

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Year Ended December 31, 2021

**Financial Statements
With Supplementary Information**

And

Independent Accountant's Compilation Report



Fairway Springs Ski & Golf Villas Owners Association, Inc.

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Fairway Springs Ski & Golf Villas Owners Association, Inc.
Park City, Utah

Management is responsible for the accompanying financial statements of Fairway Springs Ski & Golf Villas Owners Association, Inc. (a corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 8 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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. The required supplementary information was subjected to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

The Association has declined to implement ASC 606, *Revenue from Contracts with Customers*, because it believes it misstates the financial statements for management and the users of the financial statements. Accounting principles generally accepted in the United States of America require revenue to be recognized in accordance with ASC 606. The impact of this departure has not been determined. The Association has chosen to follow revenue recognition prior to ASC 606 guidance (FASB ASC 972-605, *Real Estate-Common Interest Realty Associations, Revenue Recognition*).

Bountiful Peak Advisors

Bountiful, Utah
May 24, 2022

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Balance Sheet

December 31, 2021

With Comparative Totals for December 31, 2020

	12/31/2021		12/31/2020	
	Operating Fund	Reserve Fund	Total	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 35,095	\$ 382,134	\$ 417,229	\$ 353,124
Accounts receivable	2,925	-	2,925	1,944
Prepaid expenses	<u>2,591</u>	<u>-</u>	<u>2,591</u>	<u>-</u>
 Total current assets	 <u>40,611</u>	 <u>382,134</u>	 <u>422,745</u>	 <u>355,068</u>
 Total assets	 <u>\$ 40,611</u>	 <u>\$ 382,134</u>	 <u>\$ 422,745</u>	 <u>\$ 355,068</u>
 LIABILITIES AND FUND BALANCE				
Current liabilities				
Accounts payable	\$ 10,124	\$ -	\$ 10,124	\$ 1,300
Prepaid dues	<u>23,955</u>	<u>-</u>	<u>23,955</u>	<u>33,804</u>
 Total current liabilities	 <u>34,079</u>	 <u>-</u>	 <u>34,079</u>	 <u>35,104</u>
 Fund balance	 <u>6,532</u>	 <u>382,134</u>	 <u>388,666</u>	 <u>319,964</u>
 Total liabilities and fund balance	 <u>\$ 40,611</u>	 <u>\$ 382,134</u>	 <u>\$ 422,745</u>	 <u>\$ 355,068</u>

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

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balance

Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	12/31/2021			12/31/2020
	Operating Fund	Reserve Fund	Fund	Total
REVENUE				
Assessments	\$ 325,910	\$ -	\$ 325,910	\$ 310,500
Reinvestment fees	-	70,758	70,758	44,020
CVMA dues	42,706	-	42,706	42,706
Utility chargeback	2,667	-	2,667	2,817
Late fees	418	-	418	384
Interest	116	-	116	253
Other	-	-	-	22,754
	371,817	70,758	442,575	423,434
EXPENSES				
Master Association & CVMA dues	63,102	-	63,102	63,102
Utilities	64,208	-	64,208	63,959
Contract labor	54,113	-	54,113	49,781
Management fee	18,194	-	18,194	18,194
Insurance	20,057	-	20,057	16,760
General maintenance	62,937	-	62,937	29,471
Community enhancement	82,549	-	82,549	37,833
Office	8,713	-	8,713	5,571
	373,873	-	373,873	284,671
Excess of expenses over revenues	(2,056)	70,758	68,702	138,763
Fund transfers	(60,495)	60,495	-	-
Fund balance, beginning of year	69,083	250,881	319,964	181,201
Fund balance, end of year	\$ 6,532	\$ 382,134	\$ 388,666	\$ 319,964

