

SPRING CREEK HOMEOWNERS' ASSOCIATION

Financial Statements and Supplementary Information with Independent Auditor's Report

For the year ended December 31, 2020

With comparative totals
For the year ended December 31, 2019

SPRING CREEK HOMEOWNERS' ASSOCIATION
FINANCIAL STATEMENTS

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Independent Auditors' Report

October 1, 2021

Board of Directors
Spring Creek Homeowners' Association
Jackson, Wyoming 83001

Report on the Financial Statements

We have audited the accompanying financial statements of Spring Creek Homeowners' Association which comprise the balance sheet as of December 31, 2020, and the related statements of revenue and expenses, changes in fund balance 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.

Auditors' 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 Spring Creek Homeowners' Association as of December 31, 2020 and the results of its operations, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting schedule of expenses, the schedule of operating fund revenues and expenses – budget and actual and the schedule of reserve fund revenues and expenses – budget and actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on pages 18 and 19 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, who 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.

Thompson Palmer & Associates, PC
Certified Public Accountants

SPRING CREEK HOMEOWNERS' ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2020
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019

	Operating Fund	Replacement Fund	Totals	
			2020	2019
ASSETS				
Cash, including interest-bearing deposits	628,707	\$ -	\$ 628,707	591,740
Investments - cash (Note #4)	-	55,161	55,161	262,211
Investments - securities (Note #4)	-	933,163	933,163	1,457,160
Assessments receivable (Note #3)	50,309	-	50,309	30,309
Prepaid income tax	-	-	-	-
Prepaid expenses	63,079	-	63,079	52,976.00
Due from reserve fund	(97,257)	-	(97,257)	(40,610)
Due to operating fund	-	97,257	97,257	40,610
Other receivables	66,730	-	66,730	66,233
Total current assets	711,567	1,085,581	1,797,148	2,460,628
Fixed assets	80,000	-	80,000	80,000
Accumulated depreciation	(12,650)	-	(12,650)	(10,598)
Net fixed assets	67,350	-	67,350	69,402
Total assets	<u>\$ 778,917</u>	<u>\$ 1,085,581</u>	<u>\$ 1,864,498</u>	<u>\$ 2,530,030</u>
LIABILITIES				
Accounts payable	119,478		\$ 119,478	188,775
Income tax payable		11,028.00	11,028	31,170
Advanced homeowner assessments	333,731		333,731	321,969
Homeowner construction deposits	98,241		98,241	88,251
Accrued Expenses	2,079		2,079	-
Total current liabilities	553,530	11,028	564,558	630,165
Deferred tax liability, current year	-	(9,716)	(9,716)	29,795
Deferred tax liability, prior year				
deferred taxes	-	59,465	59,465	29,670
Contract liabilities (assessments received in advance-replacement fund)	-	1,024,805	1,024,805	
Total liabilities	553,530	1,085,582	1,639,112	689,630
FUND BALANCES				
Accumulated excess of revenues over expenses	166,228	-	166,228	1,743,931
Accumulated other comprehensive income (loss) (Note #7)	59,159	-	59,159	96,469
	-			
Total fund balances	225,387	-	225,387	1,840,400
Total liabilities and fund balances	<u>\$ 778,917</u>	<u>\$ 1,085,582</u>	<u>\$ 1,864,499</u>	<u>\$ 2,530,030</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Replacement Fund	Totals	
			2020	2019
REVENUES				
Assessments	1,920,538	458,140	\$ 2,378,678	1,943,023
Interest income	452	-	452	549
Other income	1,543	22,807	24,350	48,345
Total revenues	1,922,533	480,947	2,403,480	1,991,917
EXPENSES				
Operating expenses - schedule of expenses	1,863,374		1,863,374	1,515,212
Replacement other - schedule of expenses		1,180,363	1,180,363	664,925
Total expenses	1,863,374	1,180,363	3,043,737	2,180,137
Excess (deficiency) of revenues over expenses, operating	59,159	(699,416)	(640,257)	(188,220)
OTHER REVENUE (EXPENSE)				
Net realized gains (losses) on securities	-	86,598	86,598	172,605
Total other revenue (expense)	-	86,598	86,598	172,605
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, OPERATING	59,159	(612,818)	(553,659)	(15,616)

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019D)

