



AGENDA

BOARD OF DIRECTORS MEETING
Wednesday, July 29, 2020 2pm
ELECTRONIC MEETING

Directors: Don Weaver (President), Mike Zelenak (Vice President), Donna Coon (Treasurer), Beverly Tobiason (Assistant Secretary), Randy Howard (Assistant Treasurer), Christine Gallegos, Mark Kelley, Bev Lawless, Mark McIntosh, Charlie Sieck, Sandra Thornton, Gail Vanderhoof, Jen Morningstar (non-voting)

	Agenda Topic	Board Member	Exhibit	Action
I.	Call to Order / Quorum			
II.	Adopt Agenda	Weaver	X	X
III.	Consent Calendar A. Minutes July 1, 2020 B. Financial Statements June 2020	Weaver	X X	X
IV.	New Business A. Election of Officer - Secretary B. GVR Foundation Donor Recognition Wall C. East Center Pool Replacement D. Fitness Equipment Outdoors E. Pickleball Center Amenities F. Springs HOA Paving Project	Weaver Counter Howard / Zelenak Zelenak Coon Morningstar	X X X X	X X X X X X
V.	Committee Reports A. Board Affairs B. Fiscal Affairs C. Investments 1. Investment Policy Statement D. Nominations & Elections E. Planning & Evaluation F. Policy Governance 1. Owner Linkages G. CEO Search	Gallegos Coon Lawless McIntosh Howard Tobiason Howard	X	X
VI.	Member Comments			
VII.	Adjournment			X

**In accordance with GVR Bylaws, all meetings of the Board at which official business of The Corporation is transacted, with the exception of meetings limited to personnel and/or legal matters, shall be open to all members of The Corporation. An executive session "placeholder" is added to each Regular Meeting Board agenda should the Board have personnel and/or legal matters to address. Meetings shall be governed by Roberts Rules of Order unless otherwise determined by the Board of Directors.*



A regular meeting of the GREEN VALLEY RECREATION, INC. BOARD OF DIRECTORS held Wednesday, July 1, 2020 by teleconference. The President being in the chair and the Secretary being present.

Directors Present by Remote: Don Weaver (President), Mike Zelenak (Vice President), Christine Gallegos (Secretary), Donna Coon (Treasurer), Beverly Tobiason (Assistant Secretary), Randy Howard (Assistant Treasurer), Mark Kelley, Bev Lawless, Mark McIntosh, Charles Sieck, Sandra Thornton, Gail Vanderhoof, Jen Morningstar (Interim CEO) (non-voting)

Visitors: 35

I. Call to Order / Establish Quorum

President Weaver called the meeting to order at 2:00pm MST.
Roll call by Secretary Gallegos; Quorum established.

II. Adopt Agenda

MOTION: Coon / Seconded. Adopt Agenda as amended.
Passed: unanimous

III. Consent Calendar

MOTION: Gallegos / Seconded. Approve Consent Calendar as presented:

- **May 20, 2020 Meeting Minutes**
- **Financial Statements: April 30, 2020**
- **Financial Statements: May 31, 2020**

Passed: unanimous

IV. Committee Reports

A. Planning & Evaluation – Director Howard gave further updates on Canoa Hills Clubhouse, the East Center Pool replacement, and the Clay Studio expansion.

B. Fiscal Affairs – Director Coon reported Fiscal Affairs met on May 29 in a work session and on June 16, 2020 in a regular meeting.

1. Pickleball Center Final Accounting

MOTION: Coon / Seconded. GVR Board of Directors approves the transfer of \$823,063.00 from the Initiatives Reserve Fund to the Operations Reserve Fund to complete the funding requirements for the Pickleball Center Project.

Passed: 8 yes / 4 no (Kelley, Sieck, Thornton, Vanderhoof)

C. Investments – Director Lawless reported there is a new Investment Policy Statement (IPS) in progress.

D. CEO Search Committee – Director Howard reported.

1. Search Firm Contract

MOTION: Howard / Seconded. GVR Board of Directors accepts the proposal from Ralph Andersen & Associates to perform the search for the new CEO for GVR for a fixed fee of \$34,750.00 including

administrative expenses, plus an added contingency of \$5,000.00 for any travel expenses required.