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

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Statement of Cash Flows

Year Ended December 31, 2021

With Comparative Totals for the Year Ended December 31, 2020

	12/31/2021			12/31/2020
	Operating Fund	Reserve Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of expenses over revenues	\$ (2,056)	\$ 70,758	\$ 68,702	\$ 138,763
Adjustments to reconcile excess of expenses over revenues to net cash provided by operating activities:				
Fund transfers	(60,495)	60,495	-	-
Changes in current assets and liabilities:				
Accounts receivable	(981)	-	(981)	26,716
Prepaid expenses	(2,591)	-	(2,591)	-
Accounts payable	8,824	-	8,824	(22,022)
Prepaid dues	(9,849)	-	(9,849)	(177)
Net cash provided by operating activities	(67,148)	131,253	64,105	143,280
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-
Net change in cash and cash equivalents	(67,148)	131,253	64,105	143,280
Cash and cash equivalents, beginning of year	102,243	250,881	353,124	209,844
Cash and cash equivalents, end of year	\$ 35,095	\$ 382,134	\$ 417,229	\$ 353,124
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest			\$ -	\$ -
Cash paid for income taxes			\$ -	\$ -

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

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Notes to Financial Statements

December 31, 2021

1. NATURE OF ASSOCIATION

Fairway Springs Ski & Golf Villas Owners Association, Inc. (the “Association”) was incorporated as a non-profit corporation in the State of Utah for the purposes set forth in the Association’s Articles of Incorporation and, in particular, to act as the Association under the Declarations of Covenants, Conditions, and Restrictions recorded September 13, 2011 in Summit County, Utah. The Association includes 46 residential condo units located in Summit County, Utah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management’s Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 24, 2022, the date that the financial statements were available to be issued.

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.

Reserve Fund—this fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash Equivalents

The Association considers all highly-liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Member Assessments and Accounts Receivable

Association members are subject to quarterly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transactions amounts expected to be collected. The Association’s performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purposes.

Accounts receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association’s policy is to retain legal counsel and place liens on the units of members whose assessments are 60 days or more delinquent. Any prepaid assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association’s control.

Impairment of Long-Lived Assets

The Association evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amounts of the assets may not be fully recoverable. The Association evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted future cash flows associated with them. When future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying amounts of the assets, the assets are adjusted to their fair values.

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 disclosure 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.

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2021. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest, rental revenue, and other nonexempt sources, is taxed at 30% by the federal government and at 5% by the State of Utah. Total income tax expense for the year ended December 31, 2021 was \$0.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Concentrations of Credit Risks

The Association maintains its cash in bank deposit accounts which at times may exceed federally insured limits. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

During the year ended December 31, 2021, expenses related to services provided by Vendor A and Vendor B represented 16% and 10% of the Association's total expenses, respectively.

3. RESERVE FUND

The Association's governing documents require funds to be accumulated for future major repairs, replacements and additions. Accumulated funds, which aggregate \$382,134, and are presented on the accompanying balance sheet as reserve fund at December 31, 2021, are held in separate accounts and are generally not available for operating purposes.

The Association engaged an independent firm who conducted a study in November 2021 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

4. PRIOR YEAR INFORMATION

The accompanying financial statements include certain 2020 summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. The financial information for the year ended December 31, 2020 is presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2021 only.

SUPPLEMENTARY INFORMATION

Fairway Springs Ski & Golf Villas Owners Association, Inc.
Repairs, Replacements, and Future Acquisitions
December 31, 2021

An independent firm conducted a study in November 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

An updated formal study is performed roughly every three years, as deemed necessary.

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

<u>Components</u>	<u>Estimated Useful Lives</u>	<u>Estimated Remaining Useful Life Before Replacement</u>	<u>Estimated Costs to Replace</u>
Major repairs or replacements:			
Sites and grounds	4-30 years	0-22 years	\$ 711,950
Building exteriors (A,B,C)	5-50 years	0-39 years	938,500
Building exteriors (G,F,E)	5-50 years	0-42 years	677,175
Building exteriors (D)	5-50 years	0-45 years	326,100
Building exteriors (H,I,J)	5-50 years	2-47 years	630,200
Building mechanicals	10-25 years	0-24 years	209,500
			<u>\$ 3,493,425</u>

The nature of the above capital assets is such that it is difficult to estimate when the asset will need to be replaced, and in many instances sub-components within the asset category may require replacement at different points in time. Moreover, especially for larger repairs such as roads, it is anticipated that the repair/replacement projects could span over more than one year.

See independent accountant's compilation report.