



**Big Sky Owners Association, Inc. and Subsidiary**

**Consolidated Financial Statements  
with  
Independent Auditors' Report**

**September 30, 2024 and 2023**

**Big Sky Owners Association, Inc. and Subsidiary**  
**Table of Contents**  
**September 30, 2024 and 2023**

---

**Independent Auditors’ Report**..... 1-3

**Consolidated Financial Statements**

Consolidated Balance Sheets..... 4-5

Consolidated Statements of Revenues and Expenses.....6

Consolidated Statements of Changes in Members’ Equity/Net Assets.....7

Consolidated Statements of Cash Flows .....8

**Notes to the Consolidated Financial Statements** ..... 9-19

**Supplementary Information**

BSOA Schedule of Revenues and Expenses –  
Actual to Budget – September 30, 2024..... 20-21

BSOA Schedule of Revenues and Expenses –  
Actual to Budget – September 30, 2023..... 22-23

**Required Supplementary Information**

Schedule of Future Major Repairs, Replacements, and Projects (Unaudited) .....24



**RUDD & COMPANY**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Big Sky Owners Association, Inc. and Subsidiary  
Big Sky, MT 59716

**Opinion**

We have audited the accompanying consolidated financial statements of Big Sky Owners Association and Benefit Big Sky (“Subsidiary”) (collectively “the Association”), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of revenues and expenses, changes in members’ equity/net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2024 and 2023, and the results of its operations and its cash flows for the years 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 Consolidated Financial Statements section of our report. We are required to be independent of the Association 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Association's internal control. Accordingly, no such opinion is expressed.
- 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period 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 audits.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The BSOA Schedule of Revenues and Expenses – Actual and Budget, on pages 20 to 23, for the years ended September 30, 2024 and 2023, are presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in

the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

**Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs, Replacements, and Projects on page 24 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Rudd & Company, PLLC

Bozeman, Montana  
May 19, 2025

**Big Sky Owners Association, Inc. and Subsidiary**  
**Consolidated Balance Sheets**  
**September 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 859,736	\$ 374,483
Cash and cash equivalents - designated	322,740	487,875
Short-term investments in U.S. Treasury Bills	99,609	409,577
Short-term investments in U.S. Treasury Bills - designated	446,545	764,068
Members' assessments receivable, net of allowance for doubtful accounts of \$ 6,886 and \$115,212, respectively	3,320	2,586
Performance deposits receivable	95,000	50,000
Benefit Big Sky pledges receivable	24,200	1,250
Prepaid expenses and other current assets	2,403	8,992
Total Current Assets	<u>1,853,553</u>	<u>2,098,831</u>
Property and Equipment		
Pond improvements	1,301,757	578,626
Office equipment	56,194	56,194
Buildings and improvements	534,348	534,348
	<u>1,892,299</u>	<u>1,169,168</u>
Accumulated depreciation	<u>(253,337)</u>	<u>(237,348)</u>
Total Property and Equipment, Net	<u>1,638,962</u>	<u>931,820</u>
Total Assets	<u>\$ 3,492,515</u>	<u>\$ 3,030,651</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Consolidated Balance Sheets (continued)**  
**September 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Liabilities and Members' Equity/Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 228,802	\$ 74,523
Architectural committee performance deposits	610,000	729,419
Deferred revenue	40,926	50,000
Deferred deposits	95,000	50,000
Accrued vacation	35,711	28,791
Total Current Liabilities	<u>1,010,439</u>	<u>932,733</u>
Other Liabilities		
Security deposit	<u>1,000</u>	<u>1,000</u>
Total Liabilities	<u>\$ 1,011,439</u>	<u>\$ 933,733</u>
Members' Equity/Net Assets		
Big Sky Owners Association undesignated	\$ 1,610,433	\$ 840,703
Big Sky Owners Association designated for future repairs, replacements, and projects	773,528	1,251,944
Benefit Big Sky net assets with donor restrictions	87,784	-
Benefit Big Sky net assets without donor restrictions	9,331	4,271
	<u>2,481,076</u>	<u>2,096,918</u>
Total Liabilities and Members' Equity/Net Assets	<u>\$ 3,492,515</u>	<u>\$ 3,030,651</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Consolidated Statements of Revenues and Expenses**  
**For the Years Ended September 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Revenue</b>		
Assessment income	\$ 1,117,036	\$ 1,016,310
Grant income	284,800	262,000
Miscellaneous	31,948	176,663
Compliance penalties	3,452	159,563
Winter road maintenance - Madison County	86,401	84,691
Interest	68,106	63,688
Architectural fees	38,650	42,500
Rent	13,750	12,015
Benefit Big Sky donations without restrictions	7,312	4,455
Title company fees	4,205	3,750
	<u>1,655,660</u>	<u>1,825,635</u>
Release of Program Restrictions	<u>138,395</u>	<u>-</u>
<b>Total Revenue</b>	<u><u>1,794,055</u></u>	<u><u>1,825,635</u></u>
<b>Expenses</b>		
Administrative	760,396	689,561
Activity	84,917	20,216
Depreciation	8,821	8,117
Road	489,061	479,315
Unit 17	13,839	14,832
Benefit Big Sky (Note 6)	140,647	234
Other expenses	-	15,001
	<u>1,497,681</u>	<u>1,227,276</u>
<b>Total Expenses</b>	<u><u>1,497,681</u></u>	<u><u>1,227,276</u></u>
<b>Excess of Revenues over Expenses</b>	<u><u>296,374</u></u>	<u><u>598,359</u></u>
<b>Donor Restricted Support</b>		
Benefit Big Sky donations with donor restrictions	226,076	-
Interest income	103	-
Release of program restrictions	<u>(138,395)</u>	<u>-</u>
<b>Change in Net Assets with Donor Restrictions</b>	<u><u>87,784</u></u>	<u><u>-</u></u>
<b>Total Change in Members' Equity/Net Assets</b>	<u><u>\$ 384,158</u></u>	<u><u>\$ 598,359</u></u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Consolidated Statements of Changes in Members' Equity/Net Assets**  
**For the Years Ended September 30, 2024 and 2023**