	Operating Fund	Replacement Fund	Totals	
			2020	2019
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES, OPERATING	59,159	(612,818)	(553,659)	(15,616)
OTHER COMPREHENSIVE INCOME (NOTE 7)				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period		218,382	218,382	261,345
Less: reclassification adjustment for gains included in excess of revenues over expenses		(264,648)	(264,648)	(119,466)
	-	-	-	-
Other comprehensive income before tax	-	(46,266)	(46,266)	141,879
Income tax expense (benefit) related to items of other comprehensive income	-	(9,717)	(9,717)	29,795
Other comprehensive income net of tax	-	(36,549)	(36,549)	112,084
Comprehensive income	\$ 59,159	\$ (649,367)	\$ (590,208)	\$ 96,469
Fund Balance - Beginning of year	\$ 166,228	\$ -	\$ 166,228	\$ 1,743,931
Total Comprehensive Income	59,159	-	59,159	96,469
Fund Balance - End of year	<u>\$ 225,387</u>	<u>\$ -</u>	<u>\$ 225,387</u>	<u>\$ 1,840,400</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Replacement Fund	Totals	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	59,159	(699,416)	(640,257)	\$ (188,220)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by by operating activities:				
(Increase) decrease in assets:				
Assessments receivable	(20,001)		(20,001)	21,149
Prepaid income tax			-	-
Prepaid expenses	(13,979)	3,876	(10,103)	(18,412)
Other assets			-	-
Other receivables	(1,447)	950	(497)	(56,729)
Depreciation add back	2,052		2,052	2,051
Increase (decrease) in liabilities:				
Accounts payable	(69,297)		(69,297)	132,706
Income tax payable		(20,142)	(20,142)	(105,284)
Advanced homeowner assessments	11,762		11,762	59,582
Homeowner construction deposits	9,990		9,990	17,538
Other Accruals	2,079	-	2,079	(6,892)
Net cash provided by operating activities	(19,681)	(714,732)	(734,412)	(142,511)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of securities	-	1,334,098	1,334,098	623,240
Other investing		32	32	46
Purchase of securities	-	(769,801)	(769,801)	-
Net cash used by investing activities	-	564,329	564,329	623,286
CASH FLOWS FROM FINANCING ACTIVITIES				
Inter-fund transfers	56,647	(56,647)	-	-
Net cash provided (used) by financing activities	56,647	(56,647)	-	-
NET INCREASE (DECREASE) IN CASH	36,967	(207,050)	(170,083)	480,775
CASH AT BEGINNING OF YEAR	591,740	262,211	853,951	373,176
CASH AT END OF YEAR	<u>\$ 628,707</u>	<u>\$ 55,161</u>	<u>\$ 683,868</u>	<u>\$ 853,951</u>
SUPPLEMENTAL DISCLOSURE				
Income taxes paid			\$ 30,501	\$ 136,070

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #1 – NATURE OF ORGANIZATION

Spring Creek Homeowners' Association is a non-profit association incorporated September 8, 1982, in the State of Wyoming. The Association is responsible for the insurance, operations and maintenance of the common facilities at Spring Creek Ranch, located in Teton County, Wyoming. Property or "Unit" owners, within Spring Creek Ranch, are members of the Association. Unit owners may also be members of subsidiary associations for particular subdivisions. The Association is governed by articles of incorporation, by-laws and declaration of covenants, conditions, and restrictions.

NOTE #2 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 1, 2021, the date that the financial statements were available to be issued.

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The financial statements are presented on the accrual basis. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds, established according to their nature and purpose:

Operating fund - Used to account for financial resources available for the general operations of the Association.

Replacement fund - Used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member Assessments (continued)

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association may file liens and take legal action against any member whose monthly payments are delinquent. Assessments are due on the first of the month, past due on the first of the next month, and are delinquent when they are more than 90 days in arrears. Late fees are charged at the greater of \$25 or 1.5% per month. Any excess assessments at year end are retained by the Association for use in the succeeding year. All receivables as of December 31, 2020 were received in the subsequent year. The Association feels that all monies are collectible. The balances of accounts receivable as of the beginning and end of the year are \$30,308 and \$50,309 respectively.

Property and equipment

The infrastructure, including roads, utilities, and related buildings, within the Association boundaries are property of the Spring Creek Improvement and Service District (SCISD). Under agreement, the Association manages and maintains this infrastructure with the ability to request reimbursement from the SCISD for any major expenditure. Association expenditures to maintain these assets will be expensed as incurred.

