



**PEACHTREE LANE IMPROVEMENT  
ASSOCIATION, INC.**

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FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2021  
AND FOR THE YEAR THEN ENDED



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**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**

**TABLE OF CONTENTS**

	<u>PAGE</u>
ACCOUNTANT'S COMPILATION REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Members' Equity – Modified Cash Basis.....	2
Statement of Revenues, Expenses and Changes in Members' Equity – Modified Cash Basis.....	3 - 4
Notes to Financial Statements.....	5 - 9
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements.....	10

To the Board of Directors of  
Peachtree Lane Improvement Association, Inc.

Management is responsible for the accompanying financial statements of Peachtree Lane Improvement Association, Inc. (an Arizona corporation), which comprise the statement of assets, liabilities and members' equity – modified cash basis as of December 31, 2021, and the related statement of revenues, expenses and changes in members' equity – modified cash basis for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework.

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 American Institute of Certified Public Accountants.

We did not audit or review the 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 assurance on these financial statements.

#### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash financial reporting framework, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

#### **Supplementary Information**

The supplementary information about future major repairs and replacements of common property, on page 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have not audited, reviewed, or compiled the supplementary information and we do not express an opinion, conclusion, nor provide any assurance on such information.

*Butler Hansen, PLC*

Gilbert, Arizona  
September 22, 2022

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**  
**STATEMENT OF ASSETS, LIABILITIES AND**  
**MEMBERS' EQUITY - MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash	\$ 38,019	\$ 149,566	\$ 187,585
Interfund Balance	1,260	(1,260)	-
<b>TOTAL ASSETS</b>	<b>\$ 39,279</b>	<b>\$ 148,306</b>	<b>\$ 187,585</b>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>LIABILITIES</b>			
Prepaid Assessments	\$ 2,315	\$ -	\$ 2,315
<b>TOTAL LIABILITIES</b>	<b>2,315</b>	<b>-</b>	<b>2,315</b>
 <b>MEMBERS' EQUITY</b>	 <b>36,964</b>	 <b>148,306</b>	 <b>185,270</b>
<b>TOTAL MEMBERS' EQUITY</b>	<b>36,964</b>	<b>148,306</b>	<b>185,270</b>
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	 <b>\$ 39,279</b>	 <b>\$ 148,306</b>	 <b>\$ 187,585</b>

See accompanying notes to the financial statements.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
MEMBERS' EQUITY - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>			
Homeowner Assessments	\$ 120,250	\$ -	\$ 120,250
Insurance Assessment	8,536	-	8,536
Interest Income	15	236	251
Bank Charges	35	-	35
Certified Mail	10	-	10
Late/Demand Fee	110	-	110
Rental - Administrative Fee	25	-	25
Statement/Rebill Fee	20	-	20
<b>TOTAL REVENUES</b>	<u>129,001</u>	<u>236</u>	<u>129,237</u>
<b>EXPENSES</b>			
<b>ADMINISTRATIVE</b>			
Bank Charges	10	-	10
Collection Fee	105	-	105
Corporate Documents and Filing Fees	35	-	35
Election/Ballots	264	-	264
Owners Delinquency Letters	27	-	27
Legal Fees - General	116	-	116
Management Fees	6,300	-	6,300
Meetings	510	-	510
Office Supplies	160	-	160
Postage	54	-	54
Compilation/Tax Preparation Fees	350	-	350
Collection Rebill Fees	30	-	30
Rental Fee	25	-	25
Statements/Billing	541	-	541
Mailings/Letters	36	-	36
Directors and Officers	993	-	993
General Liability Insurance	5,974	-	5,974
Income State Taxes	50	-	50
<b>TOTAL ADMINISTRATIVE</b>	<u>15,580</u>	<u>-</u>	<u>15,580</u>
<b>MAINTENANCE EXPENSE</b>			
Electrical Repairs/Installation	975	-	975
General Maintenance	800	-	800
Maintenance Supplies	354	-	354
Pest Control	1,410	-	1,410
Plumbing Repairs	195	-	195
Roof Repairs	3,690	-	3,690
Termite Control	325	-	325
<b>TOTAL MAINTENANCE EXPENSE</b>	<u>7,749</u>	<u>-</u>	<u>7,749</u>

