

**ANTHEM COMMUNITY COUNCIL, INC.**

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FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2022 AND 2021  
AND FOR THE YEARS THEN ENDED



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**ANTHEM COMMUNITY COUNCIL, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Anthem Community Council, Inc.

### Opinion

We have audited the accompanying financial statements of Anthem Community Council, Inc. (an Arizona Corporation), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anthem Community Council, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anthem Community Council, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Anthem Community Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Anthem Community Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anthem Community Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited the Anthem Community Council's December 31, 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on page 17, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Butler Hansen, PLC*

Gilbert, Arizona  
March 17, 2023

**ANTHEM COMMUNITY COUNCIL, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2021)**

	<u>OPERATING</u> <u>FUND</u>	<u>RESERVE</u> <u>FUND</u>	<u>ENHANCEMENT</u> <u>FUND</u>	<u>TOTAL</u> <u>2022</u>	<u>TOTAL</u> <u>2021</u>
<b><u>ASSETS</u></b>					
Cash	\$ 4,184,162	\$ 616,614	\$ 44,250	\$ 4,845,026	\$ 7,084,368
Certificates of Deposit	502,785	59,861	268,580	831,226	325,237
Investments	1,111,516	14,761,647	1,178,849	17,052,012	18,027,622
Accounts Receivable, Net of Allowance of \$267,884 and \$248,320, 2022 and 2021, respectively	106,887	-	-	106,887	66,913
Related Party Receivables	2,290	-	-	2,290	969
Interest Receivable	-	9,396	-	9,396	9,396
Prepaid Expenses	203,179	-	-	203,179	185,428
Property and Equipment, Net	16,444,845	-	-	16,444,845	16,352,248
Interfund Balance	(183,692)	(12,468)	196,160	-	-
<b>TOTAL ASSETS</b>	<b>\$ 22,371,972</b>	<b>\$ 15,435,050</b>	<b>\$ 1,687,839</b>	<b>\$ 39,494,861</b>	<b>\$ 42,052,181</b>
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 344,571	\$ 182,171	\$ -	\$ 526,742	\$ 901,670
Accrued Expense	82,307	-	-	82,307	38,552
Accrued Payroll	162,384	-	-	162,384	115,594
Accrued PTO	121,170	-	-	121,170	90,552
Income Tax Payable	6,000	-	-	6,000	17,950
Prepaid Assessments	933,698	-	-	933,698	1,039,763
Prior Owner Credit Balances	48,061	-	-	48,061	48,061
Deferred Revenue	85,994	-	-	85,994	54,172
Related Party Payables	581,820	-	-	581,820	666,889
Other Liabilities	12,825	-	-	12,825	34,837
<b>TOTAL LIABILITIES</b>	<b>2,378,830</b>	<b>182,171</b>	<b>-</b>	<b>2,561,001</b>	<b>3,008,040</b>
<b><u>FUND BALANCES</u></b>					
Operating Fund	19,993,142	-	-	19,993,142	20,057,118
Reserve Fund	-	15,252,879	-	15,252,879	17,209,523
Enhancement Fund	-	-	1,687,839	1,687,839	1,777,500
<b>TOTAL FUND BALANCES</b>	<b>19,993,142</b>	<b>15,252,879</b>	<b>1,687,839</b>	<b>36,933,860</b>	<b>39,044,141</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 22,371,972</b>	<b>\$ 15,435,050</b>	<b>\$ 1,687,839</b>	<b>\$ 39,494,861</b>	<b>\$ 42,052,181</b>

See accompanying notes to the financial statements.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2021)**

