

Financial Statements

Island Park Village Association, Inc.

**For the Year Ended
September 30, 2019**

Island Park Village Association, Inc.

Contents

September 30, 2019

(Summarized Totals for September 30, 2018)

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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, 2019, and the related statements of income, expenses, changes in fund balances, cash flows and other operating income and expenses for the year 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, 2019, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matter

The prior year summarized comparative information has been derived from the Association's September 30, 2018 financial statements and, in our report dated February 4, 2019 we expressed an unqualified opinion on those financial statements.

FITZGERALD & ASSOCIATES, INC. CPAs

Redlands, California
February 1, 2020

Island Park Village Association, Inc.

Balance Sheet

For the Year Ended September 30, 2019

(Summarized Totals for September 30, 2018)

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Assets						
Cash, including interest-bearing deposits	\$ 31,769	\$ 355,667	\$ -	\$ 257,798	\$ 645,234	\$ 623,723
Cash in bank, restricted	1,591	7,131	-	-	8,722	18,491
Accounts receivable, net	738	-	-	-	738	655
Prepaid expenses	-	-	-	-	-	-
Property and equipment, net	-	-	242,277	12,000	254,277	261,190
Interfund balances	1,586	-	-	(1,586)	-	-
Total assets	<u>\$ 35,684</u>	<u>\$ 362,798</u>	<u>\$ 242,277</u>	<u>\$ 268,212</u>	<u>\$ 908,971</u>	<u>\$ 904,059</u>
Liabilities and Fund Balances						
Accounts payable	\$ 18,442	\$ -	\$ -	\$ -	\$ 18,442	\$ 21,482
Accrued expenses	17,398	-	-	-	17,398	18,533
Income taxes payable	841	-	-	-	841	1,524
Prepaid assessment	917	-	-	-	917	896
Total liabilities	37,598	-	-	-	37,598	42,435
Fund balances	<u>(1,914)</u>	<u>362,798</u>	<u>242,277</u>	<u>268,212</u>	<u>871,373</u>	<u>861,624</u>
Total liabilities and fund balances	<u>\$ 35,684</u>	<u>\$ 362,798</u>	<u>\$ 242,277</u>	<u>\$ 268,212</u>	<u>\$ 908,971</u>	<u>\$ 904,059</u>

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

Island Park Village Association, Inc.

Statement of Revenue, Expenses, and Changes in Fund Balances For the Year Ended September 30, 2019 (Summarized Totals for September 30, 2018)

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue						
Member assessments, net of discounts	\$ 105,999	\$ 9,960	\$ -	\$ -	\$ 115,959	\$ 105,153
Water assessments	-	-	-	33,801	33,801	30,362
Golf course and clubhouse	184,388	-	-	-	184,388	180,560
Golf surcharge income	-	6,876	-	-	6,876	8,878
Interest income	19	5,072	-	6,287	11,378	11,450
Other income (schedule)	59,384	-	-	-	59,384	31,146
Total revenue	<u>349,790</u>	<u>21,908</u>	<u>-</u>	<u>40,088</u>	<u>411,786</u>	<u>367,549</u>
Expenses						
Golf course and clubhouse Facilities	188,597	-	-	-	188,597	160,998
Maintenance (schedule)	68,880	-	-	-	68,880	37,298
General and administrative Services (schedule)	65,487	-	-	13,348	78,835	75,785
Income taxes	2,578	-	-	-	2,578	2,054
Water system expenses	-	-	-	16,951	16,951	25,151
Utility expense (net of rebate)	3,896	-	-	-	3,896	4,085
Depreciation expense	-	-	17,863	-	17,863	20,242
Repairs and replacements	-	24,437	-	-	24,437	42,858
Total expenses	<u>329,438</u>	<u>24,437</u>	<u>17,863</u>	<u>30,299</u>	<u>402,037</u>	<u>368,471</u>
Excess revenue (expenses)	20,352	(2,529)	(17,863)	9,789	9,749	(922)
Fund balances, beginning	519	353,726	248,956	258,423	861,624	862,546
Fund transfers	<u>(22,785)</u>	<u>11,601</u>	<u>11,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), ending	<u>\$ (1,914)</u>	<u>\$ 362,798</u>	<u>\$ 242,277</u>	<u>\$ 268,212</u>	<u>\$ 871,373</u>	<u>\$ 861,624</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, 2019

(Summarized Totals for September 30, 2018)