The Association also maintains the common area and exterior of the Harvest Dance and Spirit Dance subdivisions. Association expenditures to maintain these assets are expensed as incurred and charged to the respective subdivision's operating or reserve funds.

Per the CC&Rs, the Association cannot sell common real property without 100% positive approval of all homeowners. Common property must be used as outlined in the CC&Rs.

Expenditures for new asset acquisitions may be capitalized if significant.

Property and equipment are recorded at cost and consist of the following:

Hot tub	\$80,000
Less accumulated depreciation	<u>(12,650)</u>
Net assets	<u>\$67,350</u>

Depreciation

Property and equipment are being depreciated over their estimated useful lives using the straight-line method.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Liabilities (Assessments Received in Advance – Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (Assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. During the current year, the Association assessed and received \$458,140 in the replacement fund. The balances of contract liabilities (assessments received in advance – replacement fund) as of the beginning and end of the year are \$1,674,172 and \$1,024,805.

Estimates

In conformity with accounting principles generally accepted in the United States of America, the preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from estimates.

Rounding Convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$2. The rounding convention is applied to each amount displayed in a column, whether detail item or total.

Insurance

It is the responsibility of the Association to provide liability and property damage insurance coverage for the common elements, including certain building exteriors, and the limited common elements of the project. Costs of the insurance are charged to the owners and prorated among the owners as set forth in the declarations. The building policy and earthquake coverage amounts are as follows:

	2020	2019
Building policy	\$ 57,144,207	\$ 36,224,599
Earthquake	\$ 57,144,207	\$ 36,532,223

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of cash flows

Cash equivalents include all highly liquid debt instruments purchased with a maturity of three months or less.

The Association records its investments that are classified as "available for sale" at their fair market value. In accordance with this method of reporting investments, the Association recorded unrealized gains (losses) of \$(46,266) and \$141,879 in 2020 and 2019, respectively. See Note 7 – Other Comprehensive Income.

Comparative information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Deferred Income Taxes

Deferred income taxes reflect the temporary differences between the tax basis of assets and liabilities and the reported amounts of these assets and liabilities for financial reporting purposes. The Association's net unrealized gain and deferred tax liability as of December 31, 2020 and 2019 are shown in Note 7 – Other Comprehensive Income.

NOTE #4 – INVESTMENTS – FAIR VALUE

The Association conforms to generally accepted accounting principles, which require debt and equity securities that are classified as available for sale to be recorded at "fair value" on the financial statements. Fair value measurements establish a hierarchical framework for disclosure of and measurement of investments at fair value defined as Level I, II, and III inputs. These inputs are based on a number of factors, including the type of investment and the characteristics specific to the investment. The Association's investments are all considered to be Level I inputs as they are based on quoted market prices.

The cost of each security available for sale is adjusted to fair market value annually. This adjusted fair market value is the basis used to compute unrealized gains and losses. The cost basis of each security is also tracked and used to compute realized gains and losses.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #4 – INVESTMENTS – FAIR VALUE (CONTINUED)

	<u>Cash</u>	<u>Securities</u>	<u>Totals</u> <u>2020</u>	<u>2019</u>
Beginning balance – fair value	\$262,211	\$1,457,160	\$1,719,371	\$1,794,922
Net cash in/out	(229,857)	(564,298)	(794,155)	(431,343)
Realized earnings (losses)	22,807	86,598	109,405	213,913
Unrealized gains (losses)	-	(46,297)	(46,297)	141,879
Ending balance – fair value	<u>\$55,161</u>	<u>\$933,163</u>	<u>\$988,324</u>	<u>\$1,719,371</u>

Net unrealized and realized gain on securities is as follows:

Unrealized gain (loss)	\$(46,297)	\$141,879
Realized gain (loss)	86,598	172,605
Net unrealized and realized gain on securities	<u>\$40,301</u>	<u>\$314,484</u>

Net realized gain on securities available for sale:

Security sales proceeds	\$1,334,098	\$623,240
Basis of securities sold	<u>(1,247,500)</u>	<u>(450,635)</u>
Realized gain (loss) on sales of securities	<u>\$86,598</u>	<u>\$172,605</u>

NOTE #5 - INCOME TAXES

Each year, Associations may elect to be taxed either as homeowners associations or as regular corporations with Internal Revenue Code Section 277 exceptions. This current year the Association elected to file as a corporation using form 1120 because it resulted in lower taxes. Under this scenario, the Association is taxed on all income and expenses related to its operations with a Section 277 limitation preventing the Association from showing a loss as a result of its exempt function expenses and / or netting nonexempt income with an operating loss. Nonexempt function income includes interest, investment income and revenues from non-members. Operating expenses related to the nonexempt income are allocated to offset a portion of the taxable income. The resulting income is taxed at 21% on form 1120.

