



TRAVERSE MOUNTAIN MASTER ASSOCIATION

AUDITED STATEMENTS

December 31, 2022

together with

Report of Independent Auditors

Traverse Mountain Master Owners Association, Inc.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Members of Traverse Mountain Master Owners Association, Inc.,

Opinion

We have audited the accompanying financial statements of Traverse Mountain Master Owners Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Traverse Mountain Master Owners Association, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Traverse Mountain Master Owners Association, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Traverse Mountain Master Owners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

[Firm's Signature]

[Location of Firm (City and State Where Auditor's Report is Issued)]

[Report Date]

Snow Accounting and Consulting, PLLC
Lehi, Utah
June 17, 2026

DRAFT

FINANCIAL STATEMENTS

Traverse Mountain Master Owners Association, Inc.

Balance Sheet

For the Year Ended December 31, 2022

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ASSETS

	Operating Fund	Community Activities Fund	Capital Projects Fund	Reserve Fund	Pool & Clubhouse Fund	Total
Cash	\$ 706,060	\$ 80,821	\$ 897,585	\$ 372,847	\$ 5,406	\$ 2,062,719
Restricted cash	53,170	-	-	-	-	53,170
Receivable from members, net	36,522	-	-	-	-	36,522
Interfund receivable	-	-	-	-	-	-
Common property, net	32,685	-	-	-	-	32,685
Total Assets	\$ 828,437	\$ 80,821	\$ 897,585	\$ 372,847	\$ 5,406	\$ 2,185,096

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable	\$ 75,901	\$ -	\$ -	\$ -	\$ -	\$ 75,901
Interfund payable	-	-	-	-	-	-
Deposits payable	53,150	-	-	-	34,471	87,621
Deferred revenue	96,932	-	-	-	-	96,932
Debt (See Note E)	-	-	1,991,463	-	-	1,991,463
Total Liabilities	225,983	-	1,991,463	-	34,471	2,251,917
Fund Balances	602,454	80,821	(1,093,878)	372,847	(29,065)	(66,821)
Total Liabilities and Fund Balances	\$ 828,437	\$ 80,821	\$ 897,585	\$ 372,847	\$ 5,406	\$ 2,185,096

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

Traverse Mountain Master Owners Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances

For the Year Ended December 31, 2022

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	Operating Fund	Community Activities Fund	Capital Projects Fund	Reserve Fund	Pool & Clubhouse Fund	Total
Revenues						
Member assessments, net	\$ 2,610,999	\$ -	\$ -	\$ -	\$ -	\$ 2,610,999
Clubhouse income	-	-	-	-	98,940	98,940
Community enhancement fees	-	42,000	84,000	42,000	-	168,000
Late fees	21,370	-	-	-	-	21,370
Miscellaneous income	3,420	-	-	-	-	3,420
Park fees	-	-	39,300	-	-	39,300
Set up fees	44,500	-	-	-	-	44,500
Violation fee income	7,399	-	-	-	-	7,399
Interest income	965	-	-	-	-	965
Total Revenues	2,688,653	42,000	123,300	42,000	98,940	2,994,893
Expenses						
Administrative	70,531	-	-	-	-	70,531
Bad debt expense (recovery)	(1,736)	-	-	-	-	(1,736)
Capital projects	-	-	29,758	-	-	29,758
Community activities	-	54,560	-	-	-	54,560
Depreciation	17,962	-	-	-	-	17,962
Insurance	29,994	-	-	-	-	29,994
Interest expense	-	-	156,416	-	-	156,416
Miscellaneous	9,013	-	-	-	-	9,013
Payroll	729,406	-	-	-	-	729,406
Professional fees	91,928	-	-	-	-	91,928
Repairs and maintenance	329,710	-	-	-	-	329,710
Reserve expenses	-	-	-	583,576	-	583,576
Utilities	92,539	-	-	-	-	92,539
Pool/Clubhouse expenses	-	-	-	-	537,082	537,082
Total Expenses	1,369,347	54,560	186,174	583,576	537,082	2,730,739
Excess (deficiency) of revenues over expenses	1,319,306	(12,560)	(62,874)	(541,576)	(438,142)	264,154
Interfund Transfers	(1,129,926)	90	432,463	263,363	434,010	-
Beginning Fund Balances	413,074	93,291	(1,463,467)	651,060	(24,933)	(330,975)
Ending Fund Balances	\$ 602,454	\$ 80,821	\$ (1,093,878)	\$ 372,847	\$ (29,065)	\$ (66,821)