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>ENHANCEMENT FUND</u>	<u>TOTAL 2022</u>	<u>TOTAL 2021</u>
<b>REVENUES</b>					
Homeowner Assessments	\$ 8,730,694	\$ -	\$ -	\$ 8,730,694	\$ 8,505,790
Commercial Assessments	685,101	-	-	685,101	657,609
Classes, Programs and Event Revenues	1,513,883	-	-	1,513,883	1,316,376
Lease Revenue	192,008	-	-	192,008	180,503
Collection Costs	229,439	-	-	229,439	211,028
Property Resales	267,490	-	-	267,490	385,240
Enhancement Fees	-	-	1,073,017	1,073,017	1,354,480
Miscellaneous Income	31,059	-	-	31,059	14,261
Gain (Loss) on Asset Disposal	63,388	-	-	63,388	-
Investment and Interest Income	(84,439)	(684,930)	(51,501)	(820,870)	(37,004)
<b>TOTAL REVENUES</b>	<u>11,628,623</u>	<u>(684,930)</u>	<u>1,021,516</u>	<u>11,965,209</u>	<u>12,588,283</u>
<b>EXPENSES</b>					
Administrative	4,196,177	-	-	4,196,177	4,196,251
Program Costs	476,118	-	-	476,118	410,538
Utilities	820,360	-	-	820,360	855,884
Repairs and Maintenance	2,598,450	-	-	2,598,450	1,676,192
Depreciation	1,051,222	-	-	1,051,222	957,478
Contract Services	1,950,050	-	-	1,950,050	1,871,706
Taxes	17,121	-	-	17,121	18,000
Major Repairs and Replacements	-	2,961,431	-	2,961,431	2,195,437
Enhancement Expense	-	-	4,561	4,561	4,719
<b>TOTAL EXPENSES</b>	<u>11,109,498</u>	<u>2,961,431</u>	<u>4,561</u>	<u>14,075,490</u>	<u>12,186,205</u>
<b>EXCESS REVENUES (EXPENSES)</b>	519,125	(3,646,361)	1,016,955	(2,110,281)	402,078
<b>FUND BALANCES</b>					
<b>BEGINNING OF YEAR</b>	20,057,118	17,209,523	1,777,500	39,044,141	38,642,063
<b>TRANSFERS BETWEEN FUNDS</b>					
Transfers to Reserves	(2,012,272)	2,012,272	-	-	-
Transfer to Operating	400,000	-	(400,000)	-	-
Capital Fixed Asset Transfers	1,029,171	(322,555)	(706,616)	-	-
<b>TOTAL TRANSFERS BETWEEN FUNDS</b>	<u>(583,101)</u>	<u>1,689,717</u>	<u>(1,106,616)</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 19,993,142</u>	<u>\$ 15,252,879</u>	<u>\$ 1,687,839</u>	<u>\$ 36,933,860</u>	<u>\$ 39,044,141</u>

See accompanying notes to the financial statements.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2021)**

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>ENHANCEMENT FUND</u>	<u>TOTAL 2022</u>	<u>TOTAL 2021</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Excess Revenues (Expenses)	\$ 519,125	\$ (3,646,361)	\$ 1,016,955	\$ (2,110,281)	\$ 402,078
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities					
Depreciation Expense	1,051,222	-	-	1,051,222	957,478
Bad Debt Expense	62,637	-	-	62,637	(43,330)
Realized (Gain) Loss on Investments	-	61,122	3,003	64,125	(13,589)
Unrealized (Gain) Loss on Investments (Increase)/Decrease In	119,060	989,614	72,889	1,181,563	-
Accounts Receivable	(102,613)	-	-	(102,613)	46,641
Related Party Receivables	(1,321)	-	-	(1,321)	424
Interest Receivable	-	-	-	-	2,205
Prepaid Expenses	(17,751)	-	-	(17,751)	(15,770)
Increase/(Decrease) In					
Accounts Payable	65,519	(252,986)	(187,461)	(374,928)	489,860
Accrued Expense	43,755	-	-	43,755	(19,293)
Accrued Payroll	46,790	-	-	46,790	20,968
Accrued PTO	30,618	-	-	30,618	(26,352)
Income Tax Payable	(11,950)	-	-	(11,950)	17,950
Prepaid Assessments	(106,065)	-	-	(106,065)	(1,934)
Prior Owner Credit Balances	-	-	-	-	(51,939)
Deferred Revenue	31,822	-	-	31,822	17,999
Related Party Payables	(85,069)	-	-	(85,069)	(869)
Other Liabilities	(22,012)	-	-	(22,012)	22,360
Net Cash Provided (Used) by Operating Activities	<u>1,623,767</u>	<u>(2,848,611)</u>	<u>905,386</u>	<u>(319,458)</u>	<u>1,804,887</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Purchases of Certificates of Deposit	(500,000)	-	-	(500,000)	-
Reclassification of Certificates of Deposit	268,326	-	(268,326)	-	(57,382)
Purchases of Investments	-	(252,132)	-	(252,132)	(437,472)
Maturities of Investments	-	-	-	-	8,909
Reinvested Interest	(23,681)	-	(254)	(23,935)	(203)
Purchase of Fixed Assets	(1,143,817)	-	-	(1,143,817)	(881,743)
Net Cash Provided (Used) by Investing Activities	<u>(1,399,172)</u>	<u>(252,132)</u>	<u>(268,580)</u>	<u>(1,919,884)</u>	<u>(1,367,891)</u>