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Capital Fund</u>	<u>Water Utility Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Cash Flows From Operating Activities						
Excess revenue (expenses)	\$ 20,352	\$ (2,529)	\$ (17,863)	\$ 9,789	\$ 9,749	\$ (922)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:						
Bad debt expense (recovery)	(999)	-	-	-	(999)	1,643
Depreciation	-	-	17,863	-	17,863	20,242
Changes in:						
Accounts receivable	917	-	-	-	917	(2,243)
Prepaid expenses	-	-	-	-	-	346
Accounts payable	(3,040)	-	-	-	(3,040)	3,298
Accrued expenses	(1,136)	-	-	-	(1,136)	2,033
Income taxes payable	(683)	-	-	-	(683)	1,524
Prepaid assessments	21	-	-	-	21	821
Net cash provided (used) by operating activities	<u>15,432</u>	<u>(2,529)</u>	<u>-</u>	<u>9,789</u>	<u>22,692</u>	<u>26,742</u>
Cash Flows From Investing Activities						
Purchase of property and equipment	<u>-</u>	<u>-</u>	<u>(10,949)</u>	<u>-</u>	<u>(10,949)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>(10,949)</u>	<u>-</u>	<u>(10,949)</u>	<u>-</u>
Cash Flows From Financing Activities						
Interfund balances	7,737	(4,000)	(235)	(3,502)	-	-
Fund transfers	<u>(22,785)</u>	<u>11,601</u>	<u>11,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(15,048)</u>	<u>7,601</u>	<u>10,949</u>	<u>(3,502)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and restricted cash	384	5,072	-	6,286	11,743	26,742
Cash and restricted cash, beginning	<u>32,976</u>	<u>357,726</u>	<u>-</u>	<u>251,512</u>	<u>642,214</u>	<u>615,472</u>
Cash and restricted cash, end	<u>\$ 33,360</u>	<u>\$ 362,798</u>	<u>\$ -</u>	<u>\$ 257,798</u>	<u>\$ 653,957</u>	<u>\$ 642,214</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, 2019 (Summarized Totals for September 30, 2018)

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	2019	2018
	Total	Total
Other Income		
Late fees	\$ 661	\$ 425
Snow removal	27,608	16,801
Garbage assessments	13,000	8,640
Fall River rebate	11,924	-
Bad debt recovery	999	-
Other	5,192	5,280
Total other income	<u>\$ 59,384</u>	<u>\$ 31,146</u>
Maintenance		
Exterior maintenance salaries and related	\$ 3,429	\$ 1,616
Outside services	19,241	18,037
Road maintenance	15,690	-
Snow removal	30,520	17,645
Total maintenance	<u>\$ 68,880</u>	<u>\$ 37,298</u>
General and Administrative Services		
Audit and tax fees	\$ 5,300	\$ 5,300
Bad debt expense	-	1,643
Board meetings and board travel	946	1,136
Insurance	-	4,948
Legal and collection fees	3,736	3,027
Management and accounting fees	28,642	25,741
Property taxes	1,967	2,007
Telephone and television	2,008	1,601
General and administrative salaries and related	33,609	24,619
Bank and merchant fees	5,939	4,982
Printing and stationary	4	103
Postage and delivery	122	69
Supplies	365	79
G & A allocated to Water Utility Fund	(16,347)	(13,347)
G & A allocated to golf course	(11,131)	-
Garbage	10,009	-
Other general and administrative	318	530
Total general and administrative services	<u>\$ 65,487</u>	<u>\$ 62,438</u>

The accompanying notes are an integral part of these financial statements

Island Park Village Association, Inc.

Notes to Financial Statements

September 30, 2019

(Summarized Totals for September 30, 2018)

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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 residential lots, a clubhouse, a nine-hole golf course and tennis courts.

2. Significant Accounting Policies

Comparative Information

The financial statements include certain September 30, 2018 comparative information. With respect to the balance sheet, the statement of revenue, expenses and changes in fund balances and the statement of cash flows, such prior year information is not presented by fund. Accordingly, such information should be read in conjunction with the Association's financial statement for the year ended September 30, 2018 from which the summarized information was derived.

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

Island Park Village Association, Inc.

Notes to Financial Statements

September 30, 2019

(Summarized Totals for September 30, 2018)

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2. Significant Accounting Policies

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.

Member Assessments

Members are subject to annual assessments to provide funds for operating expenses and future major repairs and replacements. The annual budget and assessments of Association members are determined by the board of directors. Assessments receivable at the reporting dates represent amounts due from Association members. 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. Interest and related charges are recorded as income when billed to the Association member. In addition, the Association's policies permit various collection remedies for delinquent assessments, which include filing liens, foreclosing on the Association member, and obtaining judgment against the Association member. Any excess assessments at year-end are retained by the Association for use in the succeeding year. See Note 5 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 8 for a further discussion of reserves.

New Accounting Pronouncements Adopted in Fiscal 2019

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"), which requires an explanation in the cash flow statement of the changes in the total of cash and restricted cash. The cash flow statement requires a presentation of net cash provided or used by operating, investing, and financing activities, and the net effect of those flows on the total of cash and restricted cash during the period, and be presented in the manner that reconciles beginning and ending totals of cash and restricted cash. Adoption of ASU 2016-18 for all other entities other than public business entities is required for fiscal years beginning after December 15, 2018 and applied retrospectively to all periods presented. The Association adopted ASU 2016-18 for its September 30, 2019 financial statements as early adoption is permitted. The Association has applied the amended guidance retrospectively to all of the periods presented and does not expect a material impact to its financial statements.

