

PARK IMPERIAL COMMUNITY ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED NOVEMBER 30, 2023

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
PARK IMPERIAL COMMUNITY ASSOCIATION

We have reviewed the accompanying financial statements of PARK IMPERIAL COMMUNITY ASSOCIATION which comprise the balance sheet as of November 30, 2023, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 accounting principles generally accepted in the United States of America; this includes 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.

Accountant's 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 to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are independent of the Association and meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Summarized Comparative Information

The prior-year summarized comparative information has been derived from the November 30, 2022 financial statements, which were reviewed by us. Our report dated February 3, 2023, stated that we were unaware of any material modifications that should be made to those financial statements in order for them to be in conformity with generally accepted accounting principles.

Accountant's Conclusion on the Financial Statements

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 conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on the last page be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

BECK and COMPANY, CPAs, Inc.

Palm Desert, California
March 15, 2024

**PARK IMPERIAL COMMUNITY ASSOCIATION
BALANCE SHEET
NOVEMBER 30, 2023
(With Comparative Totals for 11/30/2022)**

	2023			2022
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS:				
Cash	\$ 50,160	\$ 284,599	\$ 334,759	\$ 374,484
Assessments Receivable	7,564	10,788	18,352	52,194
Allowance for Doubtful Accounts	(5,920)	-	(5,920)	-
Due from/(to) other fund	(224,588)	224,588	-	-
TOTAL ASSETS	\$ (172,784)	\$ 519,975	\$ 347,191	\$ 426,678
LIABILITIES:				
Accounts Payable	\$ 9,045	\$ -	\$ 9,045	\$ 11,703
Prepaid Assessments	7,777	-	7,777	16,154
TOTAL LIABILITIES	16,822	-	16,822	27,857
FUND BALANCES	(189,606)	519,975	330,369	398,821
TOTAL LIABILITIES AND FUND BALANCES	\$ (172,784)	\$ 519,975	\$ 347,191	\$ 426,678

PARK IMPERIAL COMMUNITY ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED NOVEMBER 30, 2023
(With Comparative Totals for 11/30/2022)

	2023			2022
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES:				
Member Assessments	\$ 176,868	\$ 66,708	\$ 243,576	\$ 243,576
Special Assessments	-	-	-	470,090
Interest Income	10	97	107	54
Other Income	17,109	4,371	21,480	5,616
TOTAL REVENUES	193,987	71,176	265,163	719,336
EXPENSES:				
Utilities				
Electricity	14,709	-	14,709	13,594
Gas	21,835	-	21,835	13,429
Water	21,136	-	21,136	19,281
Maintenance				
Landscape Contract	42,000	-	42,000	42,000
Landscape Extras	9,725	-	9,725	12,198
Pool Contract	6,935	-	6,935	5,280
Pool Maintenance	1,493	-	1,493	2,792
Buildings & Grounds	16,720	-	16,720	11,398
Electrical Repairs	6,914	-	6,914	5,615
Pest Control	2,124	-	2,124	2,601
Administrative				
Review/Tax Prep/Rsv Study	2,125	-	2,125	1,375
Bad Debt	5,920	-	5,920	-
Insurance	30,407	-	30,407	21,481
Legal & Professional	17,108	-	17,108	135,393
Management Fee	14,400	-	14,400	12,024
Healthcare District	5,250	-	5,250	3,750
Taxes, Licenses & Permits	1,266	-	1,266	1,266
Office & Administrative	6,497	-	6,497	7,620
Major Repairs and Replacements				
Bldgs. Repairs	-	-	-	34,150
Fence/Walls/Gates	-	5,100	5,100	769
Bldgs. Roofs	-	19,550	19,550	22,300
Plumbing	-	54,990	54,990	-
Pool & Spa	-	11,403	11,403	6,580
Landscape	-	16,008	16,008	-
Contingency	-	-	-	20,069
TOTAL EXPENSES	226,564	107,051	333,615	394,965
Excess of Revenues over Expenses or (Expenses over Revenues)	(32,577)	(35,875)	(68,452)	324,371
Beginning Fund Balances	(157,029)	555,850	398,821	74,450
Net Interfund Transfers	-	-	-	-
ENDING FUND BALANCES	\$ (189,606)	\$ 519,975	\$ 330,369	\$ 398,821

See accompanying notes to financial statements

PARK IMPERIAL COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED NOVEMBER 30, 2023
(With Comparative Totals for 11/30/2022)

	2023			2022
	Operating Fund	Replacement Fund	Total Funds	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	\$ (32,578)	\$ (35,875)	\$ (68,452)	\$ 324,371
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Allowance for Doubtful Accounts	5,920	-	5,920	-
(Increase) decrease in:				
Assessments Receivable	6,145	27,697	33,842	(49,472)
Increase (decrease) in:				
Accounts Payable	(2,657)	-	(2,657)	7,768
Prepaid Assessments	(8,377)	-	(8,377)	8,684
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(31,547)	(8,178)	(39,724)	291,351
CASH FLOWS FROM FINANCING ACTIVITIES				
Due to other fund	44,027	(44,027)	-	-
Interfund transfers	-	-	-	-
Sub Total	12,480	(52,205)	(39,724)	291,351
NET INCREASE (DECREASE) IN CASH	12,480	(52,205)	(39,725)	291,350
CASH AT BEGINNING OF YEAR	37,680	336,804	374,484	83,134
CASH AT END OF YEAR	\$ 50,160	\$ 284,599	\$ 334,759	\$ 374,484
SUPPLEMENTAL DISCLOSURE				
Income taxes paid	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements

**PARK IMPERIAL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023**

NOTE 1 – ORGANIZATION

PARK IMPERIAL COMMUNITY ASSOCIATION (PICA) was incorporated on December 1959 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to act as “management body” for the preservation, maintenance and architectural control of the common areas within the project. There are 51 homes in the residential development.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the report date, which is the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis, however, the accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. The Association records both the Operating and Replacement Funds assessments as revenue when due and expenses when incurred, which, for a Homeowners Association, is in compliance with FASB ASC 606. See Footnote below for further discussion regarding ASC 606.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case-by-case basis of other facts and circumstances.