Income tax expense in 2020 and 2019 was \$11,099 and \$30,475 respectively. The estimated tax penalties which are an interest charge based on the government's expectation that estimated tax payments will be made throughout the year rather than in one large amount near the end of the tax year were respectively \$193 and \$695. The federal income tax returns of the Association for 2020, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #6 - COMMITMENTS AND CONTINGENCIES

Future major repairs and replacements

The Association has budgeted for funds to be accumulated to offset costs of future major repairs and replacements. The Association seeks to accumulate fifty percent of the replacement costs over the useful lives of the Project Common facilities, and to accumulate funds for specific repairs and maintenance of the Spirit Dance and Harvest Dance sites.

Accumulated funds, which aggregate \$1,085,582, and are presented on the accompanying balance sheet as a contract liability (assessments received in advance-replacement fund) at December 31, 2020, are held in separate accounts and are generally not available for operating purposes. It is the Associations' policy to retain the interest earned on such funds in the reserve fund for future major repairs and replacements.

Periodically, a reserve study determines the replacement value of the inventory of infrastructure items as of the date of the study. A new study for Harvest Dance and Spirit Dance was completed in January of 2019. For Project Common the last study was updated in 2015. The study's estimated replacement costs are adjusted to provide for inflation for the years between the date of the study and the current year. Actual expenditures, however, may vary from the estimated amounts and the variations may be material.

The Association is funding for such major repairs and replacements as follows:

	2020	2019
Replacement fund		
Assessments – Project Common	\$ 57,386	\$ 31,970
Assessments – Spirit Dance	175,754	134,954
Assessments – Harvest Dance	<u>224,999</u>	<u>113,523</u>
	<u>\$ 458,140</u>	<u>\$ 280,447</u>

Amounts accumulated in the replacement fund may not be adequate to meet future needs. However, if additional funds are needed, the Board of Directors of the Association has the right to increase regular assessments; and the Association has the right, subject to member approval, to levy emergency assessments, to levy special assessments, or to borrow. The Association may delay major repairs and replacements until funds are available.

FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

FASB ASC 606 New Accounting Guidance Implementation (continued)

The Association adopted the requirements of new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2020:

Fund balance, as previously reported, at January 1, 2020	\$1,674,172
Adjustment	<u>(1,674,172)</u>
Fund balance, as adjusted at January 1, 2020	<u>-</u>

The effect of the adoption is a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2020, of \$1,024,805. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2020 financial statements. Following are the line items from our balance sheet as of December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities:</u>			
Contract liabilities (Assessments received in advance-replacement fund)	\$ -	\$1,024,805	\$1,024,805
Total liabilities	60,777	1,024,805	1,805,582
<u>Fund Balance:</u>			
Ending fund balances	1,250,192	(1,024,805)	225,387

The line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2020 were unaffected by the application of the new guidance.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #6 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

In February 2019, the Association received a letter from an attorney representing an anonymous group of Homeowners called the SC Neighbors. Subsequently, Clay Cook, Jeffrey Dixon and Mary Dixon were disclosed as - parties within this group. The letter posed a number of questions related to operations within the Association and requested numerous documents to be produced. The Association notified the Directors and Officers insurer, and defense coverage is being provided for legal counsel related to this matter. The SC Neighbors are seeking numerous documents to be produced and are objecting to some new Association rules. In October 2020, mediation was attempted. In December 2020, Cook/Dixon filed a Civil Action with the District Court of Teton County against the Association. The Association's legal counsel was granted a motion to compel arbitration as specified in the Association covenants. The lawsuit was stayed and the Association and Cook/Dixons are currently in the arbitration process.

In July 2020, the Association received a letter from a homeowner, Stephen Simoni, as representing himself and a co-owner, John Sacchi, objecting to some new Association rules. The homeowners and the Association had a telephonic meeting to attempt to resolve the objections. The meeting was unsuccessful, and the homeowners opted not to follow Association covenants through the mediation and arbitration process. They promptly sent letters to the Department of Justice, the State of Wyoming Attorney General, and the County Prosecutor urging them to take action. The Association notified the Directors and Officers insurer, and defense coverage was provided for legal counsel related to this matter. The Association never received any communication from the Department of Justice. The County Prosecutor referred the matter to the Wyoming Attorney General's office, which dismissed the complaint.