(CONTINUED)

See accompanying notes to the financial statements.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
MEMBERS' EQUITY - MODIFIED CASH BASIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>UTILITIES</b>			
Electricity	5,054	-	5,054
Gas	1,890	-	1,890
Water	1,790	-	1,790
Cable TV	24,528	-	24,528
<b>TOTAL UTILITIES</b>	<u>33,262</u>	<u>-</u>	<u>33,262</u>
<b>POOL/SPA</b>			
Pool Maintenance Contract	3,945	-	3,945
Pool Permits	495	-	495
Pool Repairs	2,587	-	2,587
<b>TOTAL POOL/SPA</b>	<u>7,027</u>	<u>-</u>	<u>7,027</u>
<b>LANDSCAPING</b>			
Flowers and Shrubs	55	-	55
Irrigation and Sprinkler Repairs	645	-	645
Landscape Contract	14,940	-	14,940
Palm Tree Skinning/Trimming	300	-	300
Tree Removal	715	-	715
Weed Control/Emergent	280	-	280
<b>TOTAL LANDSCAPING</b>	<u>16,935</u>	<u>-</u>	<u>16,935</u>
<b>RESERVE EXPENSES</b>			
General Reserve Expenses	-	4,215	4,215
Landscape Enhancement	-	8,469	8,469
<b>TOTAL RESERVE EXPENSES</b>	<u>-</u>	<u>12,684</u>	<u>12,684</u>
<b>TOTAL EXPENSES</b>	<u>80,553</u>	<u>12,684</u>	<u>93,237</u>
<b>EXCESS REVENUES (EXPENSES)</b>	48,448	(12,448)	36,000
<b>MEMBERS' EQUITY</b>			
<b>BEGINNING OF YEAR</b>	616	148,654	149,270
<b>TRANSFERS BETWEEN FUNDS</b>	<u>(12,100)</u>	<u>12,100</u>	<u>-</u>
<b>MEMBERS' EQUITY</b>			
<b>END OF YEAR</b>	<u>\$ 36,964</u>	<u>\$ 148,306</u>	<u>\$ 185,270</u>

See accompanying notes to the financial statements.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 - NATURE OF THE ORGANIZATION**

Peachtree Lane Improvement Association, Inc. (the "Association"), a non-stock condominium association, was incorporated on September 10, 1984, under the general non-profit laws of the State of Arizona. The Association was established to provide management, maintenance and preservation of the common areas and other property owned by the Association or property placed under its jurisdiction. The Association consists of 31 condominium units. The Association is located in Phoenix, Arizona. There is a Board of Directors elected by the member unit owners. The Board of Directors has engaged Elan Community Management, as the managing agent for the Association.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Method of Accounting

The Association's general records and the accompanying financial statements are prepared using the modified cash method of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. These financial statements have been modified to report a liability for prepaid assessments.

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 using the following funds established according to their nature and purpose:

Operating Fund

The Operating Fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund

The Replacement Fund is used to account for the use and accumulation of funds for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, purchased with original maturity dates of three months, or less, as cash and cash equivalents. Certificates of deposit and financial instruments, with original maturities, at date of purchase, of more than three months, are classified as investments.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Prepaid Assessments and Revenue Recognition

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title at cost. Any repairs or improvements paid by the Association have not been capitalized, and have been expensed for income tax purposes under special rules for condominium associations.

Common Property

Certain land areas were contributed by the developer, upon completion of the project, at no cost to the Association, which are not reflected in the financial statements. The contributed areas consist of fencing, gates, a pool, a spa, a fountain, landscape and landscape rights-of-way, which can never be sold or subdivided. The Association has not placed a value on these assets.

Date of Management's Review

Subsequent events have been evaluated through September 22, 2022, which is the date the financial statements were available to be issued.

