

HIDDEN VALLEY FOUNDATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hidden Valley Foundation, Inc.
Hidden Valley, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Hidden Valley Foundation, Inc., ("Foundation") which comprise the statement of financial position as of June 30, 2021, and the related statements of revenues, expenses, and accumulated excess of revenues over expenses and other changes in fund balances, comprehensive income and cash flows 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.

Emphasis of a Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note I are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hidden Valley Foundation, Inc. as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Hidden Valley Foundation's June 30, 2020 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedules of Expenses on pages 13-14 is presented for purposes of additional analysis and is 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 underlying accounting and other records used to prepare the financial statements or 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 Supplementary Information on Future Major Repairs and Replacements on page 15 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.

Pittsburgh, Pennsylvania
October 25, 2021

Stenger, Bias & Company, P.C.

HIDDEN VALLEY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	June 30, 2021			June 30, 2020
	Operating Fund	Replacement Fund	Total	Total
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 1,147,575	\$ 564,161	\$ 1,711,736	\$ 936,163
Certificates of deposit with short-term maturity	-	-	-	381,606
Certificates of deposit with long-term maturity	-	385,119	385,119	530,131
Marketable securities	-	1,527,683	1,527,683	1,335,540
Accounts receivable, net of allowance for doubtful accounts of \$52,000 and \$43,000	14,353	-	14,353	26,619
Other receivables	10,917	-	10,917	10,274
Amounts due from other associations	-	-	-	27,616
Prepaid expenses	15,503	-	15,503	14,494
Utility deposits	2,318	-	2,318	2,318
Due from the Replacement Fund	155,376	-	155,376	341,341
	1,346,042	2,476,963	3,823,005	3,606,102
TOTAL CURRENT ASSETS				
<u>FIXED ASSETS</u>				
Vehicles, furniture and equipment, and land, net of accumulated depreciation of \$370,805 and \$319,818	152,117	-	152,117	160,599
	\$ 1,498,159	\$ 2,476,963	\$ 3,975,122	\$ 3,766,701
TOTAL ASSETS				
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 72,337	\$ -	\$ 72,337	\$ 192,079
Accrued payroll and payroll taxes	32,034	-	32,034	46,725
Prepaid member assessments	37,952	-	37,952	209,630
Deferred income	2,428	-	2,428	2,428
Due to the Operating Fund	-	155,376	155,376	341,341
	144,751	155,376	300,127	792,203
TOTAL LIABILITIES				
<u>FUND BALANCES</u>				
Accumulated excess of revenues over expenses	1,353,408	1,925,764	3,279,172	2,796,938
Accumulated other comprehensive income:				
Net unrealized gain on marketable securities	-	395,823	395,823	177,560
	1,353,408	2,321,587	3,674,995	2,974,498
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES				
	\$ 1,498,159	\$ 2,476,963	\$ 3,975,122	\$ 3,766,701

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

HIDDEN VALLEY FOUNDATION, INC.

**STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED EXCESS OF
REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2021