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

Traverse Mountain Master Owners Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2022

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	<u>Operating Fund</u>	<u>Community Activities Fund</u>	<u>Capital Projects Fund</u>	<u>Reserve Fund</u>	<u>Pool & Clubhouse Fund</u>	<u>Total</u>
Operating Activities						
Excess (deficiency) of revenues over expenses	\$ 1,319,306	\$ (12,560)	\$ (62,874)	\$ (541,576)	\$ (438,142)	\$ 264,154
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:						
Depreciation	17,962	-	-	-	-	17,962
Decrease (increase) in assets:						
Assessments receivable	(4,382)	-	-	-	-	(4,382)
(Decrease) increase in liabilities:						
Accounts payable	50,925	-	-	-	-	50,925
Deposits payable	14,475	-	-	-	4,559	19,034
Deferred revenue	(10,470)	-	-	-	-	(10,470)
Net cash provided by (used for) operating activities:	<u>1,387,816</u>	<u>(12,560)</u>	<u>(62,874)</u>	<u>(541,576)</u>	<u>(433,583)</u>	<u>337,223</u>
Investing Activities						
Payments to purchase common property	<u>(14,061)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used for investing activities	<u>(14,061)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Traverse Mountain Master Owners Association, Inc.

Statement of Cash Flows (Continued)

For the Year Ended December 31, 2022

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	Operating Fund	Community Activities Fund	Capital Projects Fund	Reserve Fund	Pool & Clubhouse Fund	Total
Financing Activities						
Principle payments on notes payable	\$ -	\$ -	\$ (285,253)	\$ -	\$ -	\$ (285,253)
Interfund transfers	(1,129,926)	90	432,463	263,363	434,010	-
Net cash (used for) provided by financing activities	(1,129,926)	90	147,210	263,363	434,010	(285,253)
Net increase (decrease) in cash	243,829	(12,470)	84,336	(278,213)	427	37,909
Cash at beginning of year	515,401	93,291	813,249	651,060	4,979	2,077,980
Cash at end of year	<u>\$ 759,230</u>	<u>\$ 80,821</u>	<u>\$ 897,585</u>	<u>\$ 372,847</u>	<u>\$ 5,406</u>	<u>\$ 2,115,889</u>
Cash	706,060	80,821	897,585	372,847	5,406	2,062,719
Restricted cash	53,170	-	-	-	-	53,170
	<u>\$ 759,230</u>	<u>\$ 80,821</u>	<u>\$ 897,585</u>	<u>\$ 372,847</u>	<u>\$ 5,406</u>	<u>\$ 2,115,889</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Income taxes	\$ -
Interest	\$ 156,416

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

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows:

1. Business Activity

Traverse Mountain Master Owners Association, Inc. (the Association) was organized in 2002 as a not-for-profit corporation to function as the master property owners association for a 2,771 acre planned community located in Lehi, Utah. At full development, it is anticipated that the Association will collectively govern several neighborhoods, subdivisions, condominium developments, townhouse developments, planned unit developments, and certain recreational areas. As of December 31, 2022, the Association consisted of 2,559 units.

