

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
ACCOUNTANTS' REVIEW REPORT
YEARS ENDED AUGUST 31, 2017 AND 2016



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 26, 2017

To the Board of Directors of
Fairway Nine I Condominium Association, Inc.

We have reviewed the accompanying financial statements of Fairway Nine I Condominium Association, Inc., which comprise the balance sheet as of August 31, 2017, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion. The prior year summarized comparative information is presented for comparative purposes only and has been extracted from the Fairway Nine I Condominium Association's financial statements presented by fund for 2016 on which we issued a review report dated November 10, 2016.

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.

Accountants' Responsibility

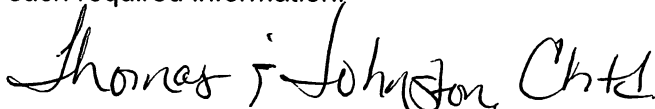
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a required 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 financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been compiled by us from information that is the representation of management. We have not audited or reviewed the required supplementary information and accordingly, we do not express an opinion or provide any assurance on such required information.


THOMAS & JOHNSTON, CHTD.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
AUGUST 31, 2017
(With Comparative Totals for 2016)

	Operating Fund	Capital Reserve Fund	8/31/2017	8/31/2016
<u>ASSETS</u>				
Cash	\$ 91,279	\$ 113,070	\$ 204,349	\$ 224,546
Dues receivable	5,755	1,937	7,692	7,116
Other receivables	2,164	289	2,453	783
Prepaid expenses	3,585	-	3,585	6,159
Due from capital reserve fund	297	-	297	89,935
Due to operating fund	-	(297)	(297)	(89,935)
Investments	109,646	101,204	210,850	208,342
Building improvements	15,000	-	15,000	15,000
Land and land improvements	35,144	-	35,144	35,144
Equipment	29,309	-	29,309	29,309
Accumulated depreciation	<u>(55,072)</u>	<u>-</u>	<u>(55,072)</u>	<u>(52,715)</u>
 Total Assets	 <u>\$ 237,107</u>	 <u>\$ 216,203</u>	 <u>\$ 453,310</u>	 <u>\$ 473,684</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 15,517	\$ -	\$ 15,517	\$ 83,695
Due to Fairway Nine Garage	442	-	442	406
Dues paid in advance	1,196	286	1,482	-
Income tax payable	<u>31</u>	<u>23</u>	<u>54</u>	<u>114</u>
 Total Liabilities	 17,186	 309	 17,495	 84,215
 Fund Balances	 <u>219,921</u>	 <u>215,894</u>	 <u>435,815</u>	 <u>389,469</u>
 Total Liabilities and Fund Balances	 <u>\$ 237,107</u>	 <u>\$ 216,203</u>	 <u>\$ 453,310</u>	 <u>\$ 473,684</u>

See accompanying notes and independent accountants' review report.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
 STATEMENTS OF REVENUES AND EXPENSES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED AUGUST 31, 2017
 (With Comparative Totals for 2016)

	Operating Fund	Capital Reserve Fund	8/31/2017	8/31/2016
<u>REVENUES</u>				
Member dues	\$ 242,349	\$ 82,439	\$ 324,788	\$ 313,250
Insurance proceeds	23,355	-	23,355	56,910
Interest and other income	1,557	1,358	2,915	3,538
Total Revenues	267,261	83,797	351,058	373,698
 <u>MANAGEMENT EXPENSE</u>				
Management fees	25,800	-	25,800	25,800
Office expense and supply	381	-	381	294
Professional fees	2,284	-	2,284	2,174
Total Management Expense	28,465	-	28,465	28,268
 <u>COMMON AREA EXPENSE</u>				
Cleaning and upkeep	2,818	-	2,818	2,214
Electricity	4,220	-	4,220	5,318
Landscaping	39,650	9,540	49,190	138,931
Paver maintenance	-	-	-	228
Repairs and maintenance	25,544	1,522	27,066	14,738
Snow removal	66,008	-	66,008	29,536
Supplies	1,963	-	1,963	1,370
Trash	14,256	-	14,256	12,503
Water and sewer	46,238	-	46,238	34,235
Winterize/dewinterize	945	-	945	476
Total Common Area Expense	201,642	11,062	212,704	239,549
 <u>RECREATION AREA EXPENSE</u>				
Alarm and phone	465	-	465	498
Cleaning and upkeep	9,967	-	9,967	11,453
Electricity	1,995	-	1,995	1,275
Maintenance and supplies	242	-	242	1,048
Natural gas	2,298	-	2,298	1,532
Pool furniture and equipment	-	-	-	3,312
Pool resurface and decking	-	-	-	14,656
Sewer and water	432	-	432	347
Winterize/dewinterize	242	-	242	107
Total Recreation Area Expense	15,641	-	15,641	34,228

