Fairway Springs Ski & Golf Villas Owners Association, Inc.

Year Ended December 31, 2020

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, 2020, 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 9 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.

Bountiful Peak Advisors

Bountiful, Utah
March 24, 2021

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Fairway Springs Ski & Golf Villas Owners Association, Inc.

Balance Sheet
December 31, 2020
With Comparative Totals for December 31, 2019

	12/31/2020			12/31/2019
	Operating Fund	Reserve Fund	Total	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 102,242	$ 250,881	$ 353,123	$ 209,844
Accounts receivable	1,944	-	1,944	28,660
Total current assets	104,186	250,881	355,067	238,504
Total assets	$ 104,186	$ 250,881	$ 355,067	$ 238,504
LIABILITIES AND FUND BALANCE				
Current liabilities				
Accounts payable	$ 1,300	$ -	$ 1,300	$ 23,322
Prepaid dues	33,804	-	33,804	33,981
Contract liabilities (assessments received in advance - replacement fund)	-	250,881	250,881	110,768
Total current liabilities	35,104	250,881	285,985	168,071
Fund balance	69,082	-	69,082	70,433
Total liabilities and fund balance	$ 104,186	$ 250,881	$ 355,067	$ 238,504

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, 2020
With Comparative Totals for the Year Ended December 31, 2019

	12/31/2020			12/31/2019
	Operating Fund	Reserve Fund	Total	Total
REVENUE				
Assessments	$ 222,466	$ -	$ 222,466	$ 236,198
CVMA dues	42,706	-	42,706	38,581
Other	14,947	-	14,947	-
Utility chargeback	2,817	-	2,817	2,532
Late fees	384	-	384	21
Interest	-	-	-	-
Total revenue	283,320	-	283,320	277,332
EXPENSES				
Master Association & CVMA dues	63,102	-	63,102	59,177
Utilities	63,959	-	63,959	51,390
Contract labor	49,781	-	49,781	46,588
Management fee	18,194	-	18,194	18,194
Insurance	16,760	-	16,760	14,829
General maintenance	29,471	-	29,471	14,139
Community enhancement	37,833	-	37,833	8,913
Office	5,571	-	5,571	5,020
Supplies	-	-	-	741
Total expenses	284,671	-	284,671	218,991
Excess of expenses over revenues	(1,351)	-	(1,351)	58,341
Fund balance, beginning of year	70,433	-	70,433	12,092
Fund balance, end of year	$ 69,082	$ -	$ 69,082	$ 70,433

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	12/31/2020			12/31/2019
	Operating Fund	Reserve Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of expenses over revenues	$ (1,351)	$ -	$ (1,351)	$ 58,341
Adjustments to reconcile excess of expenses over revenues to net cash provided by operating activities:				
Changes in current assets and liabilities:				
Accounts receivable	26,716	-	26,716	(8,698)
Accounts payable	(22,022)	-	(22,022)	19,112
Prepaid dues	(177)	-	(177)	(18,584)
Contract liabilities (assessments received in advance - replacement fund`	-	140,113	140,113	110,768
Net cash provided by operating activitie:	3,166	140,113	143,279	160,939
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-
Net change in cash and cash equivalents	3,166	140,113	143,279	160,939
Cash and cash equivalents, beginning of yeai	99,076	110,768	209,844	48,905
Cash and cash equivalents, end of yeai	$ 102,242	$ 250,881	$ 353,123	$ 209,844

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	12/31/2020 Total	12/31/2019 Total
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

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

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 March 24, 2021, 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.

Contract liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. During the current year, the Association assessed and received $52,079 in the replacement fund. The balances of contract liabilities (assessments received in advance) as of the beginning and end of the year are $110,768 and $250,881 , respectively.

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, 2020. 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, 2020 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, 2020, 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, 2020, expenses related to services provided by Vendor A, Vendor B, and Vendor C represented 15%, 12% and 10% of the Association's total expenses, respectively.

3. FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a homeowners association expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2020:

Fund balance, as previously reported, at January 1, 2020	$ 181,201
Adjustment	(110,768)
Fund balance, as adjusted, at January 1, 2020	$ 70,433

The effect of the adoption is a decrease in 2020 assessments by $52,079 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2020 of $162,847. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our December 31, 2020 financial statements. Following are the line items from our balance sheet as of December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities:			
Contract liabilities			
(assessments received in advance)	$ -	$ 250,881	$ 250,881
Total liabilities	35,104	250,881	285,985
Fund Balance:			
Ending fund balances	319,963	(250,881)	69,082

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenue:			
Regular assessments	$ 362,579	$ (140,113)	$ 222,466
Excess of expenses over revenues	138,762	(140,113)	(1,351)
Cash Flows:			
Excess of expenses over revenues	138,762	(140,113)	86,683
Increase in contract liabilities (assessments received in advance)	-	140,113	140,113

4. RESERVE FUND

The Association's governing documents require funds to be accumulated for future major repairs, replacements and additions. Accumulated funds, which aggregate $250,881, and are presented on the accompanying balance sheet as a contract liability (assessments received in advance – replacement fund) at December 31, 2020, are held in separate accounts and are generally not available for operating purposes.

The Association engaged an independent firm who conducted a study in September 2018 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.

5. PRIOR YEAR INFORMATION

The accompanying financial statements include certain 2019 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, 2019 is presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2020 only.

SUPPLEMENTARY INFORMATION

Fairway Springs Ski & Golf Villas Owners Association, Inc.

Repairs, Replacements, and Future Acquisitions
December 31, 2020

An independent firm conducted a study in September 2018 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.

The Board of Directors annually reviews and updates such estimates, using its best judgement in doing so. An updated formal study is performed roughly every 5-7 years, as deemed necessary.

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

Components	Estimated Useful Lives	Estimated Remaining Useful Life Before Replacement	Estimated Costs to Replace
Major repairs or replacements:			
Roofing	15-25 years	5-23 years	$ 511,781
Painted surfaces	5-15 years	1-13 years	114,266
Drive materials	4-25 years	0-12 years	72,740
Decking	20-30 years	10-28 years	253,200
Mechanical equipment	15 years	5-13 years	100,000
Property identification	18-20 years	7-19 years	7,250
Life/Safety	20 years	10-18 years	60,000
Light fixtures	20 years	10-18 years	49,200
Landscaping	20 years	10 years	22,000
			$ 1,190,437

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.