

FAIRWAY CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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

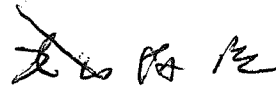
Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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.



March 16, 2020

FAIRWAY CONDOMINIUM ASSOCIATION
Balance Sheets
December 31, 2019 and 2018

	2019		2018
	Operating Fund	Replacement Fund	TOTAL
			TOTAL
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 31,037	\$ 226,997	\$ 258,034
Accounts Receivable	1,374	-	1,374
	<u>\$ 32,411</u>	<u>\$ 226,997</u>	<u>\$ 259,408</u>
			<u>\$ 192,761</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>			
Current Liabilities:			
Accounts Payable	\$ 3,826	\$ -	\$ 3,826
Assessments Received in Advance	24,436	-	24,436
Clubhouse Deposits	-	-	-
TOTAL LIABILITIES	<u>28,262</u>	<u>-</u>	<u>28,262</u>
			<u>33,823</u>
Members' Equity:			
Appropriated Earnings	-	226,997	226,997
Accumulated Earnings	4,149	-	4,149
	<u>4,149</u>	<u>-</u>	<u>4,149</u>
			<u>(7,611)</u>
TOTAL MEMBERS' EQUITY (DEFICIT)	<u>4,149</u>	<u>226,997</u>	<u>231,146</u>
	<u>\$ 32,411</u>	<u>\$ 226,997</u>	<u>\$ 259,408</u>
			<u>\$ 192,761</u>

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, 2019 and 2018

	2019			2018
	Operating Fund	Replacement Fund	TOTAL	TOTAL
REVENUES:				
Regular Assessments	\$ 450,000	\$ -	\$ 450,000	\$ 427,504
Interest Income	-	3,297	3,297	1,143
Other	1,931	-	1,931	12,405
TOTAL REVENUES	451,931	3,297	455,228	441,052
EXPENSES:				
Management Fees	18,000	-	18,000	18,000
Accounting & Legal	1,158	-	1,158	2,521
Administrative Expenses	7,317	-	7,317	6,643
Utilities	61,242	-	61,242	62,340
Pest Control	3,242	-	3,242	5,184
Pool and Clubhouse Expense	-	-	-	13,572
Pool and Clubhouse Repairs	15,229	-	15,229	19,050
Holiday Decorations	-	-	-	4,855
Maintenance & Repairs:		-		
Lawn and Grounds Expense	95,716	-	95,716	76,842
Maintenance and Repairs	50,549	-	50,549	55,523
Roof and Gutters	10,664	-	10,664	17,505
Snow Removal	39,136	-	39,136	37,886
Ponds Maintenance	5,930	-	5,930	16,110
Catch Basin Repair	-	-	-	5,400
Mold Remediation	2,358	-	2,358	750
Asphalt/Concrete	19,297	-	19,297	27,989
Retaining Walls	27,078	-	27,078	23,537
Bad Debts	185	-	185	271
Miscellaneous	-	-	-	575
Insurance	25,919	-	25,919	29,844
TOTAL EXPENSES	383,020	-	383,020	424,397
Excess (Deficiency) of Revenues over Expenses	\$ 68,911	\$ 3,297	\$ 72,208	\$ 16,655
Beg Fund Balance (Deficit)	(7,611)	166,549	158,938	142,283
Transfers (net)	(57,151)	57,151	-	-
Ending Fund Balance	\$ 4,149	\$ 226,997	\$ 231,146	\$ 158,938

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

FAIRWAY CONDOMINIUM ASSOCIATION
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Excess of Revenues over Expense:	<u>\$ 72,208</u>	<u>\$ 16,655</u>
Adjustments to Reconcile Revenues over Expenses to net cash provided by operating activities:		
(Increase) Decrease in:		
Accounts Receivable	2,494	(2,993)
Other Current Assets	-	134
Increase (Decrease) in:		
Accounts Payable	(12,903)	(25,186)
Assessments Received in Advance	7,442	(3,042)
Clubhouse Deposits	<u>(100)</u>	<u>-</u>
	<u>(3,067)</u>	<u>(31,087)</u>
Net Cash provided by (used by) Operating Activities	<u>69,141</u>	<u>(14,432)</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 69,141	\$ (14,432)
Cash and Cash Equivalents, Beginning	<u>188,893</u>	<u>203,325</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 258,034</u></u>	<u><u>\$ 188,893</u></u>
 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 March 16, 2020, 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 certain reported amounts and disclosures. Accordingly, 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, 2019 and 2018, 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%.

The Association is no longer subject to U.S. federal income tax examination for years before 2016.

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, 2019 and 2018, 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.

See accompanying accountant's review report.

FAIRWAY CONDOMINIUM ASSOCIATION

Notes to Financial Statements (Continued)

NOTE E – RESERVES (CONTINUED)

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.

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, 2019 and 2018

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.