	Undesignated	Designated for Future Repairs and Replacements	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Members' Equity/Net Assets October 1, 2022	\$ 613,142	\$ 885,417	\$ -	\$ -	\$ 1,498,559
Excess of revenues over expenses Transfers	594,088 (366,527)	- 366,527	4,271 -	- -	598,359 -
Members' Equity/Net Assets September 30, 2023	840,703	1,251,944	4,271	-	2,096,918
Excess of revenues over expenses without donor restrictions Excess of revenues over expenses with donor restrictions Transfers	291,314 - 478,416	- - (478,416)	5,060 - -	- 87,784 -	296,374 87,784 -
Members' Equity/Net Assets September 30, 2024	\$ 1,610,433	\$ 773,528	\$ 9,331	\$ 87,784	\$ 2,481,076

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended September 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Assessments	\$ 1,116,302	\$ 1,021,459
Grant income	284,800	262,000
Madison County winter road maintenance	86,401	84,691
Penalties and fees	46,307	205,813
Rent	14,750	13,015
Other sources	31,948	176,663
Interest	68,209	63,688
Benefit Big Sky donations	210,438	4,455
Members for performance deposits	175,500	183,000
Cash paid to/for:		
Members for performance deposits	(340,419)	(354,250)
Employees and suppliers	(1,278,479)	(1,131,598)
	<u>415,757</u>	<u>528,936</u>
<b>Cash Flows from Investing Activities</b>		
Short-term investments in U.S. Treasury Bills	627,491	(1,173,645)
Purchase of property and equipment	(723,130)	(285,860)
	<u>(95,639)</u>	<u>(1,459,505)</u>
Net change in cash	320,118	(930,569)
Cash and cash equivalents at beginning of year	<u>862,358</u>	<u>1,792,927</u>
Cash and cash equivalents at end of year	<u>1,182,476</u>	<u>862,358</u>
Cash and cash equivalents as presented on the balance sheets:		
Cash and cash equivalents	859,736	374,483
Designated cash and cash equivalents	322,740	487,875
	<u>\$ 1,182,476</u>	<u>\$ 862,358</u>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies**

**Nature of Organization**

Big Sky Owners Association, Inc. (“BSOA”) is a homeowners association incorporated on October 20, 1972, as a Montana nonprofit 501(c)(4) corporation. BSOA is a master association type of common interest realty, organized for administering the common property and providing shared services and assessing members of the participating developments for their portion of the related expenses. BSOA is governed by a Board of Directors (“BSOA Board”). The BSOA Board approves and implements an annual financial budget from which BSOA operates. As of September 30, 2024 and 2023, there were approximately 2,436 and 2,438 billable members units, respectively.