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	June 30, 2021			June 30, 2020
	Operating Fund	Replacement Fund	Total	Total
<u>REVENUES</u>				
Member assessments	\$ 1,787,807	\$ -	\$ 1,787,807	\$ 1,786,403
Assessments from other associations	623,424	-	623,424	623,424
Entrance fees	75,000	-	75,000	39,000
Investment income	2,864	38,195	41,059	59,498
Resale charges	21,710	-	21,710	9,440
Management service agreements	21,600	-	21,600	21,600
Late charges	12,634	-	12,634	9,491
Advertising	11,860	-	11,860	16,300
Maintenance services	9,592	-	9,592	4,609
Gain on sale of fixed assets	7,000	-	7,000	2,000
Mountain Metric Event revenue	-	-	-	18,809
Other income	4,194	-	4,194	14,304
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	2,577,685	38,195	2,615,880	2,604,878
<u>EXPENSES</u>				
Labor	470,770	-	470,770	469,385
Grounds maintenance	449,368	-	449,368	563,650
Snow removal and salt	178,193	-	178,193	133,139
Security	171,296	-	171,296	166,260
Utilities and trash removal	132,406	-	132,406	129,136
Depreciation	72,988	-	72,988	44,723
Management contract	64,865	-	64,865	76,629
Facilities maintenance	64,085	-	64,085	40,334
Professional fees	56,045	7,891	63,936	105,354
Vehicle expenses	49,228	-	49,228	86,176
Insurance	47,528	-	47,528	47,283
Office expenses	45,276	-	45,276	45,109
Supplies	41,817	-	41,817	29,527
Other expenses	30,886	-	30,886	45,068
Homeowner activities and events	15,721	-	15,721	40,094
Street, lot and curb maintenance	7,695	-	7,695	7,695
Drainage repairs	-	173,253	173,253	68,247
Southridge pool renovations	-	28,943	28,943	6,150
Retaining walls	-	14,628	14,628	-
Miscellaneous	-	10,405	10,405	5,779
Wood steps	-	359	359	14,941
Street paving	-	-	-	228,835
Light poles	-	-	-	69,628
Southridge Center project	-	-	-	53,702
Signs	-	-	-	12,150
Highlands pool renovation	-	-	-	8,620
Guardrails	-	-	-	1,002
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,898,167	235,479	2,133,646	2,498,616
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	679,518	(197,284)	482,234	106,262
BEGINNING ACCUMULATED EXCESS OF REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES	998,890	1,798,048	2,796,938	2,690,676
Transfers to Replacement Fund	(325,000)	325,000	-	-
ENDING ACCUMULATED EXCESS OF REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES	<hr/> <u>\$ 1,353,408</u>	<hr/> <u>\$ 1,925,764</u>	<hr/> <u>\$ 3,279,172</u>	<hr/> <u>\$ 2,796,938</u>

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

HIDDEN VALLEY FOUNDATION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	<u>June 30, 2021</u>			<u>June 30,</u> <u>2020</u>
	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>	<u>Total</u>
Excess (Deficit) of revenues over expenses	\$ 679,518	\$ (197,284)	\$ 482,234	\$ 106,262
Transfers to Replacement Fund	(325,000)	325,000	-	-
Net change in unrealized gains on marketable securities, net of realized gains (losses) from sales	-	218,263	218,263	7,199
COMPREHENSIVE INCOME	<u>\$ 354,518</u>	<u>\$ 345,979</u>	<u>\$ 700,497</u>	<u>\$ 113,461</u>

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

HIDDEN VALLEY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	June 30, 2021			June 30, 2020
	Operating Fund	Replacement Fund	Total	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Excess (Deficit) of revenues over expenses	\$ 679,518	\$ (197,284)	\$ 482,234	\$ 106,262
Adjustments to reconcile to net cash provided (used) by operating activities:				
Depreciation	72,988	-	72,988	44,723
(Gain) loss on sale of fixed assets	(7,000)	-	(7,000)	(2,000)
Net (Gain) loss on sale of marketable securities	-	5,205	5,205	(12,679)
<u>(Increase) Decrease in assets:</u>				
Accounts receivable	12,265	-	12,265	1,186
Other receivables	(643)	-	(643)	(6,154)
Amounts due from other associations	27,616	-	27,616	(26,176)
Prepaid expenses	(1,009)	-	(1,009)	4,257
<u>Increase (Decrease) in liabilities:</u>				
Accounts payable	(9,581)	(110,161)	(119,742)	(5,973)
Accrued payroll and payroll taxes	(14,691)	-	(14,691)	4,005
Prepaid member assessments	(171,678)	-	(171,678)	135,766
Deferred income	-	-	-	(6,238)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	587,785	(302,240)	285,545	236,979
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Proceeds from sale of fixed assets	7,000	-	7,000	2,000
Purchase of fixed assets	(64,505)	-	(64,505)	(66,095)
Net (Purchase) Redemptions of certificates of deposit, including reinvested interest	240,915	285,703	526,618	(386,983)
Proceeds from sales of marketable securities	-	169,303	169,303	188,490
Purchases of marketable securities, including reinvested dividends	-	(148,388)	(148,388)	(161,282)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	183,410	306,618	490,028	(423,870)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Interfund transfers and borrowings	(139,035)	139,035	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(139,035)	139,035	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	632,160	143,413	775,573	(186,891)
Cash and cash equivalents, beginning of year	515,415	420,748	936,163	1,123,054
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,147,575	\$ 564,161	\$ 1,711,736	\$ 936,163

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

HIDDEN VALLEY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2020)

NOTE A - NATURE OF ORGANIZATION

Hidden Valley Foundation, Inc. ("Foundation") is a Pennsylvania non-stock, non-profit corporation incorporated July 5, 1984, with a Declaration of Covenants, Conditions and Restrictions made on March 14, 1985. The Foundation is the umbrella corporation, which has been organized to provide all maintenance and recreational services for those properties that are for the common use of all members of Hidden Valley Foundation, Inc., a master homeowners' Foundation located in Hidden Valley, Pennsylvania.