In October 2020, bypassing the requirements of the Association covenants for mediation and arbitration, homeowners, Scott Segal and Robin Davis, filed a Housing Discrimination Complaint with the Department of Housing and Urban Development. They alleged discriminatory actions and failure to make reasonable accommodations related to their emotional support animals. The Association notified the Directors and Officers insurer, and defense coverage is being provided for legal counsel related to this matter. The matter is still in the investigative stage.

The Association's covenants generally provide that dispute resolution protocols require mediation, and if unsuccessful, binding arbitration, with the prevailing party recovering all related costs. The Association has sought legal counsel in advance of all decisions and, based on available information as of September 1, 2020, believes that the Association will either resolve the disputes through negotiation and collaboration, or alternatively prevail and recover its costs from formal dispute resolution if the matters are not resolved informally with the disputing parties.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE #7 – OTHER COMPREHENSIVE INCOME

The Association complies with the provisions of FASB ASC 220, *Comprehensive Income*, which establishes rules for the reporting and presentation of comprehensive income and its components. Accounting principles generally require that recognized revenue, expense, gains, and losses be included in net income. However, certain changes in assets and liabilities such as unrealized gain and loss on available for sale securities, are reported as a separate component of comprehensive income which is reported on the balance sheet and statement of comprehensive income and changes in fund balances.

The cost of each security available for sale is adjusted to fair market value annually. This adjusted fair market value is the basis used to compute unrealized gains and losses for the period. These are reported in other comprehensive income rather than on the statement of revenues and expenses. This reduces volatility in the statement of revenues and expenses as the fair market values of securities move up and down. When a security is sold, the realized gain or loss is recognized on the statement of revenues and expenses with an offsetting entry to move the accumulated unrealized gains or losses from other comprehensive income. Potential taxes related to the unrealized gains and losses are also reported in other comprehensive income.

The components of other comprehensive income for 2018 and 2017 including the prior period adjustment are as follows:

	<u>2020</u>	<u>2019</u>
Other comprehensive income		
Unrealized holding gains (losses) during period	\$(46,266)	\$141,879
Increase (decrease) in current year of other comprehensive income	\$(46,266)	\$141,879
From unrealized holding gains (losses) during period		
Changes in accumulated other comprehensive income		
Accumulated other comprehensive income, beginning	\$283,166	\$141,288
Unrealized holding gains (losses) during period	218,382	261,345
Less reclassification adjustment for gains (losses) included in excess (deficiency) of revenues over expenses	(264,648)	(119,466)
Unrealized gains (losses) available for sale securities	(46,266)	141,879
Accumulated other comprehensive income (loss), before taxes	\$236,900	\$283,167
Estimates taxes on other comprehensive income		
Beginning accumulated tax (expense) benefit	(59,465)	(29,670)
Current year tax (expense) benefit	9,717	(29,795)
Total deferred taxes	(49,748)	(59,465)
Total accumulated other comprehensive income (loss), net of tax	\$187,152	\$223,702
Total current year change in other comprehensive income		
Unrealized gains (losses) available for sale securities and current year tax (expense) benefit	\$(36,549)	\$112,084

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Note #8 – CREDIT AND MARKET RISK

The Association's financial instruments consist of cash, investments, and homeowner receivables. At December 31, 2020 and 2019, cash and cash equivalents exceeding federally insured limits totaled \$94,132 and \$206,985. Investments amounting to \$988,324 and \$1,719,371 were uninsured at December 31, 2020 and 2019, respectively. Receivables are due from unit owners and are considered collectible.

Note #9 – CONCENTRATIONS

Spring Creek Ranch is located in the greater Jackson Hole Wyoming area – a popular vacation destination as well as place to live. The Association is exposed to risks associated with conditions affecting the economy, real estate, tourism, and weather for its geographical area.

NOTE #10 – RELATED PARTIES

Spring Creek Ranch Management Company, LLC

Spring Creek Ranch Management Company, LLC ("SCRMC"), of which Stephen Price and Derek Goodson are principals, provides various services to the Association. SCRMC operates under a written agreement with the Association. Except for maintenance services, all fees are fixed by either contract or the current year's budget. Maintenance services are billed according to time and materials. The books of the Association are reviewed annually by an independent accounting firm, and the policy of the Board is to have the books of the Association audited every five years. Stephen Price is a member of the Association's Board and recused himself in all matters related to SCRMC and the Association. Derek Goodson has been appointed by the Board as the Association's Assistant Treasurer.

