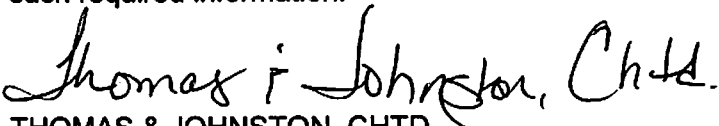


**FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
ACCOUNTANTS' REVIEW REPORT  
YEARS ENDED AUGUST 31, 2018 AND 2017**

**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, 2018  
(With Comparative Totals for 2017)

	Operating Fund	Capital Reserve Fund	8/31/2018	8/31/2017
<b><u>ASSETS</u></b>				
Cash	\$ 180,908	\$ 113,182	\$ 294,090	\$ 204,349
Dues receivable	7,890	2,325	10,215	7,692
Other receivables	2,584	292	2,876	2,453
Prepaid expenses	5,221	-	5,221	3,585
Due from (to) capital reserve fund	(69,067)	-	(69,067)	297
Due from (to) operating fund	-	69,067	69,067	(297)
Investments - CDs	110,965	102,421	213,386	210,850
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>(57,426)</u>	<u>-</u>	<u>(57,426)</u>	<u>(55,072)</u>
 Total Assets	 <u>\$ 260,528</u>	 <u>\$ 287,287</u>	 <u>\$ 547,815</u>	 <u>\$ 453,310</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Accounts payable	\$ 3,505	\$ -	\$ 3,505	\$ 15,517
Due to Fairway Nine Garage	247	-	247	442
Dues paid in advance	2,681	1,026	3,707	1,482
Income tax payable	<u>109</u>	<u>70</u>	<u>179</u>	<u>54</u>
 Total Liabilities	 6,542	 1,096	 7,638	 17,495
 Fund Balances	 <u>253,986</u>	 <u>286,191</u>	 <u>540,177</u>	 <u>435,815</u>
 Total Liabilities and Fund Balances	 <u>\$ 260,528</u>	 <u>\$ 287,287</u>	 <u>\$ 547,815</u>	 <u>\$ 453,310</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, 2018  
 (With Comparative Totals for 2017)

	Operating Fund	Capital Reserve Fund	8/31/2018	8/31/2017
<b><u>REVENUES</u></b>				
Member dues	\$ 259,326	\$ 82,439	\$ 341,765	\$ 324,788
Insurance proceeds	6,779	-	6,779	23,355
Interest and other income	1,950	1,333	3,283	2,915
<b>Total Revenues</b>	<b><u>268,055</u></b>	<b><u>83,772</u></b>	<b><u>351,827</u></b>	<b><u>351,058</u></b>
<b><u>MANAGEMENT EXPENSE</u></b>				
Management fees	25,800	-	25,800	25,800
Office expense and supply	1,018	-	1,018	381
Professional fees	2,288	-	2,288	2,284
<b>Total Management Expense</b>	<b><u>29,106</u></b>	<b><u>-</u></b>	<b><u>29,106</u></b>	<b><u>28,465</u></b>
<b><u>COMMON AREA EXPENSE</u></b>				
Cleaning and upkeep	2,700	-	2,700	2,818
Electricity	3,365	-	3,365	4,220
Landscaping	47,102	11,186	58,288	49,190
Painting	1,609	1,479	3,088	-
Repairs and maintenance	21,133	-	21,133	27,066
Snow removal	17,339	-	17,339	66,008
Supplies	1,849	-	1,849	1,963
Trash	11,806	-	11,806	14,256
Water and sewer	48,326	-	48,326	46,238
Winterize/dewinterize	203	-	203	945
<b>Total Common Area Expense</b>	<b><u>155,432</u></b>	<b><u>12,665</u></b>	<b><u>168,097</u></b>	<b><u>212,704</u></b>
<b><u>RECREATION AREA EXPENSE</u></b>				
Alarm and phone	405	-	405	465
Cleaning and upkeep	10,280	-	10,280	9,967
Electricity	1,231	-	1,231	1,995
Maintenance and supplies	159	-	159	242
Natural gas	1,280	-	1,280	2,298
Pool furniture and equipment	-	708	708	-
Sewer and water	372	-	372	432
Winterize/dewinterize	-	-	-	242
<b>Total Recreation Area Expense</b>	<b><u>13,727</u></b>	<b><u>708</u></b>	<b><u>14,435</u></b>	<b><u>15,641</u></b>

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, 2018  
 (With Comparative Totals for 2017)

	Operating Fund	Capital Reserve Fund	8/31/2018	8/31/2017
<b><u>OTHER EXPENSE</u></b>				
Insurance	22,779	-	22,779	21,195
Insurance claims	9,279	-	9,279	22,931
Chimney cleaning	1,204	-	1,204	1,204
Depreciation	2,354	-	2,354	2,357
Income tax	109	102	211	215
<b>Total Other Expense</b>	<u>35,725</u>	<u>102</u>	<u>35,827</u>	<u>47,902</u>
<b>Total Expenses</b>	<u>233,990</u>	<u>13,475</u>	<u>247,465</u>	<u>304,712</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	34,065	70,297	104,362	46,346
<b>BEGINNING FUND BALANCES</b>	<u>219,921</u>	<u>215,894</u>	<u>435,815</u>	<u>389,469</u>
<b>ENDING FUND BALANCES</b>	<u>\$ 253,986</u>	<u>\$ 286,191</u>	<u>\$ 540,177</u>	<u>\$ 435,815</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, 2018  
(With Comparative Totals for 2017)