The Foundation's documents provide for three classes of membership. Class A members are owners of residential property and are entitled to one vote for each property owned. Seven Springs Mountain Resort, the sole Class B member and Declarant at June 30, 2019, was entitled to 6,000 votes. In accordance with the Foundation's governing documents, Class B membership ceased and terminated on January 1, 2020. Class C members are limited members who have not consented to become full members of the Foundation and are entitled to vote only upon limited matters.

Effective January 1, 2020, the Board of Directors consisted of seven members of the Foundation; the Developer no longer has any seats on the Board. During September 2019, in conjunction with the planned transition from Developer control to full homeowner control of the Foundation on January 1, 2020, the Board of Directors (the Board) recommended and the members approved revised Articles of Incorporation and Amended Bylaws for the organization. The changes were effective upon the filing of the documents with the Commonwealth of Pennsylvania.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 25, 2021, the date the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Foundation's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Foundation 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 — This fund is used to account for financial resources available for the general operations of the Foundation.

Replacement Fund — This fund is used to accumulate financial resources designated for future major repairs and replacements, and is also used for long-term improvements and extraordinary circumstances.

Comparative Financial Statement Information

The financial statements include certain prior-year summarized comparative information in total, but not by fund. Prior-year information is not always provided for in the notes to the financial statements. 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 Foundation's financial statements for the year ended June 30, 2020, from which summarized information was derived.

Cash and Cash Equivalents

For purposes of balance sheet classification and the statement of cash flows, the Foundation considers all interest bearing accounts that are due on demand to be cash equivalents. The Foundation maintains cash balances in accounts at these institutions and are insured by the Federal Deposit Insurance Corporation.

Concentration of Credit Risk

The Foundation maintains their cash accounts at various financial institutions. The balances, at times, may exceed the current federally insured limit of \$250,000. At June 30, 2021, the Foundation had cash on deposit exceeding the insured limit by approximately \$621,323.

Certificates of Deposit

The Foundation's certificates of deposit consist of those with original maturity dates greater than one year (long-term), and those with original maturity dates less than one year (short-term), and occasionally whose principal balances may fluctuate. The fluctuation is normally minimal and temporary and the Foundation intends to hold the certificates of deposit until the dates of maturity. At June 30, 2021 and 2020, certificates of deposit included the following:

	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
June 30, 2021	\$385,119	11/26/23 to 2/08/24	.05% to .30%
June 30, 2020	\$911,737	9/30/20 to 3/30/21	.30% to 1.75%

Marketable Securities

At June 30, 2021 and 2020, all marketable securities have been categorized as "available-for-sale" and reflected at fair market value. Marketable securities consisted of the following:

	<u>June 30, 2021</u>		<u>Net Unrealized</u>
	<u>Cost Basis</u>	<u>Value</u>	<u>Gain (Loss)</u>
Equities	\$ 578,068	\$ 951,402	\$373,334
Bonds	<u>553,792</u>	<u>576,281</u>	<u>22,489</u>
	<u>\$1,131,860</u>	<u>\$1,527,683</u>	<u>\$395,823</u>
	<u>June 30, 2020</u>		<u>Net Unrealized</u>
	<u>Cost Basis</u>	<u>Value</u>	<u>Gain (Loss)</u>
Equities	\$581,030	\$728,219	\$147,189
Bonds	<u>576,950</u>	<u>607,321</u>	<u>30,371</u>
	<u>\$1,157,980</u>	<u>\$1,335,540</u>	<u>\$177,560</u>

Net accumulated unrealized gains on marketable securities have been included in accumulated other comprehensive income. Proceeds from sales of marketable securities for the years ended June 30, 2021 and 2020 amounted to \$169,303 and \$188,490, respectively. This resulted in a net realized gain (loss) of (\$5,205) and \$12,679, respectively, which are included in investment income and netted against the change in accumulated other comprehensive income, accordingly.

Accounts Receivable

Member assessments are recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The foundation has determined ASC 606 does not apply to the Foundation as no customer relationship exists as it is defined by the Code. The Foundation does not defer the recognition of any portion of assessment revenue as a contract liability.

