

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
ACCOUNTANTS' REVIEW REPORT
YEARS ENDED AUGUST 31, 2021 AND 2020



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

November 24, 2021

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, 2021, 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 2020 on which we issued a review report dated November 12, 2020.

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, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services of the AICPA. We have not audited or reviewed the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.


THOMAS & JOHNSTON, CHTD.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
AUGUST 31, 2021
(With Comparative Totals for 2020)

	Operating Fund	Capital Reserve Fund	8/31/2021	8/31/2020
<u>ASSETS</u>				
Cash	\$ 289,808	\$ 104,937	\$ 394,745	\$ 330,233
Dues receivable	4,170	1,215	5,385	7,159
Other receivables	1,720	-	1,720	2,636
Prepaid expenses	4,309	-	4,309	4,025
Due to capital reserve fund	(114,872)	-	(114,872)	(59,675)
Due from operating fund	-	114,872	114,872	59,675
Investments - CDs	115,034	-	115,034	113,656
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	(62,711)	-	(62,711)	(61,147)
	<u>\$ 316,911</u>	<u>\$ 221,024</u>	<u>\$ 537,935</u>	<u>\$ 476,015</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 11,501	\$ -	\$ 11,501	\$ 33,208
Due to Fairway Nine Garage	429	-	429	765
Dues paid in advance	4,325	932	5,257	3,204
Income tax payable	30	-	30	30
	<u>16,285</u>	<u>932</u>	<u>17,217</u>	<u>37,207</u>
	<u>300,626</u>	<u>220,092</u>	<u>520,718</u>	<u>438,808</u>
	<u>\$ 316,911</u>	<u>\$ 221,024</u>	<u>\$ 537,935</u>	<u>\$ 476,015</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, 2021
 (With Comparative Totals for 2020)

	Operating Fund	Capital Reserve Fund	8/31/2021	8/31/2020
<u>REVENUES</u>				
Member dues	\$ 259,326	\$ 82,439	\$ 341,765	\$ 341,765
Interest and other income	1,504	125	1,629	3,079
Total Revenues	<u>260,830</u>	<u>82,564</u>	<u>343,394</u>	<u>344,844</u>
<u>MANAGEMENT EXPENSE</u>				
Management fees	28,380	-	28,380	25,800
Office expense and supply	1,162	-	1,162	735
Professional fees	2,360	-	2,360	2,343
Total Management Expense	<u>31,902</u>	<u>-</u>	<u>31,902</u>	<u>28,878</u>
<u>COMMON AREA EXPENSE</u>				
Cleaning and upkeep	2,491	-	2,491	2,957
Electricity	4,610	-	4,610	4,393
Landscaping	68,387	2,610	70,997	114,598
Miscellaneous	50	-	50	-
Painting	-	-	-	2,366
Repairs and maintenance	10,585	13,256	23,841	23,488
Snow removal	25,810	-	25,810	22,039
Supplies	1,457	-	1,457	1,772
Trash	13,035	-	13,035	13,838
Water and sewer	44,453	-	44,453	55,479
Winterize/dewinterize	361	-	361	406
Total Common Area Expense	<u>171,239</u>	<u>15,866</u>	<u>187,105</u>	<u>241,336</u>
<u>RECREATION AREA EXPENSE</u>				
Alarm and phone	248	-	248	15
Cleaning and upkeep	8,712	-	8,712	8,106
Electricity	1,279	-	1,279	1,060
Maintenance and supplies	1,062	-	1,062	2,677
Miscellaneous	720	-	720	-
Natural gas	1,507	-	1,507	1,467
Pool furniture and equipment	-	-	-	502
Sewer and water	372	-	372	433
Total Recreation Area Expense	<u>13,900</u>	<u>-</u>	<u>13,900</u>	<u>14,260</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, 2021
 (With Comparative Totals for 2020)

	Operating Fund	Capital Reserve Fund	8/31/2021	8/31/2020
OTHER EXPENSE				
Insurance	25,588	-	25,588	23,902
Chimney cleaning	1,395	-	1,395	84
Depreciation	1,564	-	1,564	1,564
Dryer vent cleaning	-	-	-	6,450
Income tax	30	-	30	30
Total Other Expense	<u>28,577</u>	<u>-</u>	<u>28,577</u>	<u>32,030</u>
Total Expenses	<u>245,618</u>	<u>15,866</u>	<u>261,484</u>	<u>316,504</u>
EXCESS OF REVENUES OVER EXPENSES	15,212	66,698	81,910	28,340
BEGINNING FUND BALANCES	<u>285,414</u>	<u>153,394</u>	<u>438,808</u>	<u>410,468</u>
ENDING FUND BALANCES	<u>\$ 300,626</u>	<u>\$ 220,092</u>	<u>\$ 520,718</u>	<u>\$ 438,808</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, 2021
(With Comparative Totals for 2020)

