

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
ACCOUNTANTS' REVIEW REPORT
YEARS ENDED AUGUST 31, 2020 AND 2019



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

November 12, 2020

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, 2020, 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 2019 on which we issued a review report dated November 22, 2019.

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, 2020
(With Comparative Totals for 2019)

	Operating Fund	Capital Reserve Fund	8/31/2020	8/31/2019
<u>ASSETS</u>				
Cash	\$ 225,421	\$ 104,812	\$ 330,233	\$ 226,293
Dues receivable	5,438	1,721	7,159	14,289
Other receivables	2,636	-	2,636	3,407
Due from Ally Association Network	-	-	-	50,000
Prepaid expenses	4,025	-	4,025	3,762
Due to capital reserve fund	(59,675)	-	(59,675)	(41,318)
Due from operating fund	-	59,675	59,675	41,318
Investments - CDs	113,656	-	113,656	112,300
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	(61,147)	-	(61,147)	(59,583)
	<u>\$ 309,807</u>	<u>\$ 166,208</u>	<u>\$ 476,015</u>	<u>\$ 429,921</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 21,072	\$ 12,136	\$ 33,208	\$ 16,841
Due to Fairway Nine Garage	765	-	765	584
Dues paid in advance	2,526	678	3,204	1,998
Income tax payable	30	-	30	30
	<u>24,393</u>	<u>12,814</u>	<u>37,207</u>	<u>19,453</u>
Total Liabilities	24,393	12,814	37,207	19,453
Fund Balances	<u>285,414</u>	<u>153,394</u>	<u>438,808</u>	<u>410,468</u>
Total Liabilities and Fund Balances	<u>\$ 309,807</u>	<u>\$ 166,208</u>	<u>\$ 476,015</u>	<u>\$ 429,921</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, 2020
 (With Comparative Totals for 2019)

	Operating Fund	Capital Reserve Fund	8/31/2020	8/31/2019
<u>REVENUES</u>				
Member dues	\$ 259,326	\$ 82,439	\$ 341,765	\$ 341,765
Interest and other income	2,891	188	3,079	2,406
Total Revenues	<u>262,217</u>	<u>82,627</u>	<u>344,844</u>	<u>344,171</u>
<u>MANAGEMENT EXPENSE</u>				
Management fees	25,800	-	25,800	25,800
Office expense and supply	705	30	735	633
Professional fees	2,343	-	2,343	2,288
Total Management Expense	<u>28,848</u>	<u>30</u>	<u>28,878</u>	<u>28,721</u>
<u>COMMON AREA EXPENSE</u>				
Cleaning and upkeep	2,957	-	2,957	2,169
Electricity	4,393	-	4,393	4,529
Landscaping	48,441	66,157	114,598	52,802
Miscellaneous	-	-	-	150
Painting	-	2,366	2,366	17,054
Parking lot asphalt overlay	-	-	-	176,334
Repairs and maintenance	8,059	15,429	23,488	38,048
Snow removal	22,039	-	22,039	34,133
Supplies	1,772	-	1,772	2,282
Trash	13,838	-	13,838	13,965
Water and sewer	55,479	-	55,479	48,514
Winterize/dewinterize	406	-	406	539
Total Common Area Expense	<u>157,384</u>	<u>83,952</u>	<u>241,336</u>	<u>390,519</u>
<u>RECREATION AREA EXPENSE</u>				
Alarm and phone	15	-	15	-
Cleaning and upkeep	8,106	-	8,106	11,454
Electricity	1,060	-	1,060	1,451
Maintenance and supplies	2,677	-	2,677	3,126
Natural gas	1,467	-	1,467	1,970
Pool furniture and equipment	-	502	502	7,758
Sewer and water	433	-	433	284
Total Recreation Area Expense	<u>13,758</u>	<u>502</u>	<u>14,260</u>	<u>26,043</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, 2020
 (With Comparative Totals for 2019)

	Operating Fund	Capital Reserve Fund	8/31/2020	8/31/2019
<u>OTHER EXPENSE</u>				
Insurance	23,902	-	23,902	22,694
Insurance claims	-	-	-	964
Chimney cleaning	84	-	84	2,752
Depreciation	1,564	-	1,564	2,157
Dryer vent cleaning	6,450	-	6,450	-
Income tax	30	-	30	30
Total Other Expense	<u>32,030</u>	<u>-</u>	<u>32,030</u>	<u>28,597</u>
 Total Expenses	 <u>232,020</u>	 <u>84,484</u>	 <u>316,504</u>	 <u>473,880</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	 30,197	 (1,857)	 28,340	 (129,709)
 BEGINNING FUND BALANCES	 <u>255,217</u>	 <u>155,251</u>	 <u>410,468</u>	 <u>540,177</u>
 ENDING FUND BALANCES	 <u>\$ 285,414</u>	 <u>\$ 153,394</u>	 <u>\$ 438,808</u>	 <u>\$ 410,468</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, 2020
(With Comparative Totals for 2019)