Foundation members are subject to monthly assessments to provide funds for the Foundation's operating expenses, future capital acquisitions, and major repairs and replacements. It is the Foundation's policy to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. During the years ended June 30, 2021 and 2020, the Foundation recorded bad debt expense of \$9,000 and \$13,105, respectively, related to owner balances where the Board of Directors does not anticipate favorable collection possibilities.

Property and Equipment

Real property and common areas transferred to the Foundation from the Developer and related improvements to such property are not reflected on the Foundation's financial statements. That common real property is directly associated with the individual homeowner association units and requires membership approval before disposition. Common areas include all property that is for the common use of all members of the Foundation and includes paths and trails, playgrounds, tennis courts, swimming pools and related structures, and streets within the community.

Depreciation is calculated using both straight line and accelerated methods over the estimated useful life of the asset with lives ranging from 3 to 15 years. When assets are sold or otherwise retired, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the financial statements. Fixed assets consisted of the following at June 30:

	2021	2020
Vehicles	\$ 363,928	\$ 336,774
Land	32,244	32,244
Furniture and equipment	<u>126,750</u>	<u>111,399</u>
	522,922	480,417
Less: Accumulated depreciation	<u>(370,805)</u>	<u>(319,818)</u>
	<u>\$152,117</u>	<u>\$160,599</u>

During the years ended June 30, 2021 and 2020, respectively, fixed assets that had been sold or disposed of were removed from the accounting records. Those fixed assets totaled \$22,000 and \$15,298, and the disposal and sale resulted in a gain of \$7,000 and \$2,000.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE D - INCOME TAXES

On January 31, 2002, the Foundation was granted tax-exempt organization status under section 501(c)(4) of the Internal Revenue Code. As a non-profit corporation, the Foundation is required to annually file Internal Revenue Service Form 990, "Return of Organization Exempt from Income Tax". These returns may be selected for examination by the Internal Revenue Service at any given time, subject to a statute of limitations, to determine whether or not the Foundation has properly maintained its tax-exempt status.

The Association's tax filings are generally subject to examination by the Internal Revenue Service for three years after the returns are filed, and the Association's federal income tax returns for June 30, 2020, 2019 and 2018 remain open to examination.

NOTE E - SOURCES OF REVENUE

The Foundation assesses the membership based on anticipated expenses determined through its budgetary process. On the Statement of Revenues, Expenses and Accumulated Excess of Revenues over Expenses and Other Changes in Fund Balances, "Member assessments" represent those amounts assessed to owners of single-family homes, townhouses and undeveloped lots. Member assessments amounted to \$1,787,807 and \$1,786,403, respectively, for the years ended June 30, 2021 and 2020.

"Assessments from other Associations" in the Statement of Revenues, Expenses and Accumulated Excess of Revenues over Expenses and Other Changes in Fund Balances represents those amounts assessed to owners of condominium units who pay their combined assessments to their individual condominium associations. The portion of this assessment that is allocated to Hidden Valley Foundation, Inc. is then transferred accordingly and amounted to \$623,424 for each of the years ended June 30, 2021 and 2020.

NOTE F – MOUNTAIN METRIC EVENT

The Foundation hosts an annual cycling event in July of each year called the Mountain Metric. The net proceeds of this charitable event are contributed to Special Olympics. Due to the COVID-19 pandemic, there was no event held during the year ended June 30, 2021. Total event revenues in the years ended June 30, 2021 and 2020 totaled \$-0- and \$18,809, respectively. Total event expenses in the years ended June 30, 2021 and 2020 totaled \$160 and \$18,834, including donations to Special Olympics of \$-0- and \$4,338, respectively.

NOTE G - MANAGEMENT CONTRACT

The Foundation entered into a management agreement with First Service Residential MidAtlantic, LLC ("First Service") effective October 1, 2013. First Service provided management services and off-site administrative and accounting services. The initial contract was for the three-year period ending September 30, 2016, and was renewable for successive one-year periods thereafter until terminated by either party. The contract has been terminated as it expired on June 30, 2021. Effective July 1, 2021 The Foundation will be managed by the Board of Directors and the in-house management staff.

