



**PEACHTREE LANE
IMPROVEMENT ASSOCIATION, INC.**

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022
AND FOR THE YEAR THEN ENDED



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PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.

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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 – cash basis as of December 31, 2022, and the related statement of revenues, expenses and changes in members' equity – cash basis for the year then ended, and the related notes to the financial statements in accordance with the cash basis of accounting, and for determining that the 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 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 9, 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
January 31, 2023

PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - CASH BASIS
DECEMBER 31, 2022

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 35,159	\$ 193,670	\$ 228,829
Interfund Balance	<u>5,494</u>	<u>(5,494)</u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 40,653</u></u>	<u><u>\$ 188,176</u></u>	<u><u>\$ 228,829</u></u>
 LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
MEMBERS' EQUITY	<u>40,653</u>	<u>188,176</u>	<u>228,829</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 40,653</u></u>	<u><u>\$ 188,176</u></u>	<u><u>\$ 228,829</u></u>

See accompanying notes to the financial statements.

**PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
MEMBERS' EQUITY - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Homeowner Assessments	\$ 122,490	\$ -	\$ 122,490
Insurance Assessments	8,494	-	8,494
Certified Mail	5	-	5
Late Fees	165	-	165
Pool Keys	25	-	25
Statement/Rebill Fees	30	-	30
Work Order	4,000	-	4,000
Disclosure Fees Income	400	-	400
Miscellaneous Income	256	-	256
Interest Income	26	136	162
TOTAL REVENUES	<u>135,891</u>	<u>136</u>	<u>136,027</u>
EXPENSES			
MAINTENANCE/REPAIR LABOR			
Exterminating	1,825	-	1,825
Common Area Maintenance	905	-	905
Landscaping	11,900	-	11,900
Plumbing Repair	800	-	800
Pool Maintenance Contract	5,231	-	5,231
Pool Equipment	705	-	705
Pool Permits	495	-	495
Pool Keys	25	-	25
Pool Repairs	2,742	-	2,742
Pool Pump/Filters Repairs	525	-	525
Tree Maintenance/Removal	1,440	-	1,440
Weed Control	350	-	350
Backflow Testing	454	-	454
Common Area Lighting	184	-	184
Community Signs	27	-	27
Electrical Repairs/Installation	475	-	475
Roof Repairs	950	-	950
Unit Repairs	1,900	-	1,900
TOTAL MAINTENANCE/REPAIR LABOR	<u>30,933</u>	<u>-</u>	<u>30,933</u>
UTILITIES			
Electrical	5,749	-	5,749
Gas/Propane	2,578	-	2,578
Cable TV	22,340	-	22,340
Water/Sewer	3,566	-	3,566
TOTAL UTILITIES	<u>34,233</u>	<u>-</u>	<u>34,233</u>

(CONTINUED)

See accompanying notes to the financial statements.

PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
MEMBERS' EQUITY - CASH BASIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	OPERATING FUND	REPLACEMENT FUND	TOTAL
SUPPLIES			
Irrigation	55	-	55
Postage and Mailing	628	-	628
Meeting Minutes	100	-	100
TOTAL SUPPLIES	<u>783</u>	<u>-</u>	<u>783</u>
GENERAL			
Compilation	600	-	600
Website	1,000	-	1,000
Legal Services	2,630	-	2,630
Management Fees	7,420	-	7,420
Collection Fees	200	-	200
Corporate Documents and Filings	460	-	460
Election Ballots	209	-	209
Owners Delinquency Letters	21	-	21
Office Supplies	160	-	160
Tax Preparation Fees	350	-	350
Statements Billing	312	-	312
Mailings/Letters	33	-	33
Income Taxes	50	-	50
TOTAL GENERAL	<u>13,445</u>	<u>-</u>	<u>13,445</u>
INSURANCE	<u>11,389</u>	<u>-</u>	<u>11,389</u>
RESERVE EXPENSES	<u>-</u>	<u>4,000</u>	<u>4,000</u>
TOTAL EXPENSES	<u>90,783</u>	<u>4,000</u>	<u>94,783</u>
EXCESS REVENUES (EXPENSES)	45,108	(3,864)	41,244
MEMBERS' EQUITY			
BEGINNING OF YEAR, AS PREVIOUSLY STATED	36,964	148,306	185,270
PRIOR PERIOD ADJUSTMENT	<u>2,315</u>	<u>-</u>	<u>2,315</u>
MEMBERS' EQUITY			
BEGINNING OF YEAR, AS RESTATED	39,279	148,306	187,585
TRANSFERS BETWEEN FUNDS	<u>(43,734)</u>	<u>43,734</u>	<u>-</u>
MEMBERS' EQUITY			
END OF YEAR	<u>\$ 40,653</u>	<u>\$ 188,176</u>	<u>\$ 228,829</u>

See accompanying notes to the financial statements.

PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, and 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 cash basis method of accounting. Consequently, revenues (assessments and other income) are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, accounts receivable due from homeowners, deferred revenues and accrued expenses are not included in the 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 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.

PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 January 31, 2023, 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 2022, 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, 2022

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, 2022. 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, 2022.

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, 2022.

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 2020, or by Arizona state tax authorities for years before 2019.

NOTE 8 - REPLACEMENT FUND

The Association accumulates funds for future major repairs and replacements; at December 31, 2022, these funds were \$188,176 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.

NOTE 9 - INSURANCE ASSESSMENT INCOME

During the year ended December 31, 2022, the Association charged unit owners an insurance assessment in the amount of \$274 per unit to be payable annually. For the year ended December 31, 2022, the Association collected \$8,494 in insurance assessment funds.

PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 - PRIOR PERIOD ADJUSTMENT

The Association recorded a prior period adjustment during the year ended December 31, 2022, for a change in accounting method from modified cash to the cash method of accounting. The net effect of the prior period adjustment increased the beginning operating members' equity balance in the amount of \$2,315.

**PEACHTREE LANE
IMPROVEMENT ASSOCIATION, INC.**

SUPPLEMENTARY
INFORMATION



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PEACHTREE LANE IMPROVEMENT ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2022

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, 2022
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		-	188,176
Total		\$ 368,953	\$ 188,176