	Operating Fund	Capital Reserve Fund	8/31/2020	8/31/2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from members for dues	\$ 265,870	\$ 84,231	\$ 350,101	\$ 335,982
Cash paid to managing agent and suppliers	(223,239)	(74,613)	(297,852)	(457,380)
Interest received	1,355	189	1,544	1,913
Other income received	1,532	-	1,532	780
Income taxes paid	(30)	-	(30)	(179)
Net cash provided (used) by operating activities	<u>45,488</u>	<u>9,807</u>	<u>55,295</u>	<u>(118,884)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Transfer (to) from Ally Association Network	-	50,000	50,000	(50,000)
Maturity of certificate of deposit	-	-	-	102,805
Purchase of certificates of deposit	(1,355)	-	(1,355)	(1,718)
Net cash provided (used) by investing activities	<u>(1,355)</u>	<u>50,000</u>	<u>48,645</u>	<u>51,087</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>				
Net borrowings between funds	18,357	(18,357)	-	-
Net cash provided (used) by financing activities	<u>18,357</u>	<u>(18,357)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	62,490	41,450	103,940	(67,797)
Cash, beginning of year	<u>162,931</u>	<u>63,362</u>	<u>226,293</u>	<u>294,090</u>
Cash, end of year	<u>\$ 225,421</u>	<u>\$ 104,812</u>	<u>\$ 330,233</u>	<u>\$ 226,293</u>
<u>RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Excess (deficiency) of revenue over expenses	\$ 30,197	\$ (1,857)	\$ 28,340	\$ (129,709)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	1,564	-	1,564	2,157
Change in assets and liabilities:				
Dues receivable	5,570	1,560	7,130	(4,075)
Other receivables	771	-	771	(529)
Prepaid expense	(263)	-	(263)	1,458
Accounts payable	6,495	9,872	16,367	13,336
Due to Fairway Nine Garage	180	-	180	336
Dues paid in advance	974	232	1,206	(1,709)
Income tax payable	-	-	-	(149)
Net cash provided (used) by operating activities	<u>\$ 45,488</u>	<u>\$ 9,807</u>	<u>\$ 55,295</u>	<u>\$ (118,884)</u>

See accompanying notes and independent accountants' review report.

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FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

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, 2020 and 2019 no allowance was considered necessary.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

For the years ended August 31, 2020 and 2019 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, 2020 and 2019 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 2019, 2018 and 2017 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, 2020 and 2019 the Association had \$113,656 and \$112,300, respectively, deposited into a certificate of deposit at a local financial institution. The certificate bears interest at 1.198% and matures 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 \$24,719 and \$0 as of August 31, 2020 and 2019, respectively.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements the Association has evaluated events and transactions for potential recognition through November 12, 2020 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, 2020 AND 2019

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, 2019, 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, 2020 and 2019. As of August 31, 2020 and 2019, the Association owed the management company \$2,720 and \$2,150, 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, 2020 AND 2019

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 2020 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 is owed to the capital reserve fund due to receiving monies from Allied Association Network that were deposited into the operating fund and had not been transferred by the end of the fiscal year. In addition, there were capital reserve funds used for operating fund expenditures. The board intends on repaying the capital reserve fund the \$59,675 and has reflected the amount as an interfund receivable and payable. During the year ended August 31, 2019 the operating fund owed the capital reserve fund \$41,318. These funds were repaid during the year ended August 31, 2020.

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, 2020 and 2019, Fairway Nine Garage owed Fairway Nine I \$523 and \$701, respectively, for shared insurance and Fairway Nine I owed Fairway Nine Garage \$765 and \$584, respectively, for electricity.

SUPPLEMENTARY INFORMATION

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 AUGUST 31, 2020

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 8/31/2020</u>
Exterior painting - 2 years	\$ 145,000	\$ 15,945	\$ 113,110
Painting touch-up - 2 years	2,800	1,400	-
Seal coat - 1 year	16,284	-	16,284
Siding replacement - 2 years	40,000	10,000	20,000
Stucco repair - 1 year	2,000	-	2,000
Stairwell/Walkway repair - 1 year	2,000	-	2,000
Pool restrooms - 8 years	8,320	1,040	-
Pool resurfacing - 7 years	4,160	594	-
Spa heater replacement - 2 years	1,300	650	-
Pool fencing - 2 years	4,522	2,261	-
Hot tub replacement - 1 year	15,600	15,600	-
Poolhouse repainting - 1 year	1,300	1,300	-
Roof replacement - 12 years	<u>543,210</u>	<u>45,268</u>	<u>-</u>
	<u>\$ 786,496</u>	<u>\$ 94,058</u>	<u>\$ 153,394</u>

See independent accountants' review report.