NOTE H – STRATEGIC LONG RANGE PLAN

As part of the transition from Developer control to self-governance in 2020 as called for in the Foundation's governing documents, the board of directors initiated and approved a Strategic Long Range Plan. The plan is supported by five strategic pillars, which include (i) Physical Plant: Infrastructure Planning and Maintenance, (ii) Quality of Life and Amenities, (iii) Architectural Integrity, (iv) Residential Destination Marketing and Branding, and (v) Community Transition. Through these strategic pillars, the Foundation plans to serve the best interests of the community to advance the quality of life, environmental responsibility and active stewardship of the community's natural surroundings; provide the requisite infrastructure; enhance the value of residential investments and advance market interest in the community; pursue synergy with the Resort, local governments and adjacent landowners; and uphold the core values that make Hidden Valley an enjoyable and desirable residential destination.

NOTE I - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Foundation's governing documents allow for the levying of an annual assessment for the acquisition, improvement, repair, replacement or addition to the development. The Foundation may also levy a special assessment for the purpose of defraying the cost of construction, reconstruction, unexpected repair or replacement, or capital improvement to the property, subject to the assent of two-thirds of the vote of the Class A and B members.

Miller-Dodson Associates, a professional engineering consulting firm, completed a reserve study in June 2017, to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were based on the current estimated replacement costs and no consideration was given to future inflation or interest earned on existing or accumulated funds. The funding requirement was calculated under a cash flow analysis method and component method. The cash flow analysis method calculates the 2021-2022 annual funding requirements to be \$429,771. The component method calculates the 2021-2022 annual funding requirements to be \$460,576. An ongoing review by the Board and an update of this study in two to three years from its origin is recommended industry practice and is necessary to ensure a continued equitable funding plan. The schedule included in the unaudited Supplementary Information on Future Major Repairs and Replacement is based on this study. The schedule shows the one-time replacement cost of \$5,575,476 for the various components. The projected total replacement cost of these items over the 40-year study period is \$16,198,824.

The Foundation does not specifically allocate assessments to the Replacement Fund. However, the Board includes in its annual fiscal year budget a funding amount recommended by the reserve study. Accordingly, the Board has budgeted \$275,000 for the year ended June 30, 2022, which is less than recommended by the study, but is based on the Replacement Fund Balance and the Finance Committee's recommendation. However, because actual expenditures may vary from the estimated future expenditures and the variation may be material, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. The Board of Directors has the right, subject to membership approval, to increase regular assessments, pass special assessments, use borrowed funds or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

The Foundation made net transfers of \$325,000 and \$346,601 from the Operating Fund to the Replacement Fund during the years ended June 30, 2021 and 2020, respectively. For the year ended June 30, 2021, the transfers consisted of \$325,000 to the Replacement Fund for current funding. For the year ended June 30, 2020, the transfers consisted of \$410,000 to the Replacement Fund for current funding, and \$63,399 to the Operating Fund for the purchase of fixed assets.

As of June 30, 2021 and 2020, the Association had used \$157,376 and \$341,341, respectively, from the Operating Fund for Replacement Fund purposes. The Association intends to repay these amounts and has reflected them as interfund loans.

NOTE J – SUBSEQUENT EVENT

The World Health Organization has declared the outbreak of a novel strain of coronavirus (COVID-19) that began in December 2019 to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the individual members of the Association, its employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain.

SUPPLEMENTARY INFORMATION

HIDDEN VALLEY FOUNDATION, INC.
SUPPLEMENTARY SCHEDULES OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	June 30, 2021	June 30, 2020
<u>LABOR</u>		
Administrative	\$ 238,225	\$ 205,777
Maintenance	101,061	123,775
Employee benefits	42,429	59,007
Pool	47,941	42,761
Payroll taxes	41,114	38,065
	\$ 470,770	\$ 469,385
 <u>GROUNDS MAINTENANCE</u>		
Grass cutting	\$ 143,289	\$ 125,480
Mulching	67,997	102,801
Leaf removal	27,819	28,811
Landscaping	35,453	73,624
Spring clean-up	25,325	34,075
Fertilizing	22,728	24,941
Storm drains	4,136	9,973
General pruning and shrub care	13,983	24,391
Tree trimming and stump removal	33,935	25,121
Grounds maintenance	52,945	63,517
*Landscaping	-	27,925
Pond treatment and maintenance	9,309	11,636
Street sweeping	4,022	11,355
Path and walk maintenance	201	-
Special projects	8,226	-
	\$ 449,368	\$ 563,650
 <u>FACILITIES MAINTENANCE</u>		
Pool expense - South Ridge	\$ 17,630	\$ 17,829
South Ridge Center	18,650	13,371
Dumpster blinds	2,758	163
Pool expense - Highlands	11,135	2,217
Highlands center	13,036	5,059
Shuttle shelters	876	1,409
Animal and pest control	-	286
	\$ 64,085	\$ 40,334