	Operating Fund	Capital Reserve Fund	8/31/2021	8/31/2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from members for dues	\$ 262,393	\$ 83,199	\$ 345,592	\$ 350,101
Cash paid to managing agent and suppliers	(253,548)	(28,002)	(281,550)	(297,852)
Interest received	1,378	125	1,503	1,544
Other income received	374	-	374	1,532
Income taxes paid	(30)	-	(30)	(30)
Net cash provided by operating activities	<u>10,567</u>	<u>55,322</u>	<u>65,889</u>	<u>55,295</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Transfer from Ally Association Network	-	-	-	50,000
Purchase of certificates of deposit	(1,377)	-	(1,377)	(1,355)
Net cash provided (used) by investing activities	<u>(1,377)</u>	<u>-</u>	<u>(1,377)</u>	<u>48,645</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>				
Net borrowings between funds	55,197	(55,197)	-	-
Net cash provided (used) by financing activities	<u>55,197</u>	<u>(55,197)</u>	<u>-</u>	<u>-</u>
Net increase in cash	64,387	125	64,512	103,940
Cash, beginning of year	<u>225,421</u>	<u>104,812</u>	<u>330,233</u>	<u>226,293</u>
Cash, end of year	<u>\$ 289,808</u>	<u>\$ 104,937</u>	<u>\$ 394,745</u>	<u>\$ 330,233</u>
<u>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Excess of revenue over expenses	\$ 15,212	\$ 66,698	\$ 81,910	\$ 28,340
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	1,564	-	1,564	1,564
Change in assets and liabilities:				
Dues receivable	1,268	506	1,774	7,130
Other receivables	915	-	915	771
Prepaid expense	(284)	-	(284)	(263)
Accounts payable	(9,571)	(12,136)	(21,707)	16,367
Due to Fairway Nine Garage	(336)	-	(336)	180
Dues paid in advance	1,799	254	2,053	1,206
Net cash provided by operating activities	<u>\$ 10,567</u>	<u>\$ 55,322</u>	<u>\$ 65,889</u>	<u>\$ 55,295</u>

See accompanying notes and independent accountants' review report.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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, 2021 and 2020 no allowance was considered necessary.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

For the years ended August 31, 2021 and 2020 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, 2021 and 2020 the Association had a tax liability of \$30.

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 2020, 2019 and 2018 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, 2021 and 2020 the Association had \$115,034 and \$113,656, respectively, deposited into a certificate of deposit at a local financial institution. The certificate held as of August 31, 2020 matured June 11, 2021 and was rolled into a new certificate bearing interest at 0.30% and matures June 11, 2022, 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 \$89,968 and \$24,719 as of August 31, 2021 and 2020, respectively.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements the Association has evaluated events and transactions for potential recognition through November 24, 2021 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, 2021 AND 2020

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, 2020, from which the summarized information was derived.

5. FIXED ASSETS

The Association acquired the recreation complex and surrounding land from the developer 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 \$2,365 and \$2,150 per month for their services for the years ended August 31, 2021 and 2020, respectively. As of August 31, 2021 and 2020, the Association owed the management company \$2,406 and \$2,720, respectively.

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 2020 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, 2021 AND 2020

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The board is funding for future major repairs and replacements over the estimated 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 2021 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.

During the year ended August 31, 2020, \$59,675 was utilized from the capital reserve fund for operating expenditures. During the year ended August 31, 2021, the operating fund utilized an additional \$55,197 from the capital reserve fund leaving a balance of \$114,872. The board of directors intends on repaying the capital reserve fund and, accordingly, has reflected the \$114,872 as an interfund receivable and payable.

9. RELATED PARTIES

Members of the Association own units in Fairway Nine Garage Association, Inc. Fairway Nine Garage shares various expenses with Fairway Nine I. As of August 31, 2021 and 2020, Fairway Nine Garage owed Fairway Nine I \$294 and \$429, respectively, for shared insurance and Fairway Nine I owed Fairway Nine Garage \$429 and \$765, respectively, for electricity.

SUPPLEMENTARY INFORMATION

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 AUGUST 31, 2021

The board of directors authorized the management company to update a study in 2020 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 8/31/2021</u>
Exterior painting - 1 year	\$ 145,000	\$ -	\$ 145,000
Painting touch-up - 1 year	2,800	2,800	-
Seal coat - 2 years	16,284	8,142	-
Siding replacement - 1 year	40,000	-	40,000
Stucco repair - 1 year	2,000	-	2,000
Stairwell/Walkway repair - 1 year	2,000	-	2,000
Pool restrooms - 7 years	8,320	1,189	-
Pool resurfacing - 6 years	4,160	693	-
Spa heater replacement - 1 year	1,300	1,300	-
Pool fencing - 1 year	4,522	4,522	-
Hot tub replacement - 0 years	15,600	15,600	-
Poolhouse repainting - 8 years	1,300	163	-
Roof replacement - 11 years	<u>543,210</u>	<u>46,556</u>	<u>31,092</u>
	<u>\$ 786,496</u>	<u>\$ 80,965</u>	<u>\$ 220,092</u>

See independent accountants' review report.