Property and Equipment

Real property and common areas acquired from the developer and related improvements are not recognized as assets on the Association’s financial statements. Expenditures for major repairs and replacements are accounted for as replacement fund expenditures for the purpose of financial reporting.

**PARK IMPERIAL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023**

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

Summarized Prior-Year Financial Information

The financial statements include certain prior-year 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. It is being shown for informational purposes only. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year ended November 30, 2022, from which the summarized information was derived.

NOTE 4 – INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and California Revenue and Taxation Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board.

NOTE 5 – FASB TOPIC ASC 606

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606 ("Topic"), *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The Association does not believe the attributes of the Topic fit with the nature, definitions, and practices of such revenues of the Association: The Association's source of revenues are dues assessments from owners not "customers" and there is not a "contract" with the owners regarding such revenues.

**PARK IMPERIAL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023**

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate interest-bearing accounts and are generally not available for operating purposes.

The Association engaged an independent consultant who conducted a study in October of 2023 to estimate the remaining useful lives and the replacement costs of the common property components.

The Association should fund such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary materially from the estimates. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds turn out to be necessary, the Association has the right to increase regular assessments, levy special assessments or delay major repairs and replacements until funds become available. The reserve study indicates inadequate funding.

NOTE 7 – DUE FROM ACCOUNT

The amount of \$235,376 in the Due from operating fund at the year ended November 30, 2023, represents un-funded reserves and direct borrowings from the reserves. Such funds by state code are considered loans and are supposed to be paid back within one year unless other arrangements are made. The Association is out of compliance with the code. In addition, the reserve study mentioned in the previous Note 6 indicates inadequate funding.

**PARK IMPERIAL COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2023**

NOTE 8 – SUB-LEASE BUYOUT

During the year ended November 30, 2022, association purchased for One Hundred Five Thousand Dollars (\$105,000.00) the PICA Sublease previously held by Brad Yochum of Sovereign Group.

Effective July 1st, 2022, all Owner Sublease payments will be covered by and paid for as part of the regular PICA annual budget, not by individual Owners. PICA Owners do remain responsible for any outstanding sublease payments (now paid to Park Imperial HOA) not previously made covering the period prior to July 1st, 2022. Owner sublease payments made in advance to Sovereign Group beyond July 1st, 2022, will be credited back to those owners on their individual HOA accounts. Either scenario will be reflected on individual HOA account statements generated by management.

Exclusive ownership of the Sublease ideally positions PICA as the sole negotiating party with the Healthcare District as to potential Fee land acquisition or Master Land lease extension. Negotiations between PICA and the Healthcare District will begin immediately.

Any such purchase or extension would be subject to full Ownership review of detail through scheduled HOA Town Hall(s) followed by a legally reviewed PICA-HOA Rules regulated Ballot Measure, to ultimately be voted on by all PICA Owners.

NOTE 9 – SPECIAL ASSESSMENT

In order to increase reserve funds, help fund the sub-lease buyout, and pursue the possibilities of acquisition or extension of the ground lease, the members voted for a per owner Special Assessment of \$9,217.45, (total \$470,000), payable between May 1, 2022, and August 1, 2022.

**PARK IMPERIAL COMMUNITY ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION
FUTURE MAJOR REPAIRS AND REPLACEMENTS
NOVEMBER 30, 2023
(UNAUDITED)**

The Association engaged an independent consultant to estimate the remaining useful lives and the replacement costs of the common area replacement components during October of 2023.

The estimates were based on inspection by the independent consultant, and the information provided by the Board of Directors, property manager and others familiar with the development. Replacement costs were based on the estimated costs to repair or replace the common area replacement components at the time 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 information is based on the study and presents significant information about the components of common property.

Category	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Annual Funding Allocation	Fully Funded Reserve Requirement
Asphalt & Concrete	0-11	\$ 96,901	\$ 7,352	\$ 54,449
Bldgs., Roofs	2-32	399,495	26,532	213,352
Bldgs., Sewer	4-4	20,000	914	4,000
Electrical & Lights	2-8	17,850	1,754	14,494
Fence & Walls	3-15	30,850	2,192	17,697
Irrigation	1-3	8,950	960	7,957
Landscape	0-0	5,000	1,390	5,000
Mailbox Area	6-9	8,300	687	5,700
Paint	0-9	90,450	10,706	62,863
Pool & Spa, West	1-18	70,950	5,657	43,675
Pool, East	1-15	48,550	4,222	33,452
Wood Repairs	5-9	71,400	4,343	32,083
TOTALS		\$ 868,696	\$ 66,709	\$ 494,720

For the year ended November 30, 2023, the annual budgeted allocation to replacements is \$66,708 and the cash/cash equivalent/investments in replacement funds as of November 30, 2023, total \$284,599.

California Civil Code requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary. The report must be available to all owners. Although the code does not require adequate funding, disclosure must be made.

Due from operating fund: There are un-funded reserves and loans from the reserves to the operating account, see Note 7.

The reserve study indicates “inadequate funding”.