

AUDITED

Dreamland Villa Retirement Community
Profit & Loss YTD Comparison
 December 2022

	Dec 22	Jan - Dec 22
Ordinary Income/Expense		
Income		
4000 · Annual Fee Revenue		
4000.1 · Annual Fee Revenue	0.00	298,239.72
4000.2 · Payment Plan for dues	20.00	4,186.90
4000.3 · Pro-rated Dues	0.00	2,139.43
Total 4000 · Annual Fee Revenue	20.00	304,566.05
4001 · 55+ Donation Income		
4001.1 · Membership Annual Drive Income	10,599.55	21,199.10
Total 4001 · 55+ Donation Income	10,599.55	21,199.10
4003 · Donations - Unrestricted	4,509.75	20,709.60
4101 · Read Hall Event/Kitchen Income	296.30	1,796.84
4200 · Farnsworth Hall Income	0.00	1,365.00
4207 · Entertainment Farnsworth Hall		
4207.1 · Ticket Sales	0.00	5,410.75
4207.2 · Line Dancing	0.00	450.00
4408 · Kitchen Income Farnsworth	0.00	182.33
Total 4207 · Entertainment Farnsworth Hall	0.00	6,043.08
4208 · Entertainment-TAD		
4208.1 · Ticket Sales	823.00	5,913.00
4208.2 · Lease Payment	2,500.00	30,887.00
4208.3 · Utility Reimbursement	1,050.75	17,525.04
Total 4208 · Entertainment-TAD	4,373.75	54,325.04
4300 · Administrative Related Income		
4002 · Transfer & Escrow Fees	2,400.00	49,300.00
4100 · Read Hall Rental Income	1,892.32	17,041.67
4300.1 · Escrow Fees	1,200.00	27,710.00
4300.2 · Commissions	160.00	749.81
4300.3 · Kee Card Replacement	0.00	410.00
4300.4 · Defendant Legal Fees Contrib	192.60	3,364.69
4501 · Activity Fees	70.00	1,214.10
Total 4300 · Administrative Related Income	5,914.92	99,790.27
4400 · Restricted Accounts Income		
4403.1 · High Tea Income	1,677.52	3,708.83
4403.2 · Special Events Income	0.00	18,439.06
4404.1 · Social Committee	202.08	716.93
4404.2 · Concerts Income	0.00	4,265.44
4406 · Pickleball Income	0.00	347.21
4407 · Woodshop Income	0.00	462.43
4400 · Restricted Accounts Income - Other	4,761.77	4,761.77
Total 4400 · Restricted Accounts Income	6,641.37	32,701.67
4502 · Interest Earned	13.97	176.59
4503 · Crown Castle Lease Income	1,200.00	14,400.00
Total Income	33,569.61	557,073.24
Gross Profit	33,569.61	557,073.24
Expense		
5001 · 55+ Compliance Expense		
5001.1 · Affidavit Compliance	0.00	3,042.47
Total 5001 · 55+ Compliance Expense	0.00	3,042.47
5300 · Admin & Office Expenses		
5300.1 · Postage	296.10	1,838.00
5300.2 · Copy Machine Expense	190.60	2,801.91

The accompanying footnotes are an integral part of the DVRC calendar year 2022 financial statements.

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5300.3 · Office Supplies	697.85	6,651.97
5300.4 · Subscriptions/Fees/Monitoring	0.00	1,168.44
5300.5 · Telephone & Internet Expenses	305.94	2,162.63
5300.6 · Accounting Expense	950.00	5,044.27
5300.7 · Notary Setup	0.00	555.06
5300.8 · Permits, Licenses & Fees	0.00	85.00
5300.9 · Advertising	0.00	389.47
5300.95 · Computer Systems	969.25	3,830.76
5300.96 · Undocumented Disbursements	0.00	1,449.64
5501.1 · Property Tax	0.00	15.66
5501.5 · Income Tax Expense	0.00	-396.00
5502 · Bank Charges	12.00	23.00
5503 · Credit Card Fees	381.20	2,870.97
5601.1 · Website Expense	285.83	872.03
5601.2 · Citizen	550.00	3,300.00
5801 · Legal Expense	1,433.41	42,188.53
5900 · Insurance		
5900.1 · Fire Protection	0.00	8,225.53
5900.2 · General Insurance	0.00	42,707.00
Total 5900 · Insurance	0.00	50,932.53
6400.1 · Internet	98.22	1,771.34
Total 5300 · Admin & Office Expenses	6,170.40	127,555.21
5350 · Membership Marketing Expense	0.00	6,210.14
5400 · Restricted Accounts Expense		
5403 · Fundraiser Expense		
5403.1 · High Tea Expense	0.00	728.52
5403.2 · Special Events Expenses	0.00	7,235.73
Total 5403 · Fundraiser Expense	0.00	7,964.25
5404 · Member Rentention Exp		
5404.1 · Social Committee Expenses	158.53	340.78
5404.2 · Concert Expenses	0.00	4,161.44
Total 5404 · Member Rentention Exp	158.53	4,502.22
5406 · Pickleball Expense	0.00	347.21
5407 · Woodshop Expense	87.99	550.42
Total 5400 · Restricted Accounts Expense	246.52	13,364.10
5701 · Vehicle Expense	80.00	2,064.76
6100 · Read Hall Expenses		
6100.1 · Read Kitchen Exp	58.77	2,171.01
Total 6100 · Read Hall Expenses	58.77	2,171.01
6200 · Farnsworth Hall Expenses		
5408 · FH Only Kitchen Expenses	0.00	182.33
6200 · Farnsworth Hall Expenses - Other	0.00	468.57
Total 6200 · Farnsworth Hall Expenses	0.00	650.90
6201 · Bldg & Grounds Maintenance		
6201.1 · Parts & Building Repair	123.83	3,012.48
6201.2 · Consumable Supplies	335.03	7,192.38
6201.3 · Contractor Work	1,127.50	13,984.82
Total 6201 · Bldg & Grounds Maintenance	1,586.36	24,189.68
6207 · Entertainmt Expense Farnsworth		
6207.1 · General Expense-Ent. FH	0.00	7,676.45
6207.3 · Concession Exp Ent. FH	0.00	134.14
Total 6207 · Entertainmt Expense Farnsworth	0.00	7,810.59