Benefit Big Sky (“BBS”), a Montana nonprofit corporation, was formed on March 2, 2022. BBS was formed to support initiatives in the Big Sky community that benefit recreation, education, arts, environment, safety, public works, and infrastructure within a reasonable cost, and for any other lawful purpose under Montana State Law. BBS is governed by a Board of Directors (“BBS Board”), appointed by the BSOA Board giving BSOA effective control.

The significant accounting policies followed by BSOA and BBS, collectively referred to as “the Association”, are described below.

**Basis of Accounting**

The accompanying statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (“GAAP”) in the United States of America, as codified by the Financial Accounting Standards Board.

**Consolidated Financial Statements**

The consolidated financial statements for the fiscal years ended September 30, 2024 and 2023, include the accounts of Big Sky Owners Association, Inc. and Benefit Big Sky. All intercompany transactions and accounts have been eliminated in the consolidation.

**Members’ Equity**

BSOA’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 Association maintains its records using designated equity accounts. Financial resources are classified for accounting and reporting purposes in the following equity accounts established according to their nature and purpose:

**Undesignated** – This equity classification is used to account for financial resources available for the general operations of the Association.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies (continued)**

**Members' Equity (continued)**

**Designated for Future Repairs and Replacements** – This equity classification is used to accumulate financial resources designated by the Board for future major repairs and replacements.

**Classification of Net Assets**

BBS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of BBS and changes therein are classified as follows

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed stipulations. The BBS Board may designate net assets without donor restrictions for specific purposes or programs.

**Net assets with donor restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of BBS and/or the passage of time.

**Cash and Cash Equivalents**

Cash and cash equivalents, including interest-bearing deposits, reported on the consolidated balance sheets and the consolidated statements of cash flows, include cash amounts held by financial institutions in checking, savings, certificate of deposits with original maturities of three months or less, and highly liquid money market mutual funds. These balances are secured by Federal Deposit Insurance Corporation (“FDIC”) coverage up to \$250,000.

For the years ended September 30, 2024 and 2023, there were no balances that were not fully insured by the FDIC.

Designated cash and cash equivalents are segregated and specifically reserved for future repairs, replacements, and projects.

**Short-term Investments in U.S. Treasury Bills**

Short-term investments in U.S. Treasury Bills have maturities exceeding three months and less than one year at the time of purchase and are valued at amortized cost which approximates fair market value. The U.S. Treasury Bills are backed by the full faith and credit of the U.S. government.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies (continued)**

**Member Assessments**

Association members are subject to an annual assessment billed to provide funds for the Association's operating expenses, capital expenditures and future major repairs, replacements, and projects. 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 annual assessments are satisfied over time on a pro-rata basis using the input method. The assessments are considered operating assessments. The Board may choose to designate a portion of these assessments for future repairs and replacements.

The Association recognizes revenue from member assessments over the assessment period, which is generally one year. Funds received for future major repairs and replacements are recognized at a point in time, as repairs and replacements do not occur on a continuous basis but are performed when needed. Reserve assessments collected in excess of the cost for the contract liability are reported in the replacement fund as a performance obligation liability and will be recognized as revenue when the repairs and replacements have been performed and expenses incurred. As September 30, 2024 and 2023, the Association has reported a contract liability in the replacement fund of \$0.

The Association's dues and assessments are based on the Association's cost of service and are approved by the Association's Board of Directors. For the year ended September 30, 2023, annual assessments for the Association's billable units were assessed at \$420 per unit. Starting October 1, 2023, annual assessments increased to \$462 per unit.

Assessments receivable at the consolidated balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. Any assessment not paid within 60 days after the due date is considered delinquent and may incur a late payment penalty and interest. Failure to pay within 60 days of the due date may result in the Association recording a lien against the property being assessed or bringing an action of law or both. The allowance for uncollectible accounts is based on a review of the current status of existing receivables.