Passed: unanimous

- E. Board Affairs – Director Gallegos gave the report. Board Affairs met May 28 in a work session and June 11 in a regular meeting. The next meeting is scheduled for July 9, 2020.
 - F. Nominations & Elections – Director McIntosh reported on a new format for the candidate forums. The committee received a legal opinion on the usage of GVR facilities for candidates.
 - G. Policy Governance – Director Tobiason gave an update on the committee’s activities. The next committee meeting is July 7 at 10:00 a.m. The committee recommends setting a date of September 1, 2020 for moving to full Policy Governance compliance and discontinuing any previous traditional or generic governing practices.
- V. **New Business**
- A. Policy Governance as Ad Hoc Committee
MOTION: Weaver / Seconded. GVR Board of Directors accepts to move the Policy Governance BA Subcommittee from under Board Affairs to an Ad Hoc Committee for up to one (1) year.
Passed: 8 yes / 3 no (Gallegos, Lawless, Zelenak) / 1 abstain (Kelley)
 - B. GVR Foundation Bylaws
MOTION: Coon / Seconded. GVR Board supports the replacement of the Amended and Restated Bylaws of GVR Foundation adopted January 26, 2017 with the 2nd Amended and Restated Bylaws of GVR Foundation.
Passed: unanimous
 - C. Chase Bank Statutory Agent
MOTION: Morningstar / Seconded. GVR Board of Directors put the transfer of GVR checking accounts and merchant services from Chase Bank to Bank of America on hold until a future date.
Passed: unanimous
- VI. **GVR Foundation Report** - GVRF President Jim Counter gave an update:
- GVRF is planning for 2020 Senior Games.
 - 2021 GVRF Pickleball Tournaments are scheduled for the fall of 2021.
 - Design and construction of a Donor Wall is nearing completion by the fall of 2020.
 - Request for GVR to accept the proposed 2nd Amended and Restated GVRF Bylaws.
 - Request for GVR to complete a 2020 MAP Request for Funding Grant, along with a GVR support letter for the Member Assistance Program (MAP).
MOTION: Sieck / Seconded. GVR Board approves submitting a grant request to GVRF for the Member Assistance Program (MAP) and approves sending a letter of support to GVRF to assist in raising MAP funds.
Passed: unanimous
- VII. **Member Comments** - 3
- VIII. **Adjournment** – Meeting adjourned at 3:30pm.



Green Valley Recreation, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

The accompanying pages are the Financial Reports for June 30, 2020. The four statements are:

Statement of Financial Position.

This is also known as a Balance Sheet or the Statement of Net Assets.

Statement of Activities

Also known as an Income and Expense statement. This report shows the types of Income, the categories of expense and the unrealized Investment Market changes for the year to date. The bottom line in this report is the net for all the reserve accounts maintained by GVR.

Statement of Changes in Net Assets

This report displays the financial activity of the four reserves that make up the Net Assets of Green Valley Recreation. These reserves are:

Unrestricted - These net assets include the Fixed Assets (land, buildings and equipment), undesignated current assets less the current liabilities and deferred revenue items.

Emergency - Designated by the Board of Directors, this reserve is held to provide liquidity when needed for operational emergencies.

Maint - Repair - Replacement - designated by the Board of Directors, this reserve is the accumulation of assets in support of the Reserve Study which is mandated for Common Interest Realty Associations like Green Valley Recreation. Annual amounts are budgeted and transferred into this reserve for the purposes of the name of this reserve.

Initiatives - This reserve is designated by the Board of Directors to help with the funding for new programs that evolve from member interests and demands. Innovation in programming enables GVR to respond to member expectations.

Investment Portfolios

This report displays the market values of investments at the beginning of the year, the dollar amounts of changes that occurred from January 1st to the date of the financial statements. The unrealized gain or loss on market value changes is shown on a separate line to result in the market value of investments as of the reporting month end. The investments related to each of the Reserves (Unrestricted and Designated) are included in separate columns.