The accompanying footnotes are an integral part of the DVRC calendar year 2022 financial statements.

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6300 · Swimming Pools Expenses		
6300.1 · Gas - Pools	8,608.53	52,819.69
6300.2 · Pool Repairs	0.00	5,110.03
6300.3 · Pool Chemicals	1,103.38	12,075.45
6300.4 · Pool / Hot Tub Permits	0.00	1,360.00
Total 6300 · Swimming Pools Expenses	9,711.91	71,365.17
6400 · Utilities		
6400.2 · Electric	1,981.13	32,443.81
6400.3 · Water/Sewer	1,903.41	22,571.15
6400.4 · Trash Collection	136.13	2,522.36
6400.5 · Gas-Farnsworth Kitchen	0.00	184.47
Total 6400 · Utilities	4,020.67	57,721.79
7000 · Payroll & Related Expenses		
7001 · Salaries & Wages	12,121.50	170,060.43
7002 · Employer Tax Expense	987.26	18,894.09
7003 · Employee Benefits	750.00	1,265.44
7004 · Workers Comp Ins.	88.90	926.66
7005 · Payroll Processing	15.75	1,453.39
7050 · Contract Agency	4,506.94	7,162.00
Total 7000 · Payroll & Related Expenses	18,470.35	199,762.01
Total Expense	40,344.98	515,907.83
Net Ordinary Income	-6,775.37	41,165.41
Other Income/Expense		
Other Income		
1250 · Gain of Sale	175.00	2,317.00
Total Other Income	175.00	2,317.00
Net Other Income	175.00	2,317.00
Net Income	-6,600.37	43,482.41

AUDITED**Dreamland Villa Retirement Community****Balance Sheet**

As of December 31, 2022

	<u>Dec 31, 22</u>
ASSETS	
Current Assets	
Checking/Savings	
1010 · Checking Account	161,842.62
1011 · Petty Cash	920.00
1200 · Capital Reserve Account	<u>320,890.05</u>
Total Checking/Savings	483,652.67
Other Current Assets	
12000 · Undeposited Funds	<u>386.70</u>
Total Other Current Assets	386.70
Total Current Assets	484,039.37
Fixed Assets	
1100 · Equipment	98,980.71
1110 · Land	69,174.00
1120 · Buildings	877,114.00
1130 · Building Improvements	234,578.00
1140 · Swimming Pools	164,506.00
1150 · Furniture and Fixtures	35,841.13
1170 · Accumulated Depreciation	<u>-1,265,237.00</u>
Total Fixed Assets	214,956.84
TOTAL ASSETS	<u>698,996.21</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2000 · Advance Dues Payments	130,646.00
2001 · 55+ Donations Restricted	4,152.00
2100 · Facility Use Deposits	
2100.1 · Farnsworth Hall Deposits	2,500.00
2100.2 · Read Hall Deposits	500.00
2409 · 2023 Contributions	<u>5,110.96</u>
Total 2100 · Facility Use Deposits	8,110.96
Total Other Current Liabilities	142,908.96
Total Current Liabilities	142,908.96
Total Liabilities	142,908.96
Equity	
3030 · Retained Earnings	512,604.84
Net Income	<u>43,482.41</u>
Total Equity	556,087.25
TOTAL LIABILITIES & EQUITY	<u>698,996.21</u>

FOOTNOTES TO DREAMLAND VILLA RETIREMENT COMMUNITY'S CALENDAR YEAR 2022 FINANCIAL STATEMENTS

BALANCE SHEET

Sale of 5502 E Butte Street, Mesa, AZ: real property.