2. Fund Accounting

The Association's governing documents provide certain guidelines for conducting its financial activities. 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:

- a) *Operating Fund* – used to account for financial resources available for the general operations of the Association.
- b) *Community Activities Fund* – used to accumulate financial resources designated for community activities and events.
- c) *Capital Projects Fund* – used to accumulate financial resources designated for additions to and improvements of common property.
- d) *Reserve Fund* – used to accumulate financial resources designated for future major repairs and replacements of common property.
- e) *Pool/Clubhouse Fund* – used to accumulate financial resources designated for the operations of the pool and the clubhouse.

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. Basic Member Assessments

Each year a basic member assessment is determined based on advance estimates of the Association's expenses for maintenance and operation of common areas. Such estimated expenses may include expenses of management, property taxes, insurance premiums, repairs and maintenance, wages, utilities, legal and accounting fees, deficits remaining from previous periods (if any), creation of an adequate contingency reserve, creation of an adequate reserve fund, and any other expenses and liabilities allowed by the governing documents.

5. Special Member Assessments

In addition to the basic member assessment, the Association may levy special assessments at any time upon the affirmative vote of a majority of the neighborhood representatives. These assessments may be used for construction, reconstruction, repair or replacement and capital improvements, or other extraordinary expenses incurred by the Association. For the year ended December 31, 2021, there were no special assessments that were assessed the Association's members.

6. Community Enhancement Fees

The Association charges a community enhancement fee for all unit ownership transfers. These assessments may be used for construction, reconstruction, repair or replacement and capital improvements, or other extraordinary expenses incurred by the Association.

7. Fair Value of Financial Instruments

The Association's financial instruments consist of cash, receivables, prepaids and other receivables, payables and accruals. The carrying amount of cash, receivables, prepaids and other receivables, payables and accruals approximates fair value because of the short-term nature of these items. The carrying amount of notes payable approximates fair value as the payables bear interest at market rates.

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Common Property

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. Those properties are owned by the individual members in common and not by the Association. The Association's policy for recognizing common property as assets in its balance sheet is to recognize the cost of common personal property, which it owns in excess of \$1,000.

Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Capitalized common property purchased with Reserve Fund monies is shown as a transfer from the Reserve Fund to the Operating Fund in the statement of revenues, expenses and changes in fund balances. This property is recorded as an asset on the Operating Fund balance sheet and is depreciated over its estimated useful life on a straight-line basis. The Association is responsible for the preservation and maintenance of common property.

9. Cash and Cash Equivalents

The Association considers all short-term instruments with an original maturity of three months or less when purchased to be cash equivalents.

10. Receivable from Members and Allowance for Bad Debt

As of December 31, 2022, the Association had recorded \$49,757 in assessments receivable for which an allowance for uncollectible accounts of \$13,235 has been recorded. Assessments receivable represent delinquent assessments from homeowners. The Association's policy is to levy against any assessment account which is not paid in full as of thirty days from its due date and a late fee in the amount of \$10 is assessed. Each additional 30 thirty days delinquency is assessed a late fee in the amount of \$40. The Association also retains legal counsel and places liens on the properties of members whose assessments are one hundred-ten days or more delinquent. The Association charges off uncollectible accounts when management estimates no possibility of collecting the related receivable.

11. Income Taxes

As of December 31, 2022, the Association has elected to file its income tax return as a homeowners' association in accordance with code section 528 of the internal revenue code. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenues from uniform assessments from members.

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Income Taxes (Continued)

The Association utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are provided based on the difference between the financial statements and tax bases of assets and liabilities as measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Deferred tax expense or benefit is the result of changes in deferred tax assets and liabilities. Because there is no material difference between the financial accounting and tax bases of the Association's assets and liabilities, the Association has not recorded any deferred tax assets or liabilities.

12. Deferred Revenue

Assessments are billed to the members in advance of the period in which the expenses are to be incurred. Those assessments received in advance of the period of expense are shown in the accompanying financial statements as deferred revenue. Assessments are recognized as revenue as they are earned throughout the year. As of December 31, 2022, deferred revenue totaled \$96,932.