The Association provides an allowance for uncollectible accounts which is based upon a combination of historical loss experience, current economic conditions, and forward-looking information to estimate credit losses. The Association considers various factors such as creditworthiness and collateral values to estimate credit losses. The Association reviews its estimate of expected credit losses on a regular basis adjusting as necessary based on changes in economic conditions, owners creditworthiness, and other factors. Any changes in the estimate of expected credit losses are recorded as an adjustment to receivable balances and are reflected in the consolidated statement of revenues and expenses. The Association believes expected credit losses are not material to the financial statements and there was no material activity related to the allowance for credit losses for the years ended September 30, 2024 and 2023.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies (continued)**

**Member Assessments (continued)**

The Association may bring legal action against owners, as it deems necessary, including filing a lien against the owner's platted unit for amounts due. The Association generally considers assessments collectible unless the unit has been foreclosed or the unit owner has filed for bankruptcy. As of September 30, 2024 and 2023, the gross assessments receivable for overdue units was \$10,206 and \$117,798, respectively, with an allowance of uncollectible amounts estimated at \$6,886 and \$115,212, respectively.

Members' assessments receivable and the associated allowance of uncollectible amounts as of September 30, 2023 included \$100,200 related to a legal settlement that occurred in 2024. This amount is associated with a one-time litigation event and is not indicative of recurring credit risk. As a result, a Current Expected Credit Loss ("CECL") roll forward is not presented, as management believes it would not provide meaningful insight into expected credit losses under normal operations.

**Performance Deposits Receivable**

Performance deposits receivable consists of deposits due from members who have a Big Sky Architectural Committee approved project.

**Pledges Receivable**

Pledges receivable are measured at fair value on the date a written unconditional promise to give is received from the donor. The fair value is measured using an income approach which incorporates inputs including estimated timing of cash receipts and an appropriate present value discount factor if receivables are expected to be collected in future years. Conditional grants and pledges are not recognized until they become unconditional, that is, when the conditions on which they depend on are substantially met. As of September 30, 2024 and 2023, all pledges receivable are considered current as they are expected to be collected within one year. The Association uses the direct write-off method to determine uncollectible unconditional pledges receivable. This approximates management's best estimate of an allowance for pledges receivable. The use of this method does not result in a material difference from the allowance method required by accounting principles generally accepted in the United States. For the years ended September 30, 2024 and 2023, all pledges receivable were considered fully collectible.

**Grant Income**

During the year ended September 30, 2024, the Association received grants from the Big Sky Resort Area District in the amount of \$47,000, the Gallatin County Commissioners Office in the amount of \$200,000, and the Montana Department of Natural Resources in the amount of \$37,800 to support pond and river restoration.

During the year ended September 30, 2023, the Association received a grant from the Big Sky Resort District in the amount of \$262,000 to support pond and river restoration.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies (continued)**

**Donation Income**

Contributions are recorded in the year received, unless accrual criteria are met. It is the policy of BBS to only recognize unconditional promises to give for which there is written, non-cancellable, evidence from the donor of such promise.

Unconditional donor promises to give are reported at fair value at the date there is sufficient verifiable evidence documenting that a promise was made by the donor and received by BBS. Contributions of donor-restricted gifts are recognized at the time of the gift.

The gifts are reported as either net assets without donor restrictions or net assets with donor restrictions if they are received with donor stipulations that sufficiently limit the use of the donated assets. Donor-restricted contributions and unconditional promises to give that are scheduled to be received after one year are reported as increased in net assets with donor restrictions and are reclassified to net assets without donor restrictions when any restrictions are met and the cash is received. Conditional promises to give are not recognized until they become unconditional – that is, when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value at the time of contributions. Stock donations are typically liquidated upon receipt to minimize market risk.

**Property and Equipment**

The Association does not capitalize common property such as land and improvements. These types of expenditures are included in activities in the consolidated statements of revenues and expenses. Contributed personal property is recorded at estimated fair value at the date of contribution.

The Association capitalizes all purchases of property used for operations with a cost of \$5,000 or more and with an estimated economic life longer than one year.