The Association paid Spring Creek Ranch Management Company LLC \$1,134,404 and \$894,715 in 2020 and 2019, respectively. The Association owed \$82,826 and \$30,469 at 2020 and 2019 year end for December fees.

Spring Creek Improvement & Service District

The boundaries of the Association are almost identical to the boundaries of the Spring Creek Improvement & Service District; therefore, the Association and the District have the common goal to appropriately maintain the infrastructure within the boundaries. In March 2011, the Association and the District entered into an agreement to provide services within their boundaries. As part of the agreement, the Association may pay for improvements or advance funds to the District to perform improvements. If such amounts are paid by the Association, they may request reimbursement from the District. The District owed the Association \$57,205 and \$54,659 at 2020 and 2019 year-end for these improvements.

On a day to day basis, the Association performs tasks for the District. Then the District reimburses the Association for those costs. In 2020, The Association invoiced the District for \$57,205 of expenses as follows: water expenses in the amount of \$28,891, sewer system in the amount of \$3,287, roads in the amount of \$16,523, and administrative expenses in the amount of \$8,504.

SPRING CREEK HOMEOWNERS' ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE#11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2021, the date on which the financial statements were available to be issued.

SPRING CREEK HOMEOWNERS' ASSOCIATION
 REQUIRED SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2020

Periodically, a reserve study determines the replacement value of the inventory of infrastructure items as of the date of the study. A study for Harvest Dance and Spirit Dance was completed in January of 2019. For Project Common the last study was updated in 2015. The study's estimated replacement costs are adjusted to provide for inflation for the years between the date of the study and the current year.

The following information is based on the 2015 study for Project Common and the 2019 studies for Spirit Dance and Harvest Dance and presents significant information about the components of common and site property.

Because the costs and remaining useful lives are estimated, the actual expenditures may vary from those presented.

	Estimated Remaining Useful Life Years	Estimated Current Replacement Cost	Fiscal Year 2020 Budget Allocation	Percent of Total Budget Allocation
Project common components				
Equipment, water, sewer and common	2-54	16,389,751	57,386	12.53%
Sub-total		<u>16,389,751</u>	<u>57,386</u>	<u>12.53%</u>
Site common components				
Spirit Dance Subdivision	0-17	5,010,000	175,754	38.36%
Harvest Dance Subdivision	0-19	5,112,000	224,999	49.11%
Sub-total		<u>10,122,000</u>	<u>400,753</u>	<u>87.47%</u>
Total		<u>\$ 26,511,751</u>	<u>\$ 458,140</u>	<u>100.00%</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2020

	Beginning Balance 2020	Sources (Uses)				Ending Balance 2020
		Assessments	Fund Expenses	Earnings Gain (Loss) Realized	Unrealized**	
Project Common	\$ 360,503	57,386	(251,224)	\$ 19,775	\$ (7,354)	\$ 179,087
Site (subdivision)						
Spirit Dance						
Major repairs	765,512	175,754	(219,670)	41,877	(15,574)	747,899
Harvest Dance						
Major repairs	542,316	224,999	(698,340)	36,401	(13,538)	91,838
Sun Dance*						
Major repairs	5,841	-		223	(83)	5,981
Sub-total	<u>1,313,669</u>	<u>400,753</u>	<u>(918,010)</u>	<u>78,501</u>	<u>(29,195)</u>	<u>845,718</u>
Total reserve fund	<u>\$ 1,674,172</u>	<u>\$ 458,140</u>	<u>\$(1,169,234)</u>	<u>\$ 98,276</u>	<u>\$ (36,549)</u>	<u>\$ 1,024,805</u>

* The association is not responsible for major repairs within the Sun Dance subdivision.