(CONTINUED)

See accompanying notes to the financial statements.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2021)**

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>ENHANCEMENT FUND</u>	<u>TOTAL 2022</u>	<u>TOTAL 2021</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>					
Capital Fixed Asset Transfers	1,029,171	(322,555)	(706,616)	-	-
Transfers to Reserve Fund	(2,012,272)	2,012,272	-	-	-
Transfers to Operating Fund	400,000	-	(400,000)	-	-
Change in Interfund Balances	(654,595)	164,955	489,640	-	-
Net Cash Provided (Used) by Financing Activities	<u>(1,237,696)</u>	<u>1,854,672</u>	<u>(616,976)</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,013,101)	(1,246,071)	19,830	(2,239,342)	436,996
<b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>5,197,263</u>	<u>1,862,685</u>	<u>24,420</u>	<u>7,084,368</u>	<u>6,647,372</u>
<b>CASH BALANCE, END OF YEAR</b>	<u>\$ 4,184,162</u>	<u>\$ 616,614</u>	<u>\$ 44,250</u>	<u>\$ 4,845,026</u>	<u>\$ 7,084,368</u>
 <b><u>SUPPLEMENTARY INFORMATION</u></b>					
Income Taxes Paid	\$ -				\$ 50
Interest Paid	\$ -				\$ -

See accompanying notes to the financial statements.



**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 1 - NATURE OF THE ORGANIZATION**

Anthem Community Council, Inc. (the "Council"), a nonprofit corporation, was incorporated on January 12, 1999, under the general non-profit laws of the State of Arizona. The Council was established to provide management, maintenance and preservation of the common areas and other property owned by the Council or property placed under its jurisdiction. The Council is located in Anthem, Arizona. At December 31, 2022, the Council consisted of 10,305 residential units and various commercial properties that include Bela Rosa Apartments and two assisted living homes. The Council is managed by a paid staff, with the Board of Directors providing oversight and policy making. The Board of Directors also approves and implements an annual financial budget from which the Council operates.

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

Fund Accounting

The Council'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 Council 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 Council.

Reserve Fund

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

Enhancement Fund

The Enhancement Fund is used to account for financial resources collected at the close of escrow from Community Enhancement Fees. The funds shall be used for purposes the Board deems beneficial for the general good and welfare of the Anthem community.

Accounts Receivable

The annual budget and member assessments are approved by the Board of Directors. Council members are subject to quarterly assessments to provide funds for the Council's operating expenses, future capital acquisitions, and major repairs and future replacements. Assessments receivable at December 31, 2022, represent fees due from homeowners. The Council accounts for receivables on the cost basis. Receivables are considered late at 15 days and delinquent at 30 days, at which time the Council pursues collection. Receivables are reviewed regularly and the Council establishes an allowance for doubtful accounts which covers receivables for assessments, legal costs and other fees based on an estimate of accounts which will not be fully collected. Accounts are written-off when a homeowner enters bankruptcy or foreclosure. Any excess assessments at year end are retained by the Council for use in the succeeding year.

Prepaid Assessments and Revenue Recognition

Payments received by the Council prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Council and are classified as Prepaid Assessments. Revenue from assessments, allocated to either the operating or reserve fund, is recognized as the performance obligation to maintain the community and to provide ongoing services is considered completed, generally on a monthly basis.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

For statement of cash flows purposes, the Council 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 certificates of deposit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates for the allowance for receivables are based on the Allowance Method.

Property and Equipment

In accordance with American Institute of Certified Public Accountants guidelines, the Council capitalizes all common real property to which it has title or other evidence of ownership and either:

- (1) can dispose of the property, at the discretion of its Board of Directors, for cash or claims to cash and it can retain the proceeds,
- or -
- (2) the property is used to generate significant cash flows from the members on the basis of usage.