**NOTE 3 - MAINTENANCE ASSESSMENTS AND EXPENSES**

Association members are subject to annual assessments to provide funds for the Association's operating expenses and future major repairs and replacements. During 2021, the combined annual assessment was \$3,900, payable in monthly installments of \$325. Excess assessments at year end are retained by the Association for use in future periods. There is no maximum annual assessment defined in the Association's governing documents.

**NOTE 4 - COMMITMENTS AND CONTINGENCIES**

The Association enters into various contracts for management, landscape and other services. Generally all contracts are for one year terms and can be canceled by either party with 30 to 90 day notifications.

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

The Association's primary source of revenue is member assessments, which are earned on assessable lots or parcels located within a small geographic area. Member assessments and related receivables are subject to significant concentration of credit risk, given that they are primarily from a small geographical area, which can be impacted by similar economic conditions. Member assessments may be secured by liens upon a member's property or legal judgements. The Association monitors the collectability of these receivables and pursues collection as needed. Should the Association's collection efforts be unsuccessful, the Association could incur losses up to the full amount due. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts.

The Association places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. At various times, deposits with these financial institutions, designated as cash, cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), or other types of insurance programs.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 6 - INCOME TAXES**

The Association files its income tax return as a condominium association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed on its investment income and other non-exempt function income. The Association had a federal and state tax liability of \$0 and \$50, respectively, for the year ended December 31, 2021. Federal and state income taxes disbursed in the current year for the prior year were \$0 and \$50, respectively.

**NOTE 7 - UNCERTAIN TAX POSITIONS**

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax position for the year ending December 31, 2021.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2021.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2019, or by Arizona state tax authorities for years before 2018.

**NOTE 8 - REPLACEMENT FUND**

The Association accumulates funds for future major repairs and replacements; at December 31, 2021, these funds were \$148,306 and are held in separate accounts and are generally not available for operating purposes.

In 2016, the Association’s Board of Directors engaged a firm to conduct a study to estimate the remaining useful lives and replacement costs of the common property components. The reserve study was completed on February 4, 2016. The Association is funding future major repairs and replacements based on the study’s estimates of current replacement costs. Funding considerations include amounts previously designated for future major repairs and replacements. Actual expenditures, when incurred, may vary from the estimated amounts and the variations may be material. Accordingly, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments up to the maximum annual assessment, levy special assessments, subject to member approval, or may delay major repairs and replacements until funds are available.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 9 - COVID-19 PANDEMIC**

During the year ended December 31, 2021, a pandemic caused by the coronavirus (COVID-19) has had a significant detrimental impact on the United States economy. As a result, economic uncertainties have arisen which could negatively impact revenue for the Association. Other financial impacts such as bad debt losses, contract modifications, inadequate reserve funding, or other unforeseen circumstances could occur.

**NOTE 10 - INSURANCE ASSESSMENT INCOME**

During the year ended December 31, 2021, the Association charged unit owners an insurance assessment in the amount of \$275.35 per unit to be payable annually. For the year ended December 31, 2021, the Association collected \$8,536 in insurance assessment funds.



**PEACHTREE LANE IMPROVEMENT  
ASSOCIATION, INC.**

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SUPPLEMENTARY  
INFORMATION



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**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**DECEMBER 31, 2021**

The Association's Board of Directors engaged a firm to conduct a study to estimate the replacement costs of certain common property components. The study was completed on February 4, 2016. 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 following table is based on the study and presents significant information about the components of common property.

Component	Remaining Life (Years)	Estimated Current Replacement Cost	Replacement Fund Balance December 31, 2021
Streets	0 to 12	\$ 46,463	\$ -
Roofs	1 to 14	151,815	-
Painting	0 to 2	42,195	-
Fencing/Gates	19	10,000	-
Landscape Lighting	17	40,000	-
Pool	0 to 24	28,955	-
Spa	0 to 11	8,825	-
Fountain	0 to 6	3,250	-
Garage Doors	14	37,200	-
Irrigation Controller	6	250	-
Unallocated		-	148,306
Total		\$ 368,953	\$ 148,306