**Depreciation**

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

Office equipment	5-7 years
Buildings and improvements	7-39 years

Depreciation expense amounted to \$15,988 and \$15,284 for the years ended September 30, 2024 and 2023, respectively.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies (continued)**

**Deferred Revenue**

Deferred revenue represents member assessments that have been collected but have not been spent on the obligation for which they were assessed. The Association holds these funds until the payments are due.

**Performance Deposit Liabilities**

Deposit liabilities represent alteration and new construction deposits. These funds are deposited by unit owners prior to the start of construction. The funds will be held until the Architectural Review Committee has determined the unit is compliant and the project has been completed; at which time the funds will be returned to the unit owners. As of September 30, 2024 and 2023 performance deposits were \$610,000 and \$729,419, respectively.

**Interest Income**

Interest income is allocated to the undesignated and designated for future repairs and replacements equity classifications in proportion to the interest-bearing deposits of each fund.

**Income Taxes**

BSOA qualifies for tax-exempt status under the Internal Revenue Code Section 501(c)(4), and has been ruled not to be a private foundation. BBS qualifies for tax-exempt status under the Internal Revenue Code Section 501(c)(3), and has been ruled not to be a private foundation.

The Association's federal income tax returns are subject to examination by the Internal Revenue Service generally for three years after they were filed.

**Compensated Leave**

The Association accrues a liability for employees' compensation for future absences in accordance with the Association's personnel policy.

**Functional Allocation of Expenses**

BBS reports its expenses based on functional classification. Directly identifiable expenses are charged to each functional area. Expenses related to more than one function are allocated among the areas based on time spend and estimates made by BBS's management. Expenses requiring allocation are allocated on a reasonable basis that is consistently applied. The primary functional areas and their related purposes are summarized as follows:

***Program*** – Includes the cost of projects that carry out BBS' mission to support initiatives in the Big Sky Community that benefit recreation, education, arts, environment, safety, public works, and infrastructure within a reasonable cost.

***General and Administrative*** – Consists of funds used for administering BBS and supporting the overall direction and strategy of the organization to meet its mission.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**1. Summary of Significant Accounting Policies (continued)**

**Functional Allocation of Expenses (continued)**

*Fundraising* – Consists of funds used for conducting BBS’ relationship building and fundraising events and activities throughout the area to support Programs.

**Advertising Costs**

The Association expenses advertising costs as they are incurred. There were no advertising costs for the years ended September 30, 2024 and 2023.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates and such differences may be material.

**Adoption of New Accounting Standard**

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were members’ assessments receivable.

The Association adopted the standard effective October 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

**Reclassification**

Certain prior year amounts have been reclassified to conform with the current year presentation.

**Subsequent Events**

Management has evaluated subsequent events through May 19, 2025, the date which the consolidated financial statements were available for issue.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**2. Buildings and Improvements**

Buildings and improvements comprise the following as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Condominium Unit J	\$ 162,131	\$ 162,131
Building improvements	88,931	88,931
Condominium Unit 17	279,526	279,526
Unit C/C Storage	3,760	3,760
	<u>\$ 534,348</u>	<u>\$ 534,348</u>

The Association holds various parcels of real property which have not been capitalized. These properties are for common use of its members and have various restrictions in place upon them designating their use and ability to dispose of such properties.

**3. Retirement Plan**

The Association adopted a SEP-IRA retirement plan. All employees who are at least 21 years old are eligible to participate in the Plan. The Association has elected to contribute an amount equal to 7.5% of all eligible employees' wages subject to Federal statutory rates. Contributions under this plan amounted to \$27,155 and \$24,691 for the years ended September 30, 2024 and 2023, respectively, and are classified as administrative expenses on the consolidated statements of revenues and expenses.

**4. Contingencies and Commitments**

**Snow Removal**

The Association has contracts for snow removal on approximately 25 miles of roads for the 2022/2023 – 2025/2026 snow seasons. The Association also has contracts in place for reimbursements of a portion of these costs. The following is a summary of the minimum contract prices and expected reimbursements per year:

<u>Fiscal Year</u>	<u>Total Payments</u>	<u>Total Reimbursements</u>
2024-2025	\$ 494,863	\$ 90,427
2025-2026	\$ 505,130	\$ 92,277

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**4. Contingencies and Commitments (continued)**

**Litigation**

During the year ended September 30, 2023 the Association received two settlements. \$150,000 was classified as Compliance Penalties on the consolidated statement of revenue and expenses and \$175,000 was classified as Miscellaneous on the consolidated statement of revenue and expenses for the year ended September 30, 2023. Management was not aware of any new litigation during the year ended September 30, 2024.