* Replacement Fund expense

HIDDEN VALLEY FOUNDATION, INC.
SUPPLEMENTARY SCHEDULES OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
<u>PROFESSIONAL FEES</u>		
Architect and engineer	\$ -	\$ 138
Legal	26,873	58,527
Accounting	17,076	20,974
Collections	2,530	1,609
Payroll service	7,428	8,905
Executive search	612	7,875
Other professional services	1,526	-
*Investment management fees	7,891	7,326
	<u>\$ 63,936</u>	<u>\$ 105,354</u>
<u>VEHICLE EXPENSES</u>		
Shuttle service agreement	\$ -	\$ 48,354
Maintenance	27,371	22,633
Fuel	21,857	15,189
	<u>\$ 49,228</u>	<u>\$ 86,176</u>
<u>OFFICE EXPENSES</u>		
Telephone	\$ 4,351	\$ 5,174
Directory	3,097	3,742
Office equipment leases	2,451	2,419
Postage	10,800	8,049
Printing/copying	5,564	11,524
Office equipment maintenance	9,956	7,064
Web site	3,746	3,112
Internet/cable	1,959	2,240
Dues & subscriptions	3,352	1,785
	<u>\$ 45,276</u>	<u>\$ 45,109</u>
<u>SUPPLIES</u>		
Maintenance supplies	\$ 30,054	\$ 21,391
Office supplies	7,486	4,430
Janitorial supplies	3,689	2,754
Kitchen paper supplies	588	952
	<u>\$ 41,817</u>	<u>\$ 29,527</u>
<u>OTHER EXPENSES</u>		
Bad debt expense	\$ 9,000	\$ 13,105
Volunteer fire department donation	10,000	10,000
Employee expenses	10,784	20,855
Service charges	820	821
Licenses & permits	282	287
	<u>\$ 30,886</u>	<u>\$ 45,068</u>
<u>HOMEOWNER ACTIVITIES AND EVENTS</u>		
Social committee	\$ 3,645	\$ 5,012
Recreation committee	6,876	8,609
Other activities	5,040	5,613
Summer camp	-	2,026
Mountain metric bike event	160	18,834
	<u>\$ 15,721</u>	<u>\$ 40,094</u>

* Replacement Fund expense

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

HIDDEN VALLEY FOUNDATION, INC.
SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
UNAUDITED - SEE INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2021

The following study is based on the June 24, 2017 study referred to in Note I of the financial statements and presents significant information about the components of common property.

	Estimated Useful Lives at the Time of the Study (Years)	Estimated Remaining Useful Lives at the Time of Study (Years)	Estimated Future Replacement Costs at the Time of the Study
Asphalt Pavements & Guardrails	2 to 25	0 to 15	\$ 2,495,412
Site Lighting (Phase 1)	25	0	139,776
Site Lighting (Phase 2)	25	1	141,960
Site Lighting (Phase 3)	25	2 to 25	135,408
Asphalt Paths and Walks	15	0 to 15	265,200
Storm Water Management (SWM) Ponds	5 to 20	0 to 5	567,400
Site Drainage	5 to 10	0	95,660
Ancillary Structures	30 to 40	0 to 14	102,805
Building Exteriors and Interiors (South Ridge Center)	5 to 40	3 to 25	124,188
Building Exteriors and Interiors (Highland Center)	5 to 40	3 to 23	97,289
Misc. Building Systems	5 to 15	0 to 7	9,085
South Ridge Center Pool	4 to 60	0 to 23	479,306
Highland Center Pool	4 to 60	0 to 23	274,687
Recreation Courts (Highland Center)	5 to 20	0 to 19	105,481
Recreation (Play Equipment)	15	12 to 15	28,664
Wood Steps and Pedestrian Bridges	15 to 30	2 to 15	75,508
Retaining Walls, Monuments & Signs	5 to 80	0 to 60	94,897
Vehicles and Equipment	7 to 15	0 to 6	342,750
			<u>\$ 5,575,476</u>

Total funds on deposit at the time of the study were \$1,980,282.