

FAIRWAY CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Accountant's Review Report	-3-
Balance Sheets	-4-
Statements of Revenues, Expenses and Changes in Fund Balance	-5-
Statements of Cash Flows	-6-
Notes to Financial Statements	7-9
Supplementary Information	-10-

HOWARD R. SIMON, C.P.A., PLC

Member - American Institute of Certified Public Accountants
31275 Northwestern Highway, Suite 203
Farmington Hills, MI 48334
(248) 855-5576
Fax (248) 932-5745

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Fairway Condominium Association
Troy, Michigan

We have reviewed the accompanying financial statements of Fairway Condominium Association, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in fund balance and cash flows for the years 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 entity 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.

Managements 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.

Accountant's 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 on page 10 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The 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 do not express an opinion, a conclusion, nor provide any form of assurance on it.



February 22, 2021

FAIRWAY CONDOMINIUM ASSOCIATION

Balance Sheets

December 31, 2020 and 2019

	2020		2019	
	Operating Fund	Replacement Fund	TOTAL	TOTAL
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 22,155	\$ 275,525	\$ 297,680	\$ 258,034
Accounts Receivable	4,096	-	4,096	1,374
Prepaid Expense	630	-	630	-
	\$ 26,881	\$ 275,525	\$ 302,406	\$ 259,408
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
Current Liabilities:				
Accounts Payable	\$ 12,754	\$ -	\$ 12,754	\$ 3,826
Assessments Received in Advance	14,230	-	14,230	24,436
TOTAL LIABILITIES	26,984	-	26,984	28,262
Members' Equity:				
Appropriated Earnings	-	275,525	275,525	226,997
Accumulated Earnings	(103)	-	(103)	4,149
TOTAL MEMBERS' EQUITY (DEFICIT)	(103)	275,525	275,422	231,146
	\$ 26,881	\$ 275,525	\$ 302,406	\$ 259,408

See accompanying accountant's review report and notes to financial statements.

FAIRWAY CONDOMINIUM ASSOCIATION
Statements of Revenues, Expenses and Changes in Fund Balance
For the Years Ended December 31, 2020 and 2019

	2020		2019	
	Operating Fund	Replacement Fund	TOTAL	TOTAL
REVENUES:				
Regular Assessments	\$ 472,502	\$ -	\$ 472,502	\$ 450,000
Interest Income	-	1,727	1,727	3,297
Other	850	-	850	1,931
TOTAL REVENUES	473,352	1,727	475,079	455,228
EXPENSES:				
Management Fees	18,000	-	18,000	18,000
Accounting & Legal	1,292	-	1,292	1,158
Administrative Expenses	7,212	-	7,212	7,317
Utilities	62,474	-	62,474	61,242
Pest Control	3,237	-	3,237	3,242
Pool and Clubhouse Repairs	9,192	-	9,192	15,229
Holiday Decorations	5,055	-	5,055	-
Maintenance & Repairs:		-		
Lawn and Grounds Expense	90,595	-	90,595	95,716
Maintenance and Repairs	43,910	-	43,910	50,549
Roof and Gutters	12,155	-	12,155	10,664
Snow Removal	35,191	-	35,191	39,136
Ponds Maintenance	10,257	-	10,257	5,930
Pool Maintenance	39,531	-	39,531	-
Mold Remediation	-	-	-	2,358
Asphalt/Concrete	15,254	-	15,254	19,297
Retaining Walls	52,664	-	52,664	27,078
Bad Debts	133	-	133	185
Insurance	24,651	-	24,651	25,919
TOTAL EXPENSES	430,803	-	430,803	383,020
Excess (Deficiency) of Revenues over Expenses	\$ 42,549	\$ 1,727	\$ 44,276	\$ 72,208
Beg Fund Balance (Deficit)	4,149	226,997	231,146	158,938
Transfers (net)	(46,801)	46,801	-	-
Ending Fund Balance (Deficit)	\$ (103)	\$ 275,525	\$ 275,422	\$ 231,146

See accompanying accountant's review report and notes to financial statements.