The Council capitalizes all personal property it acquires with a cost of \$10,000 or more. Purchased personal property and equipment is recorded at cost and depreciated using the straight-line depreciation method over the useful lives of the property.

Certificates of Deposit

The Council invests in Certificates of Deposit that generally mature in three years or less. The Council intends to hold certificates of deposit until maturity. Certificates of deposit are recorded at cost.

Common Property

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

Date of Management's Review

Subsequent events have been evaluated through March 17, 2023, which is the date the financial statements were available to be issued.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

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

Investments

The Council's investments include corporate bonds, municipal bonds, mutual funds and US government agency securities made in accordance with the Council's Investment Policy approved by the Board of Directors.

The investments are classified as available for sale. The instruments are initially recorded at cost and subsequently presented on the financial statements at their fair value. In accordance with generally accepted accounting principles, any realized gain or loss in the fair market value of these types of securities, subsequent to their purchase, is recognized in the period in which they were realized unless an unrealized gain or loss had been recognized as income in a prior year.

Fair Value Measurements

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value as the price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. FASB ASC 820 establishes a framework for measuring fair value by creating a hierarchy for observable independent market inputs and unobservable market assumptions, prioritized as follows:

- Level 1 Inputs – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – observable market data, generally other than quoted prices.
- Level 3 Inputs – significant unobservable data.

Generally accepted accounting principles require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by fund balance class. Prior period summarized financial information has been presented for comparison with current period amounts. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2021 from which the summarized information was derived. While the summarized information in the current year financial statements from 2021 is not in conformance with GAAP, the December 31, 2021 financial statements were prepared in conformance with GAAP.

Sales Tax

The Council is located in an area where governmental units impose a sales tax on certain sales. The Council collects those sales taxes from its customers and remits the entire amount to the various governmental units.

Advertising Costs

The Council charges to expense the costs of advertising as incurred. Advertising expense for the year ended December 31, 2022 and 2021 was \$8,863 and \$16,680, respectively.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at December 31, 2022 and 2021:

	2022	2021
Assessments Receivable	\$ 96,265	\$ 81,291
Other Charges	196,869	182,593
Community Programs	56,910	28,751
Other Receivables	24,727	22,598
Total Gross Receivables	374,771	315,233
Less: Reserve for Bad Debt	(267,884)	(248,320)
Total Net Receivables	\$ 106,887	\$ 66,913

Total bad debt expense for the years ended December 31, 2022 and 2021, totaled \$62,637 and (\$43,330), respectively. Accounts receivable past due greater than 90 days at December 31, 2022 and 2021, totaled \$267,884 and \$248,320, respectively.

**NOTE 4 - ASSESSMENTS**

Council property owners are subject to annual assessments, billed on a periodic basis, to provide funds for the Council's operating expenses and major repairs and replacements. Assessment revenue allocated to the operating and reserve funds is recognized as the related performance obligation is satisfied for transaction amounts expected to be collected. The Council's performance obligation related to annual assessments, billed on a periodic basis, is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding homeowners' assessments. The Council's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are sixty days or more delinquent. Any excess assessments at year end are retained by the Council for use in the succeeding year. There is a maximum annual assessment defined in the Council's governing documents.

Residential Assessments

The assessments for the residential parcels are to provide funds for the Council's operating expenses and future major repairs and replacements. The actual billed assessment rates, on a quarterly basis, in 2022 and 2021 were \$211.50 and \$205.50 per unit, respectively. Residents within The Village at Anthem Condominium Council of Co-Owners, Inc. were billed assessments, on a quarterly basis, in 2022 and 2021 of \$143.40 and \$139.50 per unit, respectively.

Benefitted Assessments (Paseo)

Homeowners within Paseo were billed quarterly benefitted assessments of \$147 and \$139.50 during 2022 and 2021, respectively.

Commercial Assessments

Non-Residential owners are subject to annual assessments based on acreage. During 2022 and 2021, Non-Residential owners were billed \$634.50 and \$616.50 per acre, respectively. In addition, Bela Rosa Apartments and the two assisted living homes are subject to assessments based on 2/3 of the annual assessment rate and are billed based on the number of apartment units or beds. During 2022 and 2021, Bela Rosa Apartments and assisted living homes were billed quarterly at \$141.07 and \$137.07 per unit or bed, respectively.