	Operating Fund	Capital Reserve Fund	8/31/2018	8/31/2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Cash received from members for dues	\$ 258,676	\$ 82,792	\$ 341,468	\$ 325,694
Cash paid to managing agent and suppliers	(245,821)	(13,373)	(259,194)	(369,532)
Interest received	1,320	1,330	2,650	2,658
Other income received	7,405	-	7,405	23,608
Income taxes overpaid (paid)	1	(55)	(54)	(114)
Net cash provided (used) by operating activities	<u>21,581</u>	<u>70,694</u>	<u>92,275</u>	<u>(17,686)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Purchase of certificates of deposit	(1,316)	(1,218)	(2,534)	(2,511)
Net cash provided (used) by investing activities	<u>(1,316)</u>	<u>(1,218)</u>	<u>(2,534)</u>	<u>(2,511)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>				
Net borrowings between funds	69,364	(69,364)	-	-
Net cash provided (used) by financing activities	<u>69,364</u>	<u>(69,364)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	89,629	112	89,741	(20,197)
Cash, beginning of year	91,279	113,070	204,349	224,546
Cash, end of year	<u>\$ 180,908</u>	<u>\$ 113,182</u>	<u>\$ 294,090</u>	<u>\$ 204,349</u>
<b><u>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>				
Excess of revenue over expenses	\$ 34,065	\$ 70,297	\$ 104,362	\$ 46,346
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	2,354	-	2,354	2,357
Change in assets and liabilities:				
Dues receivable	(2,139)	(387)	(2,526)	(576)
Other receivables	(420)	(3)	(423)	(1,669)
Prepaid expense	(1,635)	-	(1,635)	2,574
Accounts payable	(12,012)	-	(12,012)	(68,176)
Due to Fairway Nine Garage	(195)	-	(195)	36
Dues paid in advance	1,485	740	2,225	1,482
Income tax payable	78	47	125	(60)
Net cash provided (used) by operating activities	<u>\$ 21,581</u>	<u>\$ 70,694</u>	<u>\$ 92,275</u>	<u>\$ (17,686)</u>

See accompanying notes and independent accountants' review report.

**THOMAS &  
JOHNSTON**

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2018 AND 2017

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, 2018 and 2017 no allowance was considered necessary.

**FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2018 AND 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

For the years ended August 31, 2018 and 2017 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, 2018 and 2017 the Association had a tax liability of \$211 and \$215, 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 2017, 2016 and 2015 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, 2018 and 2017 the Association had \$213,386 and \$210,850, 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 \$18,575 and \$15,955 at August 31, 2018 and 2017, respectively.

**2. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements the Association has evaluated events and transactions for potential recognition through November 13, 2018 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, 2018 AND 2017**

**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, 2017, 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 \$2,150 per month for their services for the years ended August 31, 2018 and 2017. As of August 31, 2018 and 2017, 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 2018 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, 2018 AND 2017**

**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 2018 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. During the year ended August 31, 2018, the \$297 was paid back to the operating fund. The Association also left \$69,067 of capital reserve funds in the operating fund in anticipation of funding an upcoming capital reserve project. The board intends on repaying any remaining capital reserve funds in the operating fund and reflected the amount 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, 2018 and 2017, Fairway Nine Garage owed Fairway Nine I \$450 and \$428, respectively, for shared insurance and Fairway Nine I owed Fairway Nine Garage \$247 and \$442, respectively, for electricity.

**SUPPLEMENTARY INFORMATION**

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE  
 MAJOR REPAIRS AND REPLACEMENTS  
 AUGUST 31, 2018

The board of directors authorized the management company to update a study in 2018 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 8/31/2018</u>
Exterior painting - 3 years	\$ 145,000	\$ 48,333	\$ -
Painting touch-up - 1 year	2,800	-	2,800
Seal coat - 1 year	12,825	-	12,825
Asphalt overlay - 1 year	115,425	-	115,425
Asphalt regrade - 1 year	66,690	-	66,690
Siding replacement - 3 years	40,000	13,333	-
Stucco repair - 1 year	2,000	-	2,000
Pool restrooms - 10 years	8,320	832	-
Pool resurfacing - 9 years	4,160	462	-
Spa heater replacement - 4 years	1,300	325	-
Pool fencing - 4 years	4,522	1,131	-
Hot tub replacement - 1 year	15,600	-	15,600
Poolhouse repainting - 3 years	1,300	225	851
Roof replacement - 14 years	543,210	38,801	-
Sprinkler system - 1 year	70,000	-	70,000
	<u>\$ 1,033,152</u>	<u>\$ 103,442</u>	<u>\$ 286,191</u>

See independent accountants' report.