See accompanying notes and independent accountants' review report.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
 STATEMENTS OF REVENUES AND EXPENSES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED AUGUST 31, 2017
 (With Comparative Totals for 2016)

	Operating Fund	Capital Reserve Fund	8/31/2017	8/31/2016
OTHER EXPENSE				
Insurance	21,195	-	21,195	21,686
Insurance claims	22,931	-	22,931	57,711
Chimney cleaning	1,204	-	1,204	460
Depreciation	2,357	-	2,357	2,354
Income tax	108	107	215	503
Total Other Expense	<u>47,795</u>	<u>107</u>	<u>47,902</u>	<u>82,714</u>
Total Expenses	<u>293,543</u>	<u>11,169</u>	<u>304,712</u>	<u>384,759</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(26,282)	72,628	46,346	(11,061)
BEGINNING FUND BALANCES	<u>246,203</u>	<u>143,266</u>	<u>389,469</u>	<u>400,530</u>
ENDING FUND BALANCES	<u>\$ 219,921</u>	<u>\$ 215,894</u>	<u>\$ 435,815</u>	<u>\$ 389,469</u>

See accompanying notes and independent accountants' review report.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2017
(With Comparative Totals for 2016)

	Operating Fund	Capital Reserve Fund	8/31/2017	8/31/2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from members for dues	\$ 243,697	\$ 81,997	\$ 325,694	\$ 309,573
Cash paid to managing agent and suppliers	(319,100)	(50,432)	(369,532)	(314,256)
Interest received	1,304	1,354	2,658	3,142
Other income received	23,608	-	23,608	56,995
Income taxes paid	(7)	(107)	(114)	(687)
Net cash provided (used) by operating activities	(50,498)	32,812	(17,686)	54,767
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Redemption of certificate of deposit	-	-	-	160,351
Purchase of certificates of deposit	(1,308)	(1,203)	(2,511)	(208,342)
Net cash used by investing activities	(1,308)	(1,203)	(2,511)	(47,991)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>				
Net borrowings between funds	89,638	(89,638)	-	-
Net cash provided (used) by financing activities	89,638	(89,638)	-	-
Net increase (decrease) in cash	37,832	(58,029)	(20,197)	6,776
Cash, beginning of year	53,447	171,099	224,546	217,770
Cash, end of year	\$ 91,279	\$ 113,070	\$ 204,349	\$ 224,546
<u>RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Excess (deficiency) of revenue over expenses	\$ (26,282)	\$ 72,628	\$ 46,346	\$ (11,061)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	2,357	-	2,357	2,354
Change in assets and liabilities:				
Dues receivable	153	(729)	(576)	(3,617)
Other receivables	(1,665)	(4)	(1,669)	1,446
Prepaid expense	2,574	-	2,574	(1,372)
Accounts payable	(28,807)	(39,369)	(68,176)	67,003
Due to Fairway Nine Garage	36	-	36	125
Dues paid in advance	1,196	286	1,482	(60)
Income tax payable	(60)	-	(60)	(51)
Net cash provided (used) by operating activities	\$ (50,498)	\$ 32,812	\$ (17,686)	\$ 54,767

See accompanying notes and independent accountants' review report.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Fairway Nine I Condominium Association, Inc. was incorporated September 1, 1991, under Internal Revenue Code Section 368(1) in a tax-free reorganization of three corporations formerly known as Fairway 9 Condominiums Phase(s) I, II, III Associations, Inc. All of the assets and liabilities of the three corporations were combined in the formation of the surviving corporation. The Association is a condominium membership corporation and was formed for the purpose of maintaining and preserving the common property. Fairway Nine I consists of 86 residential units located in Sun Valley, Idaho.

Fund Accounting

The Association'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 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 Association.

Capital Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Member Assessments

Association members are subject to quarterly assessments to provide for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The annual budget and assessments of owners are determined by the board of directors. Any excess assessments at year end are retained by the Association for use in future years.

Bad Debts

The Association's collection policy is to send out a demand letter on the 15th of the month following the current billing month. If no payment is received by the 20th of the next month, a lien will be filed along with a \$100 processing fee. The allowance for doubtful accounts is based upon management's analysis of possible bad debts. As of August 31, 2017 and 2016 no allowance was considered necessary.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

For the years ended August 31, 2017 and 2016 the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under that section the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. In both years, the Association's investment income and other nonexempt income were subject to tax. For the years ended August 31, 2017 and 2016 the Association had a tax liability of \$215 and \$503, respectively.