Dreamland Villa Retirement Community (DVRC) sold its former library building, closing date December 15, 2021. At 12/31/2021, \$52,500 owed to the IRS and the State of Arizona, was accrued, account 2200, as Income Tax expense reducing 2021's Total Equity. The taxes on the sale were not paid until October 2022.

In October 2022 the 2021 taxes were paid: IRS (\$31,863 including \$699 in late payment penalties) and Arizona Department of Revenue (\$7,321), for a total of \$39,184. The remaining portion of 2021's Accrued Income Taxes Payable (\$13,316) reduced the 2022 Profit and Loss Statement's Income Tax Expenses.

In October 2022, \$12,920 of estimated calendar year 2022 IRS Taxes (Form 990-T) was paid. As a result, the Profit and Loss Statement's Income Tax Expense account (5501.1) has a credit balance of \$396 (\$13,316 accrued in 2021 less the \$12,920 paid for 2022.)

The CPA firm preparing calendar year 2021 tax returns recommended reducing the Balance Sheet's Buildings, account 1120, by \$40,000, the basis of the sold asset, and decreasing the Accumulated Depreciation – Buildings, account 1170, by \$40,000.

The CPA firm also calculated \$46,140 for calendar year 2021 depreciation. The calendar year 2021 depreciation expense was recorded as an increase to Accumulated Depreciation: Buildings, Balance Sheet account 1170 and reduced the 2021 Total Equity, account 3030, by \$46,140.

Fixed Assets. Assets were reclassified at 12/31/2022 to better match the category description and the Depreciation Schedule. The value of the total assets and the Net Book Value did not change. The account title *Leasehold Improvements* was changed to *Building Improvements* to better describe the reported assets.

Undeposited Funds, GL Account 12000: \$386.70. DVRC is now using the Intuit Merchant Services credit card system integrated into the QuickBooks accounting system. When a credit card scan is made in the DVRC Office, the transaction is recorded as Undeposited Funds. Typically with the QuickBooks/Merchant Services System, the bank records the deposit the next bank work day.

DVRC's Restricted Funds. In prior years Restricted Funds held for specific activities have been reported as a deferred liability on the Balance Sheet. Revenue was recognized when the activity incurred expenses. Per the instructions of the CPAs who prepared the 2020 and 2021 tax returns, restricted fund donations have been reported as 2022 revenue. A supplemental schedule documents the cash held in reserve for the restricted funds.

PROFIT & LOSS STATEMENT

Postage Machine Lease. In December 2021, an employee signed a 63-month lease (\$3,264) for a postage machine. The long-term lease was not approved by the Board of Directors. The current directors are attempting to eliminate the lease payment.

Undocumented Disbursements. The July credit card statement had \$445.45 of undocumented Amazon charges. Similar undocumented purchases were observed in the August 2022 credit card statement. Petty cash had two calculator tapes totaling \$606, but also had no documentation. Additional petty cash funds were missing without any documentation. Attempts by the Board of Directors to obtain the missing documentation or reimbursement for the missing funds have been unsuccessful.

Income Tax Expense. The credit balance for income tax expense has been explained in the above section titled: *Sale of 5502 E Butte Street, Mesa, AZ: real property.*

FOOTNOTES TO DREAMLAND VILLA RETIREMENT COMMUNITY'S CALENDAR YEAR 2022 FINANCIAL STATEMENTS

2021 AUDIT COMMITTEE REPORT

Footnotes. The two footnotes addressed on page one of the 2021 Audit Committee Report were included in the December 31, 2021 Financial Statements posted to the DVRC website.

Bank Reconciliation and Undeposited Funds. Since July 2022, the QuickBooks accounting records have been reconciled monthly to the bank statements without variances or unreconciled items.

Depreciation Expense. Depreciation is a non-cash flow expense. It will be posted to the 2022 financial statements when the CPA firm completes the 2022 tax returns and calculates the 2022 tax expense.

Approval and Documentation of Disbursements. The process for approving disbursements to July 15, 2022, remained the same as during calendar year 2021. Commencing July 18, 2022 a new process of approving disbursements paid by check or petty cash was implemented.

Checks. A few checks with one signature were issued during the first portion of 2022, the same issue as reported for CY 2021. Starting July 18, 2022, all checks had the two signatures as required by the By Laws.

Procedures Manual. The bookkeeping procedures manual in place during the 2021 audit has not been updated. The bookkeeping process has been evolving with the introduction of the Intuit credit card scanner integrated into QuickBooks, revisions to the Chart of Accounts, changes to restricted funds accounting and reformatting the Statement of Profit and Loss.

