

Lake Moovalya Keys

Homeowners Association

Reviewed Financial Statements

For the Fiscal Years Ended December 31, 2021 & 2020



LAKE MOOVALYA KEYS, INC.
Financial Statements
December 31, 2021 and 2020

Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements:	
• Statement of Assets, Liabilities, and Equity	3
• Statement of Revenues and Expenses	4
• Statement of Changes in Members' Equity	5
• Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Lake Moovalya Keys, Inc.
Parker, Arizona

We have reviewed the accompanying financial statements of Lake Moovalya Keys, (an Arizona C Corporation), which comprise the statement of assets, liabilities, and equity – tax basis as of December 31, 2021 and 2020, and the related statement of revenues, expenses, change in members' equity and statement of cash flows– tax basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made the financial statements for them to be in accordance with the basis of accounting the company uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the company uses for income tax purposes.

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 basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

NSC Certified Public Accountants LLC

Lake Havasu City, Arizona
December 29, 2022

LAKE MOOVALYA KEYS, INC
Statement of Assets, Liabilities, and Members' Equity - Tax Basis
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash - undesignated	\$ 152,242	\$ 100,093
Cash - designated for future repairs	16,697	9,132
Accounts receivable - members	3,490	2,775
Inventory	532	544
Total current assets	<u>172,962</u>	<u>112,544</u>
 Property, plant and equipment	 <u>150,778</u>	 <u>170,448</u>
	 <u>\$ 323,740</u>	 <u>\$ 282,992</u>
 LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Assessments received in advance	\$ 40	\$ 40
Construction and rental deposits	\$ 12,634	13,383
Total current liabilities	<u>12,674</u>	<u>13,423</u>
 Long-term debt	 \$ -	 \$ -
 Members' equity		
Undesignated	\$ 294,369	260,437
Designated for future repairs	16,697	9,132
Total members' equity	<u>311,066</u>	<u>269,569</u>
	 <u>\$ 323,740</u>	 <u>\$ 282,992</u>

See independent accountants' review report and accompanying notes to the financial statements.

LAKE MOOVALYA KEYS, INC
Statement of Revenues and Expenses - Tax Basis
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Regular assessments	\$ 258,988	\$ 223,997
Interest income	58	538
Other	5,255	3,000
Total revenue	<u>\$ 264,301</u>	<u>\$ 227,534</u>
Expenses		
General and administrative	62,833	69,723
Attorney fees	10,113	23,510
Interest - security deposits	2	339
Supplies	1,312	1,772
Insurance	7,595	8,460
Repairs and maintenance	23,501	24,157
Security	6,434	12,065
Utilities	87,342	85,323
Property taxes	4,000	3,808
Major repairs and replacements	-	-
Depreciation	19,671	29,199
Total expenses	<u>\$ 222,803</u>	<u>\$ 258,354</u>
Excess (Deficiency) of Revenues over Expenses	<u>\$ 41,498</u>	<u>\$ (30,820)</u>

LAKE MOOVALYA KEYS, INC.
Statement of Changes in Members' Equity
Years ended December 31, 2021 and 2020

Balance, January 1, 2020	\$ 300,389
Excess of revenues over expenses	(30,820)
Balance, December 31, 2020	<u>\$ 269,569</u>
Excess of revenues over expenses	41,497
Balance, December 31, 2021	<u>\$ 311,067</u>

LAKE MOOVALYA KEYS, INC
Statement of Cash Flows - Tax Basis
Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 41,498	\$ (30,820)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	(3,523)	40
Depreciation	19,671	29,199
Change in operating assets and liabilities - increase (decrease) in cash:		
Assessments receivable	2,807	1,007
Prepaid expenses and other currents assets	12	(47)
Deposits	<u>(749)</u>	<u>(62,305)</u>
Net cash (used)/provided by operating activities	<u>59,715</u>	<u>(62,926)</u>
Cash flows from investing activities:		
Boat Ramp	-	(7,800)
Net cash used by investing activities	<u>-</u>	<u>(7,800)</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	59,715	(70,726)
Cash, beginning of year	<u>109,225</u>	<u>179,951</u>
Cash, end of year	<u>\$ 168,940</u>	<u>\$ 109,225</u>
Supplemental disclosures:		
Income taxes paid	\$ 50	\$ 50

LAKE MOOVALYA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

1. ORGANIZATION AND OPERATIONS

Lake Moovalya Keys, Inc. (Association) is a not-for-profit Arizona corporation organized for the purpose of operating and maintaining the common property of Lake Moovalya Keys located in Parker, Arizona. The residential homeowner association began its operations in February 1970.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the basis of accounting used by the Association for income tax reporting. That basis differs from generally accepted accounting principles primarily due to timing of revenue recognition and because the Association depreciates property, equipment and leasehold improvements using accelerated methods and useful lives as prescribed by the Internal Revenue Service.

Revenue

During 2020, the Association imposed an annual property owners' assessment on each lot of \$720, payable quarterly. Beginning 2021, this figure was raised to \$864, payable quarterly. Other revenue includes fees normally imposed by a homeowners' association for transfers, fines, disclosures, etc.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

LAKE MOOVALYA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

Accounts Receivable - Members

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Accounts receivable at the balance sheet date are stated at the amounts expected to be collected from the outstanding assessments from lot owners. No amounts are considered to be uncollectible at December 31, 2020 and 2021.

Cash and Cash Equivalents

The Association maintains its available cash at two financial institutions. The Association's cash balances as of December 31, 2020 and 2021 did not exceed the federally insured limit.

Property, Plant and Equipment

Property, equipment and improvements are carried at cost. Depreciation of equipment and improvements is provided using accelerated methods over useful lives of the assets ranging from 5 to 39 years.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the years ended December 31, 2020 and 2021. The Association files income tax returns with both the IRS and the State of Arizona. Generally, federal and state authorities may examine the Association's tax returns for three years from the filing date and the current and prior three years (four years for the State of Arizona) remain subject to examination as of December 31, 2021.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent Events

The Company has performed a review of events subsequent to the balance sheet date through December 29, 2022, the date the financial statements were available to be issued.

LAKE MOOVALYA KEYS, INC.
Notes to Financial Statements
December 31, 2021 and 2020

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Bridges and Streets	709,830	709,830
Building, Gates, Security	55,914	55,914
Boat Ramps	7,800	7,800
Office Equipment	2,461	2,461
Land	<u>23,000</u>	<u>23,000</u>
	799,005	799,005
Less Accumulated Depreciation	(648,227)	(628,556)
	<u>\$ 150,778</u>	<u>\$ 170,449</u>

Depreciation expense was approximately \$19,671 and \$29,199 for the years ended December 31, 2021 and 2020, respectively.