13. Financial Statement Presentation

The accounting and reporting policies of the partnership conform with accounting principles generally accepted in the United States of America and with general practices in the Common Interest Realty industry.

14. Concentration of Credit Risk

The Association maintains cash balances at one financial institution. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each bank for up to \$250,000. As of December 31, 2022, the Association had deposits of \$1,616,561 in excess of FDIC insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

15. Interfund Transactions

As of the date of this report, transfers of funds from the operating fund to the community activities, capital projects, reserve, and pool & clubhouse funds totaled \$1,129,926.

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE B – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. The purpose of annual assessments is to provide the working capital necessary to meet the Association's annual operating expenses and to maintain a reserve for repair or replacement of the general common elements of the Association. Accumulated funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Association's board authorized HOA Consultants to complete a reserve study in March of 2011 for the period of January 1, 2010 through December 31, 2010, to estimate the remaining useful lives and the replacement costs of the components of common property. The Association's board has not updated the reserve study for the period of January 1, 2022 through December 31, 2022. Accordingly, required supplementary information regarding future major repairs and replacements is not presented. However, the Association budgeted for \$44,000 in reserve fund contributions from community enhancement fees in 2022. Actual expenditures and interest income may vary from the current estimates and the variations may be material. Therefore, amounts accumulated in the reserve 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 or delay major repairs and replacements until funds are available. As of the date of this report, management was in the process of obtaining an updated reserve study.

NOTE C – RESTRICTED CASH

The Association collects damage deposits when any new homeowner is required to repair, construct or update any part of the homeowner's property. The deposit amount varies based on the work to be performed. The Association collects the deposit and approves the work to be performed. Upon completion of the work, the Association inspects the surrounding common property for any damage. Upon approval from management, the Association refunds the deposit to the homeowner. These deposits are maintained in a separate bank account and are shown as restricted cash and deposits payable on the balance sheet.

NOTE D – COMMON PROPERTY

Common property at December 31, 2022, consists of equipment and furnishings owned by the Association for the use and benefit of the Association's members. Equipment and furnishings are depreciated on a straight-line basis over periods of three to twenty years.

Equipment and furnishings	\$ 260,006
Accumulated depreciation	<u>(227,321)</u>
	<u>\$ 32,685</u>

Depreciation expense for the year ended December 31, 2022, was \$17,962.

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE E – DEBT

In March of 2015, the Association obtained a \$4,400,000 promissory note with a financial institution for the construction of a new clubhouse and recreation facility on the common property of the Association. The promissory note bears interest at prime plus 3.00% (7.9% as of December 31, 2022). The monthly payment amount is \$37,954 and will continue until May of 2028, unless the lender demands satisfaction of full payment. During the year ended December 31, 2022, principal payments of \$285,253 were made on the note. The balance of the promissory note as of December 31, 2022 was \$1,991,463.

Aggregate maturities of debt are summarized as follows:

	<u>Principal</u>
2023	\$ 310,061
2024	335,306
2025	362,606
2026	392,129
2027	424,056
Thereafter	<u>167,305</u>
Total	<u>\$ 1,991,463</u>

As stated in note A, common property including real property such as the clubhouse and recreational facility building are not capitalized and recorded in the Association's financial statements. The deficit equity balance shown on the balance sheet on Page 4 in the Capital Projects Fund is a result of this property being expensed and the outstanding debt being recorded as a liability. The deficit equity balance is expected to decrease as the debt payments are financed by using member assessments determined by the Board of Directors.

NOTE F – ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Association adopted ASC 740-10-25, Income Taxes - Overall-Recognition, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. The Association must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Association did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-25. The Association is no longer subject to U.S. federal, state, and local, or non-U.S. income tax examinations by tax authorities for years before 2015.

Traverse Mountain Master Owners Association, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2022

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NOTE G – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Company has evaluated subsequent events through **July 22, 2026**, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of **July 22, 2026**, have been incorporated into these financial statements.

DRAFT