**Includes the tax provision for unrealized gains.

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020	2019
OPERATING EXPENSES		
Administration and accounting	78,482	73,896
Security	219,456	169,320
Maintenance	57,643	98,868
Audit fees	14,000	-
Cable/Internet	55,012	-
Credit card commissions & discounts	49,875	39,023
Depreciation	2,052	2,052
Lease - JH Land Trust	7,000	7,000
Environmental	34,669	13,066
Firewood	-	113
Insurance	259,015	176,154
Legal & professional	135,906	64,893
Management fees	27,220	-
Operating reserve	-	2,777
Other operating expenses and supplies	24,050	30,402
Penalties and interest	-	-
Property taxes	3,879	3,873
Recreational facilities	158,090	122,859
Repairs and maintenance		
Building	27,120	41,665
Landscaping	48,866	13,644
Roads and paths	249,868	256,612
Trash removal	56,163	42,656
Telephone	74,860	72,240
Tractor	-	1,592
Transportation	129,267	123,488
Water and sewer	150,881	159,019
Total operating expenses	<u>1,863,374</u>	<u>1,515,212</u>
REPLACEMENT FUND EXPENSES		
Brokerage fees	29	46
Foreign taxes	-	-
Income tax	11,099	30,786
Site common - Harvest Dance	698,340	455,221
Site common - Spirit Dance	219,670	57,664
Project common	251,224	121,208
Total replacement fund expenses	<u>1,180,363</u>	<u>664,925</u>

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019(DITED))

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Assessments	\$ 1,875,095	\$ 1,920,538	\$ 45,443	\$ 1,662,576
Interest income	-	452	452	549
Other	-	1,543	1,543	7,037
	1,875,095	1,922,533	47,438	1,670,162
OPERATING EXPENSES				
Administration and accounting	113,560	78,482	35,078	73,896
Security	173,040	219,456	(46,416)	169,320
Maintenance	106,800	57,643	49,157	98,868
Audit fees	7,500	14,000	(6,500)	-
Cable/Internet	54,696	55,012	(316)	-
Credit card commissions & discounts	20,142	49,875	(29,733)	39,023
Depreciation	-	2,052	(2,052)	2,052
Directors expense	1,380	-	1,380	-
Lease - JH Land Trust	7,000	7,000	-	7,000
Environmental	12,000	34,669	(22,669)	13,066
Firewood	-	-	-	113
Income Tax	8,800	-	8,800	-
Insurance	226,119	259,015	(32,896)	176,154
Legal & Professional	86,760	135,906	(49,146)	64,893
Management fees	-	27,220	(27,220)	-
Office supplies	2,000	-	2,000	-
Operating reserve	25,800	-	25,800	2,777
Other operating expenses and supplies	45,400	24,050	21,350	30,402
Property taxes	5,170	3,879	1,291	3,873
Recreational facilities	137,590	158,090	(20,500)	122,859
Repairs and maintenance				
Building	38,400	27,120	11,280	41,665
Landscaping	31,750	48,866	(17,116)	13,644
Roads and paths	320,392	249,868	70,524	249,944
Trash removal	39,684	56,163	(16,479)	49,324
Telephone	74,304	74,860	(556)	72,240
Tractor	3,000	-	3,000	1,592
Transportation	129,267	129,267	-	123,488
Vision Committee	15,000	-	15,000	-
Water and sewer	189,244	150,881	38,363	159,019
Total operating expenses	1,874,798	1,863,374	11,424	1,515,212
Excess of operating fund revenues over (under) operating fund expenses	\$ 297	\$ 59,159	\$ 58,862	\$ 154,950

SPRING CREEK HOMEOWNERS' ASSOCIATION
SCHEDULE OF RESERVE FUND REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	2020			2019
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
REVENUES				
Project Common	\$ 57,388	\$ 57,386	\$ (2)	\$ 31,970
Spirit Dance	175,754	175,754	0	134,954
Harvest Dance	225,000	224,999	(1)	113,523
Interest and dividend income	-	41,308	41,308	41,308
	<u>458,142</u>	<u>499,448</u>	<u>41,306</u>	<u>321,755</u>
OPERATING EXPENSES				
Brokerage fees	-	29	29	46
Foreign taxes	-	-	-	-
Income Tax	-	11,099	11,099	30,786
Site common - Harvest Dance	350,000	698,340	348,340	455,221
Site common - Spirit Dance	57,750	219,670	161,920	57,664
Project common	82,250	251,224	168,974	121,208
Total operating expenses	<u>490,000</u>	<u>1,180,363</u>	<u>690,363</u>	<u>664,925</u>
Excess of reserve fund revenues over (under) operating fund expenses	<u>\$ (31,858)</u>	<u>\$ (680,915)</u>	<u>\$ 731,668</u>	<u>\$ (343,170)</u>