

Financial Statements

Fairway Nine I Condominium Association, Inc.
Years Ended August 31, 2022 and 2021



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members
Fairway Nine I Condominium Association, Inc.
Sun Valley, Idaho

We have reviewed the accompanying financial statements of Fairway Nine I Condominium Association, Inc., which comprise the balance sheet as of August 31, 2022, 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 company 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 Fairway Nine I Condominium Association, Inc. financial statements presented by fund for 2021 on which we issued a review report dated November 24, 2021.

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.

Accountant's 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.

We are required to be independent of the Fairway Nine I Condominium Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.





Accountant's Conclusion

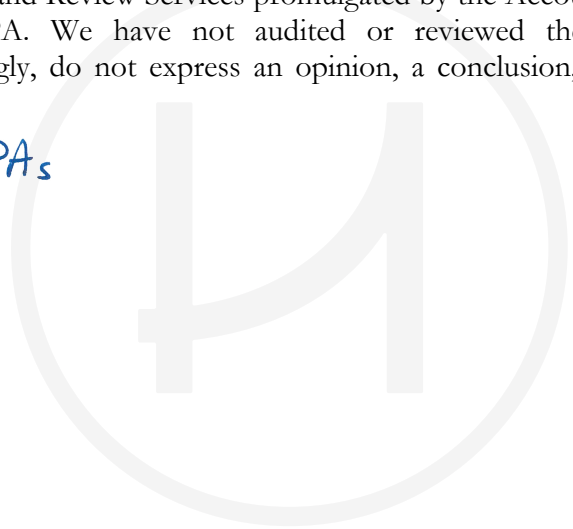
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information Omitted

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 basic 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 Committee of the AICPA. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Harris CPAs

Meridian, Idaho
December 22, 2022



FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
AUGUST 31, 2022
(With Comparative Totals for 2021)

	Operating Fund	Capital Reserve Fund	8/31/2022	8/31/2021
<u>ASSETS</u>				
Cash	\$ 344,197	\$ 220,073	\$ 564,270	\$ 394,745
Dues receivable	5,810	34,905	40,715	5,385
Other receivables	2,201	-	2,201	1,720
Prepaid expenses	4,835	-	4,835	4,310
Due to capital reserve fund	(52,233)	-	(52,233)	(114,872)
Due from operating fund	-	52,233	52,233	114,872
Investments - CDs	-	-	-	115,034
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	(64,274)	-	(64,274)	(62,711)
	<u>\$ 319,989</u>	<u>\$ 307,211</u>	<u>\$ 627,200</u>	<u>\$ 537,935</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 3,327	\$ 41,711	\$ 45,038	\$ 11,501
Due to Fairway Nine Garage	702	-	702	429
Dues paid in advance	7,677	2,053	9,730	5,257
Income tax payable	30	-	30	30
	<u>11,736</u>	<u>43,764</u>	<u>55,500</u>	<u>17,217</u>
Total Liabilities	11,736	43,764	55,500	17,217
Fund Balances	<u>308,253</u>	<u>263,447</u>	<u>571,700</u>	<u>520,718</u>
Total Liabilities and Fund Balances	<u>\$ 319,989</u>	<u>\$ 307,211</u>	<u>\$ 627,200</u>	<u>\$ 537,935</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, 2022
(With Comparative Totals for 2021)

	Operating Fund	Capital Reserve Fund	8/31/2022	8/31/2021
<u>REVENUES</u>				
Member dues	\$ 259,326	\$ 82,439	\$ 341,765	\$ 341,765
Interest and other income	1,719	264	1,983	1,629
Special assessment	-	354,999	354,999	-
Total Revenues	<u>261,045</u>	<u>437,702</u>	<u>698,747</u>	<u>343,394</u>
<u>MANAGEMENT EXPENSE</u>				
Management fees	26,015	-	26,015	28,380
Office expense and supply	946	-	946	1,162
Professional fees	2,735	-	2,735	2,360
Total Management Expense	<u>29,696</u>	<u>-</u>	<u>29,696</u>	<u>31,902</u>
<u>COMMON AREA EXPENSE</u>				
Cleaning and upkeep	3,090	-	3,090	2,491
Electricity	5,747	-	5,747	4,610
Landscaping	50,892	9,447	60,339	70,997
Miscellaneous	-	793	793	50
Painting	-	156,000	156,000	-
Repairs and maintenance	19,582	228,107	247,689	23,841
Snow removal	25,582	-	25,582	25,810
Supplies	2,732	-	2,732	1,457
Trash	16,412	-	16,412	13,035
Water and sewer	48,692	-	48,692	44,453
Winterize/dewinterize	340	-	340	361
Total Common Area Expense	<u>173,069</u>	<u>394,347</u>	<u>567,416</u>	<u>187,105</u>
<u>RECREATION AREA EXPENSE</u>				
Alarm and phone	528	-	528	248
Cleaning and upkeep	11,805	-	11,805	8,712
Electricity	1,492	-	1,492	1,279
Maintenance and supplies	2,449	-	2,449	1,062
Miscellaneous	-	-	-	720
Natural gas	2,373	-	2,373	1,507
Sewer and water	381	-	381	372
Total Recreation Area Expense	<u>19,028</u>	<u>-</u>	<u>19,028</u>	<u>13,900</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, 2022
(With Comparative Totals for 2021)

