
FAIRWAY ESTATES HOMEOWNERS ASSOCIATION

**AUDITOR'S REPORT
and
FINANCIAL STATEMENTS**

December 31, 2015

CONTENTS

INDEPENDENT AUDITORS' REPORT	PAGE 1
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Assets – Cash Basis	3
Statement of Revenues, Expenses and Other Changes in Net Assets – Cash Basis	4
Notes to financial statements	5

Independent Auditors' Report

To the Board
Fairway Estates Homeowners Association
Spanaway, Washington

We have compiled the accompanying statement of assets, liabilities, and net assets – cash basis of the Fairway Estates Homeowners Association (a nonprofit organization) as of December 31, 2015 and the related statements of revenues, expenses, and other changes in net assets – cash basis for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the AICPA Accounting and Auditing Guide for Common Interest Realty Associations.

This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinion on Basis of Accounting

As described in Note 1, the Association has prepared these financial statements to meet the financial reporting requirements of Common Interest Realty Associations using accounting practices prescribed by the AICPA. The Association uses a cash basis of accounting; those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The difference in these accounting practices is also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fairway Estates Homeowners Association, as of May 23, 2016 and the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Scottie Nix

SCOTTIE NIX
KENT, WA
May 23, 2016

FAIRWAY ESTATES HOMEOWNERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
December 31, 2015

	<u>2015</u>
ASSETS	
CURRENT ASSETS	
Cash & cash equivalents	\$24,917.33
	<u>\$24,917.33</u>
PROPERTY AND EQUIPMENT	
Land	\$6,500.00
Building and Equipment	\$499,850.00
	\$506,350.00
Accumulated depreciation	(\$231,810.83)
	\$274,539.17
	<u>\$299,456.50</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	<u>\$0.00</u>
NET ASSETS	<u>\$299,456.50</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$299,456.50</u>

FAIRWAY ESTATES HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUE, EXPENSES AND OTHER CHANGES
IN NET ASSETS - CASH BASIS
For the year ended December 31, 2015

	<u>2015</u>
NET ASSETS	
Revenues	\$27,480.00
Other Fees	<u>\$8,161.57</u>
	<u>\$35,641.57</u>
EXPENSES	
Administration	\$1,935.84
Property Insurance	\$843.00
Taxes	\$150.52
Utilities	\$5,009.17
Maintenance	<u>\$20,126.63</u>
	<u>\$28,065.16</u>
INCREASE (DECREASE) IN NET ASSETS	\$7,576.41
Net Assets at Beginning of Period	<u>\$291,880.09</u>
NET ASSETS AT END OF YEAR	<u>\$299,456.50</u>

FAIRWAY ESTATES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities -

Fairway Estates Homeowners Association (the Association) was incorporated July 7, 1998. The Association is a nonprofit organization and is created in order to ensure preservation of the residential environment at Fairway Estates. The Association is supported by dues paid by the property owners located in the covered area.

Basis of Accounting -

The accompanying financial statements of the Association are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues are recognized when received rather than when earned and certain expenses and purchases of property and equipment are recognized when cash is disbursed rather than when the obligation is incurred. In addition, the Association recognizes depreciation on Property and equipment over their expected useful lives.

Basis of Presentation -

The Association has reported information regarding its assets, liabilities, net assets and changes therein as required.

Cash and Cash Equivalents -

Cash and cash equivalents include all cash in bank and money market funds. The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment -

Acquisitions of property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended December 31, 2015 totaled \$23,183.

Revenue Recognition -

Dues are recorded as increases in assets when received.

Contributed Services -

The Association receives a substantial amount of services donated by its property owners in carrying out its responsibility; however, no amounts have been reflected in the financial statements for those services.

FAIRWAY ESTATES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes –

The Association is exempt from Income taxes under Internal Revenue Code Section 501 (C) (3).

Functional Allocation of Expenses –

The cost of providing the various needs of the Association have been summarized on a functional basis in the statement of revenue, expenses and other changes in net assets – cash basis.

Use of Estimates –

Management makes certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly results could differ from those estimates.

Subsequent Events –

The Association evaluated for subsequent events through May 23, 2016, the date of the completion of the independent auditor's report. No subsequent events requiring disclosure were noted.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Association maintains cash and cash equivalents in accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) with basic coverage up to \$250,000. The Association maintains balances well below the insured limits.

Scottie Nix

25739 135th Ave SE #51
Kent, Washington 98042
(260) 713-0140

Contractor ID: 533-56-5026

To:

Pat Russell
Treasurer
Fairway Estates Homeowners Association

INVOICE

INVOICE #05232016

DATE: MAY 23, 2016

For:

Financial Audit 2015

January 2016 to May 23, 2016

Project total \$580.00

Task	Date	Description of Task	Hours
	January to May 23, 2016	Conduct a limited scope financial audit of the Homeowners Association	
Grand Total Hours			N/A
Invoice Amount			\$580.00

I HEREBY CERTIFY THAT THIS BILL IS CORRECT AND JUST AND THAT PAYMENT FOR THE SERVICES AND/OR DELIVERABLES IDENTIFIED HAS NOT BEEN RECEIVED.

BY: Scottie Nix DATE SIGNED: 5/23/2016
Scottie Nix

PLEASE REMIT PAYMENT TO: (Name and Address of Contractor)

Scottie Nix
25739 135th Ave SE #51
Kent, Washington 98042

I attest and certify that all services and/or deliverables identified in this invoice have been performed and/or supplied.

DATE SIGNED: _____
Pat Russell, PROJECT ADMINISTRATOR