**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021)**

**NOTE 4 – ASSESSMENTS (CONTINUED)**

At December 31, 2022, the Council had delinquent assessments of \$96,265. It is the opinion of the Board of Directors that the Council will ultimately prevail against the majority of the homeowners with delinquent assessments.

The Council treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Council's control. The balances of assessments receivable as of the beginning and end of the year are \$81,291 and \$96,265, respectively.

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

The Council's primary source of revenue is member assessments, which are earned on assessable lots or parcels located within a small geographic area. Member assessments, enhancement fees (Note 13) 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 Council monitors the collectability of these receivables and pursues collection as needed. Should the Council's collection efforts be unsuccessful, the Council 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 Council places cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. The Council also maintains investment accounts in a brokerage account, which are covered up to \$500,000, limited to \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At December 31, 2022, deposits with certain financial institutions, designated as cash and cash equivalents and investments, exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), or other types of insurance programs.

**NOTE 6 - CORPORATE INCOME TAX**

The Council has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(4) of the Internal Revenue Code for exempt function income earned. A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when required. The Council had a federal and state tax liability for the year ended December 31, 2022. The Council did not make an accrual for income taxes at December 31, 2022 because the amount due is immaterial to the financial statements. Federal and state income taxes disbursed in the current year for the prior year were \$0 and \$0, respectively.

**NOTE 7 - UNCERTAIN TAX POSITIONS**

The Council accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Council 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 positions for the year ending December 31, 2022.

**ANTHEM COMMUNITY COUNCIL, INC.**  
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**NOTE 7 - UNCERTAIN TAX POSITIONS (CONTINUED)**

The Council 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 Council's financial condition, net income or cash flows. Accordingly, the Council has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2022.

The Council is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Council 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 - COMPENSATED BALANCES**

Full-time employees accrue Paid Time Off/Paid Sick Time (PTO/PST) beginning on their date of hire. PTO/PST cannot be used until the 90<sup>th</sup> calendar day after their hire. PTO/PST is accrued per pay period, based on the length of service of the employee. A maximum of 160 hours of PTO/PST can be rolled over year to year. Any unused, accrued PTO/PST is paid out to employees at the time of termination. For the years ended December 31, 2022 and 2021, the Council had recorded a liability for earned but unpaid PTO/PST of \$121,170 and \$90,552, respectively.

Part-time employees are provided earned paid sick time (PST) by the Council. Employees accrue one hour of PST for every 30 hours worked with a maximum of 40 hours of earned PST per year.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Council enters into various contracts for services. Generally, the contracts are for terms of one to five years and can be canceled by either party with 30 to 90 day notifications.

**NOTE 10 - RETIREMENT PLANS**

The Council's employees at least 21 years of age have the opportunity to participate in a 401(k) retirement plan after three months of continuous employment. Participating employees may elect to contribute, on a tax deferred basis, a portion of their compensation, with the Council contributing a 100% match of the employee's first 4% contribution. The Council made matching contributions to the plan of \$79,167 and \$73,899 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 11 - CERTIFICATES OF DEPOSIT**

At December 31, 2022, the Council had \$831,226 in certificates of deposit. The certificates of deposit outstanding at December 31, 2022, mature in 2023, and earn interest at rates ranging from .95% to 2.23%.

**NOTE 12 - ENHANCEMENT FEES**

Enhancement fees are collected from the sale of residential property within the Anthem community based on a percentage of the gross sales price of the property. The percentage charged for residential property resales is ¼ of 1%. In accordance with FASB ASC 606, Revenue from Contracts with Customers, the Association recognizes related revenue when its performance obligation for these related services is satisfied. The performance obligation is satisfied upon the closing of the homes. During the years ended December 31, 2022 and 2021, the Council recorded Enhancement fee revenue of \$1,073,017 and \$1,354,480, respectively.