**5. Future Major Repairs and Replacements**

The Board designated funds for future major repairs, replacements and projects were \$773,528 and \$1,251,944 as of September 30, 2024 and 2023, respectively. During the years ended September 30, 2024 and 2023, the amount paid out of the designated reserves was \$723,131 and \$275,617, respectively. The Association has accumulated interest earned on such funds in the reserve account, but this may be used for current operations. The Association estimates remaining useful lives and replacement costs of the common property components. The Association is funding for such major repairs, replacements, and projects over the estimated useful lives of the components based on the Board of Directors' best estimate of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, or it may delay major repairs, replacements, and projects until funds are available.

As of the date these consolidated financial statements were available for issue, no formal reserve study has been performed.

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**6. Statement of Functional Expenses**

The BBS statement of functional expenses for the year ended September 30, 2024, is as follows:

	Program Activities	Fundraising	General and Administrative	Total
Banking fees	\$ 348	\$ -	\$ 38	\$ 386
Marketing	349	433	701	1,483
Website design	-	-	1,079	1,079
Projects	130,099	-	-	130,099
Sustainability	7,600	-	-	7,600
<b>Total</b>	<b>\$ 138,396</b>	<b>\$ 433</b>	<b>\$ 1,818</b>	<b>\$ 140,647</b>

For the year ended September 30, 2023, BBS had \$234 of expenses in banking fees that were categorized as general and administrative.

**7. Liquidity and Availability**

Financial assets available for general expenses (without donor or other restrictions limiting their use), within one year of the consolidated balance sheet date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 859,736	\$ 374,483
Cash and cash equivalents - designated	322,740	487,875
Short-term investments in U.S. Treasury Bills	99,609	409,577
Short-term investments in U.S. Treasury Bills - designated	446,545	764,068
Members' assessments receivable, net of allowance for doubtful accounts of \$ 6,886 and \$115,212, respectively	(115,880)	(48,664)
Benefit Big Sky pledges receivable	24,200	1,250
Less: With donor restrictions	(87,784)	-
<b>Total Financial Assets Available</b>	<b>\$ 1,549,166</b>	<b>\$ 1,988,589</b>

**Big Sky Owners Association, Inc. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended September 30, 2024 and 2023**

---

**7. Liquidity and Availability (continued)**

The Association has various sources of liquidity at its disposal, including cash and short-term investments. The Association strives to maintain sufficient operating reserves. This allows the Association to appropriately respond to emergencies or unforeseen situations. Furthermore, reserve funds allow the Association to maintain the needed cash flow throughout the fiscal year. The Association invests cash at the direction of the Board in order to optimize investment returns within acceptable parameters.

**8. Benefit Big Sky Donor Restricted Net Assets**

BBS' net assets with donor restrictions are restricted for the following programs:

Program restrictions:	<u>2024</u>	<u>2023</u>
Pond	\$ 23,007	\$ -
Registry	64,027	-
Traffic Calming	<u>750</u>	<u>-</u>
Total	<u>\$ 87,784</u>	<u>\$ -</u>

Supplementary Information

**Big Sky Owners Association, Inc. and Subsidiary**  
**BSOA Schedule of Revenue and Expenses – Actual to Budget**  
**For the Year Ended September 30, 2024**