ADDITIONAL DISCLOSURE

Disputed Legal Invoices. DVRC has \$54,896.22 in unpaid invoices for 2022 services billed by the law firm of Carpenter, Hazlewood, Delgado and Bolen. DVRC's Board of Directors is of the opinion that the legal services were provided for the personal benefit of two former directors, not for the benefit of the corporation. The unpaid invoices have not been reported in these financial statements.

The long-serving DVRC bookkeeper resigned April 1, 2022.

Independently, on April 1, 2022 the DVRC's Board of Directors President changed.

On July 16, 2022, the general membership, by a vote of 245 to 5, removed two directors who were also the new and former Presidents.

At the July 16, 2022 general membership meeting, the general membership installed a new board of directors who became responsible for DVRC's financial activity starting July 18, 2022.

Using DVRC funds, claiming to represent DVRC's corporate entity and represented by the corporate counsel, the two removed directors sued the five new directors as individuals. The Court ruled that their lawsuit was without merit, dismissing it with prejudice.

From July 2022 through November 2022, the DVRC monthly financial statements disclosed unusual, questionable or noteworthy financial transactions that took place from April 1st to July 15th as a result of the actions or lack thereof by the removed directors, corporate counsel and an improperly supervised employee.

Calendar Year 2022 Financial Statement Footnotes prepared by Ward Jennings, Director and
Secretary/Treasurer, DVRC Board of Directors.

CY 2022 MONEY MARKET (MM) ACCOUNT TRANSACTIONS

Beginning Balance: November 26, 2021	\$181,453.28
Deposit: Sale of 5502 E Butte St Building	\$175,000.13
Wire Transfer Fee	-\$11.00
December 28, 2021 Interest	\$8.19
Balance at 12/31/2021	\$356,450.60
Interest: January 1 to December 31, 2022	\$176.59
Subtotal:	\$356,627.19
<u>ADDITION TO MONEY MARKET ACCOUNT:</u>	
2022 Annual Fees Earned during CY 2022	\$304,566.05
10% of Earned Annual Fees (1)	\$30,456.61
Total Money Market Funds Available - CY 2022	\$387,083.80
<u>DISBURSEMENTS FROM MONEY MARKET ACCOUNT:</u>	
<u>(MM Account Reimbursement to Operating Funds)</u>	
Sale of 5502 E Butte St Building:	
IRS Taxes	\$31,863.00
AZ DOR Taxes	\$7,321.00
Total Taxes Paid:	\$39,184.00
Capital Improvements:	
WIN-PAC Door Access System	\$8,059.75
RH Pool Heater	\$5,200.00
RH Parking Lot Seal	\$9,750.00
RH Pool Area Metal Roof	\$4,000.00
Total 2022 Capital Improvements	\$27,009.75
Total CY 2022 Disbursements	-\$66,193.75
Ending Balance: December 31, 2022:	\$320,890.05

FOOTNOTE:

- 1 DVRC's policy has been to transfer 10% of the annual fees to the Money Market Account. For CY 2022 this task was completed on 12/31/2022.

**DREAMLAND VILLA RETIREMENT COMMUNITY
RESTRICTED FUNDS ACCOUNTING**

For the Period Ending: **December 31, 2022**

<u>Acct No.</u>	Balance Sheet at 12/1/2022	<u>December 2022</u>		Recorded as CY 2022 Unrestricted Revenue	Balance Sheet at 12/31/2022
		<u>Receipts</u>	<u>Disburse- ments</u>		
Restricted Funds					
2001 55+ Donations	\$13,456.55	\$1,295.00	\$10,599.55	B	\$4,152.00
2401 Block Watch	\$205.06			B	\$205.06
2402 Bocce Ball	\$548.31			B	\$548.31
2403.1 High Tea (A)	\$1,677.52			\$1,677.52	\$0.00
2403.4 Social Committee	\$862.95		\$202.08	B	\$660.87
2403.5 Free Concert Series (A)	\$1,300.00			\$1,300.00	\$0.00
2405 Nature Walk	\$1,087.41	\$120.00		B	\$1,207.41
2406 Pickleball	\$1,419.55			B	\$1,419.55
2407 Woodshop	\$515.32		\$87.99	B	\$427.33
Total: Restricted Funds	<u>\$21,072.67</u>	<u>\$1,415.00</u>	<u>\$10,889.62</u>	<u>\$2,977.52</u>	<u>\$8,620.53</u>

Crossfooting: \$8,620.53

- A Funds moved to Unrestricted Donations Revenue at 12/31/2022. At the time of donation there was no specified purpose. In addition, the committee is now inactive.
- B According to the CPAs who prepared the DVRC 2020 & 2021 tax returns, restricted funds should be recorded as revenue in the year of receipt. Funds held in trust for a specific activity shall be shown in a supplemental worksheet.