**ANTHEM COMMUNITY COUNCIL, INC.**  
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**NOTE 13 - PROPERTY AND EQUIPMENT**

Depreciable property and equipment in use as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 210,848	\$ 210,848
Land Improvements	10,249,059	10,249,059
Buildings	22,638,614	22,603,009
Equipment	1,194,859	1,073,000
Furniture and Fixtures	126,072	126,072
Dog and Skate Park	3,483,243	1,949,653
Pickleball Courts	817,822	817,822
Vehicles	486,269	324,047
Crosswalk – Meridian Drive	15,599	15,599
Construction in Progress	<u>9,605</u>	<u>766,032</u>
Total Property and Equipment, Gross	39,231,990	38,135,141
Less: Accumulated Depreciation	<u>(22,787,145)</u>	<u>(21,782,893)</u>
Total Property and Equipment, Net	<u>\$ 16,444,845</u>	<u>\$ 16,352,248</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$1,051,222 and \$957,478, respectively.

**NOTE 14 - RELATED PARTY TRANSACTIONS**

The Council assumes responsibility for billing and collection of assessments for Anthem Country Club Community Association, Inc. (Country Club), Anthem Parkside Community Association, Inc. (Parkside) and The Village at Anthem Condominium Council of Co-Owners, Inc (the Village). As a result, the Council acted as an agent between the Associations and homeowners paying assessments. The funds collected by the Council are subsequently transferred to the Associations each month. In addition, there are expenses paid by the Council on behalf of the Associations during the year that the Associations are obligated to reimburse to the Council. The Associations also pay expenses on behalf of the Council that are reimbursed throughout the year by the Council.

The Council is also responsible for servicing all resales within the Anthem community. Per the agreement between the Council and Associations dated January 13, 2015, the Council is to remit \$75 from each closing to the Associations. For the years ended December 31, 2022 and 2021, the Council remitted transfer fees to the Associations in the amount of \$52,322 and \$75,548, respectively. In addition to the transfer fees, the Council also collects the Anthem Country Club's enhancement fee of .25% of the gross sales price on all resales. For the years ended December 31, 2022 and 2021, the Council remitted enhancement fees to the Country Club in the amount of \$316,423 and \$471,427, respectively

Country Club

At December 31, 2022, the Council recorded a receivable of \$290 and a payable of \$345,758 from related party activity with the Country Club. At December 31, 2021, the Council recorded a receivable of \$250 and a payable of \$396,969 related to Country Club activity.

**ANTHEM COMMUNITY COUNCIL, INC.**  
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**NOTE 14 - RELATED PARTY TRANSACTIONS (CONTINUED)**

Parkside

At December 31, 2022, the Council recorded a receivable of \$2,000 and a payable of \$176,867 from related party activity with Parkside. At December 31, 2021, the Council recorded a receivable of \$719 and a payable of \$206,012 related to Parkside activity.

Village

At December 31, 2022, the Council recorded a payable of \$59,195 from related party activity with the Village. At December 31, 2021, the Council recorded a payable of \$63,908 related to Village activity.

**NOTE 15 - RESERVE FUND**

The Council accumulates funds for future major repairs and replacements; at December 31, 2022 and December 31, 2021, these funds were \$15,252,879 and \$17,209,523, respectively, and are held in separate accounts and are not available for operating purposes.

In 2018, the Council's Board of Directors engaged a firm to conduct studies to estimate the remaining useful lives and replacement costs of the common property components. The reserve studies were completed on October 24, 2018. The Council is funding future major repairs and replacements based on the studies' 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 Council 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 16 - INVESTMENTS**

Investments consisted of the following at December 31, 2022:

	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Enhancement Fund</b>	<b>Total</b>
Bonds	\$ -	\$ 10,958,108	\$ 1,178,849	\$ 12,136,957
Mutual Funds	-	3,803,539	-	3,803,539
US Agency Securities	1,111,516	-	-	1,111,516
<b>Total Investments</b>	<b>\$ 1,111,516</b>	<b>\$ 14,761,647</b>	<b>\$ 1,178,849</b>	<b>\$ 17,052,012</b>

	<b>Operating Fund</b>	<b>Reserve Fund</b>	<b>Enhancement Fund</b>	<b>Total</b>
Cost	\$ 1,230,096	\$ 16,036,458	\$ 1,266,556	\$ 18,533,110
Unrealized Gain (Loss)	(118,580)	(1,274,811)	(87,707)	(1,481,098)
<b>Fair Value</b>	<b>\$ 1,111,516</b>	<b>\$ 14,761,647</b>	<b>\$ 1,178,849</b>	<b>\$ 17,052,012</b>