	Operating Fund	Capital Reserve Fund	8/31/2022	8/31/2021
<u>OTHER EXPENSE</u>				
Insurance	28,484	-	28,484	25,588
Chimney cleaning	1,548	-	1,548	1,395
Depreciation	1,563	-	1,563	1,564
Income tax	30	-	30	30
Total Other Expense	<u>31,625</u>	<u>-</u>	<u>31,625</u>	<u>28,577</u>
Total Expenses	<u>253,418</u>	<u>394,347</u>	<u>647,765</u>	<u>261,484</u>
EXCESS OF REVENUES OVER EXPENSES	7,627	43,355	50,982	81,910
BEGINNING FUND BALANCES	<u>300,626</u>	<u>220,092</u>	<u>520,718</u>	<u>438,808</u>
ENDING FUND BALANCES	<u>\$ 308,253</u>	<u>\$ 263,447</u>	<u>\$ 571,700</u>	<u>\$ 520,718</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, 2022
(With Comparative Totals for 2021)

	Operating Fund	Capital Reserve Fund	8/31/2022	8/31/2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from members for dues	\$ 261,037	\$ 404,868	\$ 665,905	\$ 345,592
Cash paid to managing agent and suppliers	(260,808)	(352,635)	(613,443)	(281,550)
Interest received	349	264	613	1,503
Other income received	1,446	-	1,446	374
Income taxes paid	(30)	-	(30)	(30)
Net cash provided by operating activities	<u>1,994</u>	<u>52,497</u>	<u>54,491</u>	<u>65,889</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Transfer from DL Evans Bank	115,034	-	115,034	-
Purchase of certificates of deposit	-	-	-	(1,377)
Net cash provided (used) by investing activities	<u>115,034</u>	<u>-</u>	<u>115,034</u>	<u>(1,377)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>				
Net borrowings between funds	(62,639)	62,639	-	-
Net cash provided (used) by financing activities	<u>(62,639)</u>	<u>62,639</u>	<u>-</u>	<u>-</u>
Net increase in cash	54,389	115,136	169,525	64,512
Cash, beginning of year	<u>289,808</u>	<u>104,937</u>	<u>394,745</u>	<u>330,233</u>
Cash, end of year	<u>\$ 344,197</u>	<u>\$ 220,073</u>	<u>\$ 564,270</u>	<u>\$ 394,745</u>
<u>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Excess of revenue over expenses	\$ 7,627	\$ 43,355	\$ 50,982	\$ 81,910
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	1,563	-	1,563	1,564
Change in assets and liabilities:				
Dues receivable	(1,642)	(33,691)	(35,333)	1,774
Other receivables	(481)	-	(481)	915
Prepaid expense	(525)	-	(525)	(284)
Accounts payable	(8,174)	41,712	33,538	(21,707)
Due to Fairway Nine Garage	274	-	274	(336)
Dues paid in advance	3,352	1,121	4,473	2,053
Net cash provided by operating activities	<u>\$ 1,994</u>	<u>\$ 52,497</u>	<u>\$ 54,491</u>	<u>\$ 65,889</u>

See accompanying notes and independent accountants' review report.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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, 2022 and 2021 no allowance was considered necessary.

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

For the years ended August 31, 2022 and 2021 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, 2022 and 2021 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 2021, 2020 and 2019 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 \$0 and \$115,034, respectively, deposited into a certificate of deposit at a local financial institution. The certificate held as of August 31, 2021 matured June 11, 2022 and was closed.

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 \$143,504 and \$89,968 as of August 31, 2022 and 2021, respectively.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements the Association has evaluated events and transactions for potential recognition through November 9, 2022 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, 2022 AND 2021

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, 2021, 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 (7-39 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 \$2,168 and \$2,365 per month for their services for the years ended August 31, 2022 and 2021, respectively. As of August 31, 2022 and 2021, the Association owed the management company \$46 and \$2,406, 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, 2022 AND 2021

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 2022 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, 2021, \$114,872 was utilized from the capital reserve fund for operating expenditures. During the year ended August 31, 2022, the capital reserve fund utilized \$55,197 from the operating fund leaving a balance of \$52,233. The board of directors intends on repaying the capital reserve fund and, accordingly, has reflected the \$52,233 as an interfund receivable and payable.

9. SPECIAL ASSESSMENTS

The Association and board approved a special assessment charge on June 1, 2022 for \$354,999 allocated amongst the 86 residential units equitably. This special assessment was for the building and painting improvements needed based upon the Capital Reserve study prepared in 2020 by the management company.

10. 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, 2022 and 2021, Fairway Nine Garage owed Fairway Nine I \$376 and \$294, respectively, for shared insurance and Fairway Nine I owed Fairway Nine Garage \$702 and \$429, respectively, for electricity.

SUPPLEMENTARY INFORMATION

FAIRWAY NINE I CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 AUGUST 31, 2022

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 8/31/2022</u>
Exterior painting - 7 years	\$ 145,000	\$ -	\$ 145,000
Painting touch-up - 1 year	2,800	-	2,800
Seal coat - 1 year	16,284	-	16,284
Siding replacement - 7 years	40,000	-	40,000
Stucco repair - 1 year	2,000	-	2,000
Stairwell/Walkway repair - 1 year	2,000	-	2,000
Pool restrooms - 6 years	8,320	1,387	-
Pool resurfacing - 5 years	4,160	832	-
Spa heater replacement - 0 year	1,300	1,300	-
Pool fencing - 0 year	4,522	4,522	-
Hot tub replacement - 0 years	15,600	15,600	-
Poolhouse repainting - 8 years	1,300	1,300	-
Roof replacement - 10 years	<u>543,210</u>	<u>48,785</u>	<u>55,363</u>
	<u>\$ 786,496</u>	<u>\$ 73,725</u>	<u>\$ 263,447</u>

See independent accountants' review report.