The Association has adopted the accounting for uncertainty in income tax guidance, which clarifies accounting and recognition for tax positions taken or expected to be taken in its income tax returns. There was no impact to the Association's financial statements as a result of this adoption of the income tax guidance. The Association's tax filings are subject to audit by the Federal and State taxing authorities. The Association's returns of 2016, 2015 and 2014 remain open to examination.

Cash

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. For the years ended August 31, 2017 and 2016 the Association had \$210,850 and \$208,342, respectively, deposited into two certificate of deposits at a local financial institution. The certificates bear interest at 1.198% and mature June 6, 2021, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

The Association maintains its cash balances at several financial institutions located in Ketchum, Idaho. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances are approximately \$15,955 and \$13,365 at August 31, 2017 and 2016, respectively.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements the Association has evaluated events and transactions for potential recognition through September 26, 2017 the date that the financial statements were available to be issued.

3. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

4. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2016, from which the summarized information was derived.

5. FIXED ASSETS

The Association acquired from the developer the recreation complex and surrounding land in September, 1992. In addition, the Association made the decision to purchase an area of open space from Sun Valley Elkhorn Association. The assets are carried at original cost. Depreciation is provided on the straight-line method over the estimated useful life of the assets (8-40 years). Routine maintenance and repairs are charged to expense as incurred. According to the Association's governing documents, two-thirds of all unit owners must approve dispositions of any common property.

Real property and common areas and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in an undivided interest and not by the Association.

6. MANAGEMENT FEES

The Association retains a management company to perform various functions on behalf of the Association including the coordination of maintenance and the payment of bills for the Association. In return, the management company was paid \$2,150 per month for their services for the years ended August 31, 2017 and 2016. As of August 31, 2017 and 2016, the association owed the management company \$2,150.

7. CONCENTRATION OF CREDIT RISK

Collection of the assessments receivable is subject to the overall economic conditions of the Wood River Valley or the area in which the owners reside.

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association members are accumulating funds for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The board of directors authorized the management company to update a study in 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from local suppliers and distributors. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$82,439 has been included in the 2017 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures 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, subject to membership approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The Association utilized \$297 from the operating fund for capital reserve fund expenditures during the year ended August 31, 2017. The board intends on repaying the operating fund and reflected the amount as an interfund receivable and payable. During the year ended August 31, 2016 the Association held onto capital reserve funds in the operating account to make sure all capital reserve projects were paid. By the end of the year all projects were completed and all invoices have been paid. Accordingly, management transferred \$58,179 to the capital reserve savings account during the year ended August 31, 2017.

9. RELATED PARTIES

Members of the Association own units in Fairway Nine Garage Association, Inc. These two associations share various expenses. As of August 31, 2017 and 2016, Fairway Nine Garage owed Fairway Nine I \$428 and \$189, respectively, for shared insurance and Fairway Nine I owed Fairway Nine Garage \$442 and \$406, respectively, for electricity.

SUPPLEMENTARY INFORMATION

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 AUGUST 31, 2017

The board of directors authorized the management company to update a study in 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated annual replacement costs. Funding requirements consider an annual inflation rate of 2% and interest of 1% net of taxes, on amounts funded for future major repairs and replacements.

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

<u>Components/Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>Annual Funding Requirement</u>	<u>Components of Fund Balance at 8/31/2017</u>
Exterior painting - 4 years	\$ 145,000	\$ 36,250	\$ -
Painting touch-up - 1 year	2,800	2,800	-
Seal coat - 2 years	12,825	6,413	-
Asphalt overlay - 2 years	115,425	-	115,425
Asphalt regrade - 2 years	66,690	-	66,690
Siding replacement - 4 years	40,000	10,000	-
Stucco repair - 1 year	2,000	2,000	-
Pool restrooms - 11 years	8,320	756	-
Pool resurfacing - 10 years	4,160	416	-
Spa heater replacement - 5 years	1,300	260	-
Pool fencing - 5 years	4,522	904	-
Hot tub replacement - 1 year	15,600	15,600	-
Poolhouse repainting - 4 years	1,300	325	-
Roof replacement - 15 years	543,210	36,214	-
Sprinkler system - 1 year	70,000	36,221	33,779
	<u>\$ 1,033,152</u>	<u>\$ 148,159</u>	<u>\$ 215,894</u>

See independent accountants' report.