**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 – INVESTMENTS (CONTINUED)**

Assets measured at fair value on a recurring basis are comprised of available for sale securities – corporate bonds, municipal bonds and securities, totaling \$17,052,012 at December 31, 2022. The fair value is determined by reference to quoted market prices and other relevant information generated by market transactions, as follows at December 31, 2022:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Available for Sale Securities –			
Bonds	\$ 12,136,957	\$ -	\$ -
Mutual Funds	3,803,539	-	-
US Agency Securities	1,111,516	-	-
Total	<u>\$ 17,052,012</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 17 - LEASE INCOME**

The Council has entered into four cell tower lease agreements with unrelated third parties. The lease agreements range from 15 to 20-year terms that extend through 2033. The cell tower leases are summarized below.

	<u>AT&amp;T</u>	<u>Dish</u>	<u>T-Mobile</u>	<u>Verizon</u>
Payments	Monthly	Monthly	Monthly	Monthly
Annual Increase	15%	15%	15%	\$150
Extensions	Four Five-Year	Four Five-Year	Four Five-Year	Four Five-Year
Extensions	Tenant Option	Tenant Option	Tenant Option	Tenant Option

In January 2013, the Council entered into an 18-year lease agreement with the Maricopa County Sheriff's office (MCSO) to rent 2,900 square feet of office space at 3701 West Anthem Way, Anthem, AZ. The lease requires monthly payments based on square footage. During 2022, the lease required monthly payments of \$5,196 from January to June and \$5,256 from July to December. The lease expires on June 30, 2031 and carries an option to renew the lease for an additional 15-year term.

Approximate future minimum lease payments to be received under leases as of December 31, 2022 are:

Years Ending December 31,	
2023	\$ 198,659
2024	214,135
2025	231,499
2026	173,695
2027	125,681
Thereafter	<u>828,604</u>
Total Remaining	<u>\$ 1,772,273</u>

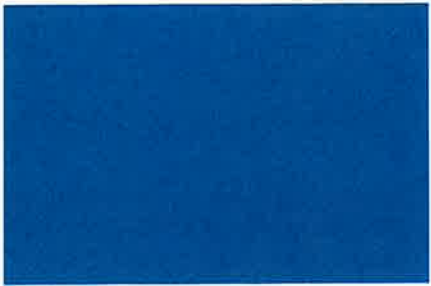
**ANTHEM COMMUNITY COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 17 - LEASE INCOME (CONTINUED)**

For the years ending December 31, 2022 and 2021, the Council recorded lease income of \$192,008 and \$180,503, respectively.

**NOTE 18 - CLASSES, PROGRAMS AND EVENT REVENUE PERFORMANCE OBLIGATIONS**

The Association receives revenue from members related to various events and classes. In accordance with FASB ASC 606, Revenue from Contracts with Customers, the Association recognizes related revenue when its performance obligation for these related services is satisfied. The performance obligation is satisfied as classes and events are completed. For the year ended December 31, 2022, the Association recognized \$1,513,883 in classes, programs and event revenue, and reported a \$56,910 accounts receivable balance and a \$85,994 deferred revenue balance. For the year ended December 31, 2021, the Association recognized \$1,316,376 in classes, programs and event revenue, and reported a \$28,751 accounts receivable balance and a \$54,172 deferred revenue balance.



**ANTHEM COMMUNITY COUNCIL,  
INC.**

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SUPPLEMENTARY  
INFORMATION



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**ANTHEM COMMUNITY COUNCIL, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
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The Council's Board of Directors engaged a firm to conduct a study to estimate the single replacement costs of certain common property components. The study was completed on October 24, 2018. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current single 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.

<u>Component</u>	<u>Current Remaining Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Reserve Fund Balance December 31, 2022</u>
General	1 to 19	\$ 2,000,000	\$ -
Civic Building	0 to 48	2,983,772	-
Community Center	0 to 25	4,937,036	-
Liberty Bell Park	0 to 18	288,142	-
Community Park	0 to 20	3,356,254	-
Opportunity Way Park	1 to 28	828,800	-
Facilities Maintenance	0 to 12	736,390	-
Country Club HOA	0 to 13	1,729,007	-
Parkside HOA	1 to 15	2,323,772	-
Unallocated		-	15,252,879
<b>Totals</b>		<b>\$ 19,183,173</b>	<b>\$ 15,252,879</b>

See independent auditor's report.