FAIRWAY CONDOMINIUM ASSOCIATION
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Excess of Revenues over Expense:	\$ 44,276	\$ 72,208
Adjustments to Reconcile Revenues over Expenses to net cash provided by operating activities:		
(Increase) Decrease in:		
Accounts Receivable	(2,722)	2,494
Other Current Assets	(630)	-
Increase (Decrease) in:		
Accounts Payable	8,928	(12,903)
Assessments Received in Advance	(10,206)	7,442
Clubhouse Deposits	-	(100)
	(4,630)	(3,067)
Net Cash provided by (used by) Operating Activities	39,646	69,141
Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 39,646	\$ 69,141
Cash and Cash Equivalents, Beginning	258,034	188,893
Cash and Cash Equivalents, Ending	\$ 297,680	\$ 258,034
 SUPPLEMENTAL DISCLOSURE:		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ -

See accompanying accountant's review report and notes to financial statements.

FAIRWAY CONDOMINIUM ASSOCIATION

Notes to Financial Statements

NOTE A – NATURE OF ORGANIZATION

Fairway Condominium Association (the Association) is a statutory condominium association incorporated in the State of Michigan on October 28, 1988. The Association is responsible for the operation and maintenance of the common property of the condominium project. The Association is located in Troy, Michigan.

NOTE B – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 22, 2021, the date that the financial statements were available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association applies the accrual basis of accounting in the presentation of these financial statements.

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.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners.

See accompanying accountant’s review report.

FAIRWAY CONDOMINIUM ASSOCIATION

Notes to Financial Statements (Continued)

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE D – INCOME TAXES

Homeowner's associations may be taxed either as homeowner's associations or as regular corporations. For the years ended December 31, 2020 and 2019, the Association was taxed as a homeowner's association where its non-membership income, such as dividends and interest, is taxed at a flat rate of 30%.

NOTE E – RESERVES

The Association sets aside funds in order to meet future cash requirements. The by-laws of the Association require that an adequate reserve fund for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis must be established in the budget and must be funded at least annually from the proceeds of the regular monthly assessments. Further, the reserve fund shall, at a minimum, be equal to ten (10) percent of the Association's current annual budget on a non-cumulative basis. As of December 31, 2020 and 2019, the fund was above the minimum standard. These funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the reserve.

The Board of Directors conducted a study in 2015, to estimate the remaining useful lives and replacement costs of the components of common property.

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.

See accompanying accountant's review report.

FAIRWAY CONDOMINIUM ASSOCIATION

Notes to Financial Statements (Continued)

NOTE E – RESERVES (CONTINUED)

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of the components of common property. Therefore, amounts accumulated in the reserve may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors has the right to increase regular assessments, approve special assessments, or delay major repairs and replacements until funds are available.

See accompanying accountant's review report.

SUPPLEMENTARY INFORMATION

FAIRWAY CONDOMINIUM ASSOCIATION
 SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS AND
 REPLACEMENTS (COMPILED)
 December 31, 2020 and 2019

The Association's board of directors hired Michigan Reserve Associates, LLC of Ann Arbor, Michigan to prepare a 25-year reserve study. The study and report was completed in September of 2015. Michigan Reserve Associates, LLC used a 1.0% annual rate of return on investments and 2.0% estimated future inflation rate when preparing the reserve study.

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

	REMAINING USEFUL LIFE <u>(YEARS)</u>	PROJECTED REPLACEMENT <u>COST</u>
Roofs, asphalt shingles, phased	10	\$ 935,331
Entry Doors, phased	8-13	155,858
Doorwalls, phased	8	169,019
Wood Decks, phased	5	260,695
Garage Doors/Lighting, phased	3-23	165,531
Chimney Covers/Caps, phased	3	48,232
Asphalt	5-10	370,012
Concrete	3-19	1,280,547
Clubhouse and Pool Components	0-23	214,104
Retaining Walls	5-10	132,969
Ponds	8-23	158,582
Fountains	5	44,099
Catch Basins	3	42,738
Tennis Courts	6-16	31,472
Street Signs, Pole Lights	7-24	23,414
Mail Stations	0	<u>8,000</u>
Projected Totals		<u>\$4,040,603</u>

See accompanying accountant's report and notes to financial statements.