Island Park Village Association, Inc.

Notes to Financial Statements

September 30, 2019

(Summarized Totals for September 30, 2018)

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2. *Significant Accounting Policies* (concluded)

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 5-31 year estimated useful life of the asset. For a further discussion of property and equipment, see Note 6.

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.

3. *Income Taxes*

Homeowners associations may elect to be taxed either as a timeshare association or as a regular corporation. For the year ended September 30, 2019 and 2018, the Association elected to be taxed as a regular corporation in accordance with Internal Revenue Code Section 277. Under that election, the Association is subject to federal and state income tax only on income derived from non-member sources such as interest and rental income and is taxed at flat tax rate of 21 percent. Membership income is exempt from taxation if a vote of the general membership makes certain elections annually.

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 September 30, 2016 through September 30, 2019.

4. *Restricted Cash*

Restricted cash at the reporting dates consists of the following amounts:

Golf Funds

\$1 collected for each round of golf played. The restricted golf funds can only be used for operational improvements and equipment for the golf course. Restricted golf cash at the reporting date is as follows:

Island Park Village Association, Inc.

Notes to Financial Statements

September 30, 2019

(Summarized Totals for September 30, 2018)

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4. Restricted Cash (concluded)

	<u>2019</u>	<u>2018</u>
Beginning balance at October 1,	\$18,491	\$9,613
Golf course funds collected	7,076	8,878
Improvements and equipment purchased for the golf course	<u>(18,436)</u>	<u>(-0-)</u>
Total restricted golf cash	<u>\$7,131</u>	<u>\$18,491</u>

Garbage Service

The Association began assesses participating members a fee for the collection and disposal of garbage at the property. These funds can only be used for garbage service and related costs. Restricted garbage services cash at the reporting dates is as follows:

Garbage service funds collected	\$13,000	\$-0-
Garbage service expenses	<u>(11,409)</u>	<u>-0-</u>
Restricted garbage cash	<u>1,591</u>	<u>-0-</u>
Total restricted cash	<u>\$8,722</u>	<u>\$-0-</u>

5. Accounts Receivable

Accounts receivable at the reporting dates consist of the following amounts:

	<u>2019</u>	<u>2018</u>
Member assessments	\$2,323	\$2,323
Allowance for doubtful accounts	<u>(668)</u>	<u>(1,668)</u>
Total assessments receivable	<u>\$1,655</u>	<u>\$655</u>

6. Property and Equipment

Property and equipment at the reporting dates consist of the following amounts:

	<u>2019</u>	<u>2018</u>
Land	\$48,000	\$48,000
Building	173,932	173,932
Vehicles and equipment	167,432	156,484
Accumulated depreciation	<u>(135,087)</u>	<u>(117,224)</u>
Total property and equipment	<u>\$254,277</u>	<u>\$261,190</u>

Island Park Village Association, Inc.

Notes to Financial Statements

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(Summarized Totals for September 30, 2018)

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7. Accrued Expenses

Accrued expenses at the reporting dates consist of the following amounts:

	<u>2019</u>	<u>2018</u>
Property taxes	\$10,076	\$10,358
Payroll and related	6,327	6,652
Sales tax	995	1,523
Total accrued expenses	<u>\$17,398</u>	<u>\$18,533</u>

8. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

Complex Solutions, LTD. conducted a study in July 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2.2 percent and interest of 1.35 percent, net of taxes, on amounts funded for future repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study. See the supplementary information presented on page 12 for additional details.

The Board of Directors decided to fund 13 percent of the amount recommended by the reserve study for the year ended September 30, 2019. Accordingly, \$9,960 was included in the September 30, 2019 budget. Because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

9. Supplemental Cash Flow Information

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

	<u>2019</u>	<u>2018</u>
State and federal income tax payments	<u>\$3,199</u>	<u>\$184</u>

10. Subsequent Events

Management has evaluated subsequent events through February 1, 2020, the date which the financial statements were available for issue.

Supplementary Information

Island Park Village Association, Inc.

Supplementary Information on Future Major Repairs and Replacements (Unaudited) September 30, 2019

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Complex Solutions Ltd. conducted a study in July 2017 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2.20% and interest of 1.35%, net of taxes, on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated July 2017 Replacement Cost	Estimated 2020 Funding Requirement	Reserve Expenditures for the Year 9/30/19	Replacement Fund Balance 9/30/19
Common area	0-23	\$ 583,555	\$ 35,493	\$ (5,560)	\$ 261,530
Golf course	0-27	251,805	15,315	(16,377)	112,850
Clubhouse	0-18	143,179	8,708	(2,500)	64,168
Cash deficit		-	-	-	(75,750)
Sub-total		978,539	59,516	(24,437)	362,798
Water utility	0-19	112,800	15,840	-	268,212
Totals		<u>\$ 1,091,339</u>	<u>\$ 75,356</u>	<u>\$ (24,437)</u>	<u>\$ 631,010</u>

See auditors' report.