	Actual	Budget* (unaudited)	Variance
<b>REVENUES AND SUPPORT</b>			
Assessments	\$ 1,117,036	\$ 1,117,319	\$ (283)
Winter road maintenance - Madison County	86,401	86,401	-
Architectural fees	38,650	40,000	(1,350)
Compliance penalties	3,452	12,700	(9,248)
Title company fees	4,205	6,000	(1,795)
Rent	13,750	13,200	550
Interest	68,209	55,200	13,009
Miscellaneous	316,748	405	316,343
Total revenues and support	<u>1,648,451</u>	<u>1,331,225</u>	<u>317,226</u>
<b>ADMINISTRATIVE EXPENSES</b>			
Administrative salaries	484,656	543,592	(58,936)
Association Dues	11,546	10,400	1,146
Bank and credit card fees	2,603	2,600	3
Employee benefits	124,403	102,350	22,053
Finance-annual audit and tax prep	18,500	10,000	8,500
Insurance	26,552	18,900	7,652
Meeting expense	2,788	2,000	788
BSAC miscellaneous	2,198	2,500	(302)
Utilities	8,864	10,000	(1,136)
Annual meeting	10,593	13,000	(2,407)
Communications and elections expense	17,232	12,000	5,232
Legal and compliance costs	10,827	20,000	(9,173)
Office expenses (including equipment)	17,157	18,500	(1,343)
Property taxes	4,686	3,500	1,186
Repairs and maintenance	-	1,000	(1,000)
Software maintenance	12,887	15,500	(2,613)
Telephone and internet	3,495	3,200	295
Training - travel	1,409	3,000	(1,591)
Total administrative expenses	<u>\$ 760,396</u>	<u>\$ 792,042</u>	<u>\$ (31,646)</u>

See Independent Auditors' Report

**Big Sky Owners Association, Inc. and Subsidiary**  
**BSOA Schedule of Revenue and Expenses – Actual to Budget (continued)**  
**For the Year Ended September 30, 2024**

	Actual	Budget* (unaudited)	Variance
<b>ACTIVITY EXPENSES</b>			
BSOA events	\$ 2,207	\$ 2,000	\$ 207
Weed control	7,980	8,000	(20)
BSOA projects - strategic plan	15,187	12,000	3,187
Pedestrian safety	59,543	-	59,543
Total activity expenses	<u>84,917</u>	<u>22,000</u>	<u>62,917</u>
<b>OTHER EXPENSES</b>			
Provision for bad debts	-	3,000	(3,000)
Contingency	-	3,364	(3,364)
Total other expenses	<u>-</u>	<u>6,364</u>	<u>(6,364)</u>
<b>ROAD EXPENSES</b>			
Signage repair and towing	1,186	5,150	(3,964)
Winter road maintenance	484,808	482,594	2,214
General road maintenance	3,067	-	3,067
Total road expenses	<u>489,061</u>	<u>487,744</u>	<u>1,317</u>
<b>CAPITAL EXPENSES</b>			
Depreciation	8,821	8,825	(4)
Total capital expenses	<u>8,821</u>	<u>8,825</u>	<u>(4)</u>
<b>UNIT 17 EXPENSES</b>			
Unit 17 - Utilities	706	650	56
Unit 17 - Repairs and maintenance	218	200	18
Unit 17 - Depreciation	7,167	7,200	(33)
Unit 17 - Property tax	1,359	1,000	359
Unit 17 - Insurance	804	1,800	(996)
Unit 17 - HOA dues	3,585	3,400	185
Total unit 17 expenses	<u>13,839</u>	<u>14,250</u>	<u>(411)</u>
Total expenses	<u>1,357,034</u>	<u>1,331,225</u>	<u>25,809</u>
Excess of revenues over expenses	<u>\$ 291,417</u>	<u>\$ -</u>	<u>\$ 291,417</u>

\* Budget amounts are presented on the cash basis.

See Independent Auditors' Report

**Big Sky Owners Association, Inc. and Subsidiary**  
**BSOA Schedule of Revenue and Expenses – Actual to Budget**  
**For the Year Ended September 30, 2023**

