1. Organization and Other Matters

Island Park Village Association, Inc. (the Association) is a nonprofit mutual benefit corporation, governed by a member-elected Board of Directors and organized in Idaho in July 1995. The Association is responsible for the operation and maintenance of the common property and amenities of the Island Park Village Resort. The resort consists of condominiums, residential lots, a clubhouse, an indoor swimming pool, a nine-hole golf course and tennis courts.

2. Change in Reporting Entity

Prior to October 1, 2014 the Association did not issue separate financial statements, but issued financial statements that were combined with a related association, Timbers Condominium Owners' Association, Inc. (Timbers). Beginning October 1, 2013, each of the related Associations began issuing separate financial statements.

3. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The Association's governing documents provide guidelines for managing its financial activities. To ensure compliance with limitations and restrictions on the use of financial resources, the Association maintains its records using fund accounting. They classify transactions for accounting and reporting purposes in funds established according to their nature and purpose.

Operating Fund - This fund is used to account for the financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to account for financial resources designated for future major repairs and replacements.

Capital Fund - This fund is used to account for capital assets purchased by the Association and the related depreciation expense over the life of the asset.

Water Utility Fund - This fund is used to account for operation and maintenance of the Association owned water utility.

Cash and Cash Equivalents

For financial statement purposes, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Island Park Village Association, Inc.

Notes to Financial Statements September 30, 2014

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3. Significant Accounting Policies (concluded)

Member Assessments

Members are subject to monthly assessments to provide funds for operating expenses and future major repairs and replacements. The annual budget and assessments of owners are determined by the board of directors and are approved by the owners. Assessments receivable at the reporting dates represent amounts due from unit owners. The Association establishes an allowance for all unpaid accounts with delinquent balances outstanding for more than 90 days. The Association's policy is to accrue interest on all amounts due, including delinquent assessments, reasonable collection costs and late charges commencing 30 days after assessments become due. In addition, the Association's policies permit various collection remedies for delinquent assessments, which include filing liens, foreclosing on the unit owner, and obtaining judgment on other assets of the owner. Any excess assessments at year-end are retained by the Association for use in the succeeding year. See Note 6 for additional information on assessments receivable.

Major Repairs and Replacements

Members pay a portion of their Association dues for reserve expenses, generally major repairs and replacements. The Association deposits these funds in separate interest-bearing bank accounts. See Note 10 for a further discussion of reserves.

Property and Equipment

The Association conforms to industry practice in recognizing real property and common areas as assets. Based on this practice, the Association only capitalizes property to which it has title and to which the board of directors has discretion to dispose of the property and retain the proceeds for the Association's use. Other real property and common areas are owned by the members in common and not by the Association and therefore are not capitalized.

Depreciation is calculated using the straight-line method over the 5-10 year estimated useful life of the asset. For a further discussion of property and equipment, see Note 8.

Prepaid Assessments

Prepaid assessments consist of members' annual assessments received in advance. The Association recognizes these amounts as income when they are earned in the subsequent year.

4. Income Taxes

Homeowners associations may elect to be taxed either as a timeshare association or as a regular corporation. The Association elected to be taxed as a timeshare association in accordance with Internal Revenue Code Section 528 for the year ending September 30, 2014. Under that Section, the Association is not taxed on assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income such as interest.

Island Park Village Association, Inc.

Notes to Financial Statements

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4. *Income Taxes* (concluded)

The Association's state and federal income tax filings are subject to audit by various taxing authorities. While the Association currently has no income tax returns under audit, the open tax audit periods, for which the statute of limitations has not expired, are 2011 through 2014. For the years ended September 30, 2014, the Association paid no income tax interest or penalties.

5. *Golf Course Reserve*

The Board has designated that \$1 collected for each round of golf played to only be used for operational improvements and equipment for the golf course. At September 30, 2014 the deficit in this reserve was \$9,623 which will be reduced with future surcharge revenues.

6. *Accounts Receivable*

Accounts receivable at the reporting date consists of the following amounts:

Member assessments	\$24,279
Other receivables	4,317
Allowance for doubtful accounts	<u>(23,753)</u>
Total assessments receivable	<u>\$4,843</u>

7. *Prepaid Expenses*

Prepaid expenses at the reporting date consists of the following amounts:

Insurance	\$832
Income taxes	<u>16,339</u>
Total prepaid expenses	<u>\$17,171</u>

8. *Property and Equipment*

Property and equipment at the reporting date consists of the following amounts:

Land	\$12,000
Vehicles and equipment	96,835
Accumulated depreciation	<u>(73,175)</u>
Total property and equipment	<u>\$35,660</u>

Island Park Village Association, Inc.

Notes to Financial Statements

September 30, 2014

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9. Accrued Expenses

Accrued expenses at the reporting date consists of the following amounts:

Property taxes	\$11,559
Payroll and related	3,778
Sales tax	<u>1,329</u>
Total accrued expenses	<u>\$16,666</u>

10. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. These funds, which amount to \$488,477 are held in separate bank accounts and are generally not available for operating purposes. The Association's policy is to allocate interest earned on such funds to the replacement fund.

The Association has not performed a study to estimate the fund balance and the annual funding requirements for the components of common property. Estimates have not been made for the remaining useful lives and estimated future replacement costs for this common property. Amounts reserved may not be sufficient to meet future replacement cost requirements. When additional replacement funds are needed, the Board may elect to increase monthly assessments, levy special assessments, or delay replacements until funds are available.

11. Supplemental Cash Flow Information

For the reporting period, cash flows from operating activities include the following amounts:

State and federal income tax payments	<u>\$8,200</u>
Interest payments	<u>\$74</u>

Noncash investing and financing activities for September 30, 2014 are as follows:

A note receivable from related association As a result of change in reporting entities	\$150,000
Amount due to related association as a result of change in reporting entities	\$185,033

12. Financial Instruments

The Association maintains operating and reserve accounts at certain financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Association occasionally maintains deposits in excess of federally insured limits. At September 30, 2014, the Association's uninsured cash balance totaled \$44,962

Island Park Village Association, Inc.

Notes to Financial Statements September 30, 2014

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13. Commitments and Contingencies

The Association entered into a 36-month service agreement for Toro software and equipment beginning October 1, 2014 for a total cost of \$4,536.

14. Subsequent Events

Management has evaluated subsequent events through May 6, 2015, the date which the financial statements were available for issue. Management has determined there are no subsequent events that require recognition or disclosure in these financial statements.

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