	Actual	Budget* (unaudited)	Variance
<b>REVENUES AND SUPPORT</b>			
Assessments	\$ 1,016,310	\$ 1,015,880	\$ 430
Winter road maintenance - Madison County	84,691	83,030	1,661
Architectural fees	42,500	40,000	2,500
Compliance penalties	159,563	12,000	147,563
Title company fees	3,750	10,000	(6,250)
Rent	12,015	13,937	(1,922)
Interest	63,688	5,850	57,838
Miscellaneous	438,663	405	438,258
Total revenues and support	<u>1,821,180</u>	<u>1,181,102</u>	<u>640,078</u>
<b>ADMINISTRATIVE EXPENSES</b>			
Administrative salaries	432,223	455,944	(23,721)
Association Dues	9,952	10,650	(698)
Bank and credit card fees	2,133	2,260	(127)
Employee benefits	110,951	69,429	41,522
Finance-annual audit and tax prep	9,450	9,000	450
Insurance	20,015	17,000	3,015
Meeting expense	1,200	2,500	(1,300)
BSAC miscellaneous	2,676	3,000	(324)
Utilities	9,622	9,000	622
Annual meeting	13,969	11,000	2,969
Communications and elections expense	15,182	11,000	4,182
Legal and compliance costs	15,274	20,000	(4,726)
Office expenses (including equipment)	23,977	17,400	6,577
Property taxes	3,464	4,000	(536)
Repairs and maintenance	159	1,000	(841)
Software maintenance	14,552	15,241	(689)
Telephone and internet	3,565	2,500	1,065
Training - travel	1,197	3,000	(1,803)
Total administrative expenses	<u>\$ 689,561</u>	<u>\$ 663,924</u>	<u>\$ 25,637</u>

See Independent Auditors' Report

**Big Sky Owners Association, Inc. and Subsidiary**  
**BSOA Schedule of Revenue and Expenses – Actual to Budget (continued)**  
**For the Year Ended September 30, 2023**

	Actual	Budget* (unaudited)	Variance
<b>ACTIVITY EXPENSES</b>			
BSOA events	\$ 1,983	\$ 1,500	\$ 483
Weed control	7,980	8,000	(20)
BSOA projects - strategic plan	10,253	5,050	5,203
Total activity expenses	<u>20,216</u>	<u>14,550</u>	<u>5,666</u>
<b>OTHER EXPENSES</b>			
Provision for bad debts	15,000	3,000	12,000
Contingency	1	-	1
Total other expenses	<u>15,001</u>	<u>3,000</u>	<u>12,001</u>
<b>ROAD EXPENSES</b>			
Signage repair and towing	4,356	5,150	(794)
Winter road maintenance	474,959	473,298	1,661
Total road expenses	<u>479,315</u>	<u>478,448</u>	<u>867</u>
<b>CAPITAL EXPENSES</b>			
Depreciation	8,117	7,430	687
Total capital expenses	<u>8,117</u>	<u>7,430</u>	<u>687</u>
<b>UNIT 17 EXPENSES</b>			
Unit 17 - Utilities	629	600	29
Unit 17 - Repairs and maintenance	1,505	200	1,305
Unit 17 - Depreciation	7,167	7,200	(33)
Unit 17 - Property tax	962	1,100	(138)
Unit 17 - Insurance	1,251	1,450	(199)
Unit 17 - HOA dues	3,318	3,200	118
Total unit 17 expenses	<u>14,832</u>	<u>13,750</u>	<u>1,082</u>
Total expenses	<u>1,227,042</u>	<u>1,181,102</u>	<u>45,940</u>
Excess of revenues over expenses	<u>\$ 594,138</u>	<u>\$ -</u>	<u>\$ 594,138</u>

\* Budget amounts are presented on the cash basis.

Required Supplementary Information

**Big Sky Owners Association, Inc. and Subsidiary**  
**Schedule of Future Major Repairs, Replacements, and Projects (Unaudited)**  
**For the Year Ended September 30, 2024**

---

The Association has estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on management’s estimated costs to repair or replace the common property.

The following information presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	Components of Members' Equity as of September 30, 2024
Condominium (Unit J)	10-15	\$ 30,000	\$ 30,000
Pond Maintenance	5-10	100,000	100,000
Operating	10	300,985	300,985
Winter Road Maintenance	0-4	30,000	30,000
Roads and Projects	0-5	90,474	90,474
Legal	0-2	15,000	15,000
Capital Reserve	5-40	35,727	35,727
Computer	3	6,000	6,000
Sustainability Reserve	10	5,000	5,000
Housing Reserve	0-5	75,000	75,000
Designated Reserve	1	44,414	44,414
Development Impact	5	40,928	40,928
		<u>\$ 773,528</u>	<u>\$ 773,528</u>

As of September 30, 2024, the Association has accumulated \$773,528 in its reserve fund.