Green Valley Recreation, Inc. Statement of Financial Position

As of Date: June 30, 2020 and Dec 31, 2019

	June 30, 2020		Dec 31, 2019	
	Total		Total	
ASSETS				
Current Assets				
Cash/Cash Equivalents		1,432,141		2,505,270
Accounts Receivable		363,257		221,922
Prepaid Expenses		125,241		313,753
Unamortized Deferred Compensation		289,423		-
Designated Investments (Charles S./SBH)				
Emergency - Fund	821,554	(1)	880,329	(16)
MRR - Fund	7,889,829	(2)	7,055,756	(18)
Initiatives - Fund	1,387,586	(3)	2,500,602	(17)
Total Designated Investments (CS/SBK)	10,098,968	(4)	10,436,687	(18)
Undesignated Invest. (JP Morgan)	4,133,453	(5)	3,274,640	(19)
Investments		14,232,422		13,711,327
Total Current Assets		16,442,484		16,752,273
Fixed Assets				
Contributed Fixed Assets		18,017,085		17,593,785
Purchased fixed Assets		22,412,969		21,995,051
Sub-Total		40,430,054		39,588,836
Less - Accumulated Depreciation		(22,748,026)		(21,918,638)
Net Fixed Assets		17,682,028		17,670,198
Total Assets		34,124,512		34,422,471
LIABILITIES				
Current Liabilities				
Accounts Payable		525,799		494,370
Deferred Dues & Fees		3,380,612		4,331,532
Deferred Programs		43,193		285,935
Compensation Liability		289,423		-
Total Current Liabilities		4,239,028		5,111,837
TOTAL NET ASSETS		29,885,485		29,310,634.66
NET ASSETS				
Temporarily Designated:				
Board Designated:				
Emergency	821,554	(9)	880,329	(23)
Maint - Repair - Replacement	7,889,829	(10)	7,055,756	(24)
Initiatives	1,387,586	(11)	2,500,602	(25)
Sub-Total	10,098,968	(12)	10,436,687	
Unrestricted Net Assets		19,211,666		18,873,948
Net change Year-to-Date		574,850		-
Unrestricted Net Assets		19,786,516		18,873,948
TOTAL NET ASSETS		29,885,485		29,310,635



Green Valley Recreation, Inc. Summary Statement of Activities

6 month period ending June 30, 2020

	Actual	Budget to Date	%
REVENUES:			
Member Dues	\$ 3,375,676	\$ 3,358,563	0.5%
Life Care, Guest Cards, Transfer, Tenant & Add'l Card Fees	359,055	392,580	(8.5%)
New Member Capital/Initial Fees	1,191,809	1,500,527	(20.6%)
Recreation Income	330,778	543,981	(39.2%)
Cell Tower Lease / Advertising Income	89,449	61,526	45.4%
Investment Income/Realized Gains	151,324	165,732	(8.7%)
Other Revenue	132,134	145,738	(9.3%)
Total Revenues	5,630,225	6,168,646	(8.7%)
EXPENSES:			
Facilities & Equipment	1,738,909	1,999,622	13.0%
Personnel	2,219,913	2,355,684	5.8%
Program	383,355	592,210	35.3%
Communications	86,097	82,126	(4.8%)
Operations	251,907	272,383	7.5%
Corporate Expenses	300,665	325,212	7.5%
Total Expenses	4,980,846	5,627,237	11.5%
Net Change in Net Assets from Operations	649,379	541,408	19.9%
From Investment Activity:			
Net Unrealized Market Value Change	(74,529)	(26)	
Net Excess (Deficiency) GVR (All Reserves)	\$ 574,850	(27)	541,408



GREEN VALLEY RECREATION, INC.

Green Valley Recreation, Inc. Summary Statement of Activities

YTD Period: 6 month period ending June 30, 2020

FY Budget Period: Jan 1, 2020 - Dec 31, 2020

	PRIOR YEAR COMPARISON				BUDGET COMPARISON				Fiscal Year Budget	Remaining FY Budget
	2019 YTD Actual	2020 YTD Actual	Year to Year Variance	%	YTD Actual	YTD Budget	YTD Variance	%		
Revenue										
Member Dues	3,357,722	3,375,676	17,955	1%	3,375,676	3,358,563	17,114	1%	6,717,125	3,341,449
L.C., Trans., Crd Fees.	484,481	359,055	(125,427)	(26%)	359,055	392,580	(33,525)	(9%)	618,000	258,945
Capital Revenue	1,322,671	1,191,809	(130,862)	(10%)	1,191,809	1,500,527	(308,718)	(21%)	2,535,200	1,343,391
Programs	177,021	122,200	(54,822)	(31%)	122,200	240,673	(118,474)	(49%)	336,000	213,800
Instructional	270,154	208,578	(61,577)	(23%)	208,578	303,307	(94,729)	(31%)	460,000	251,422
Recreational Revenue	447,176	330,778	(116,398)	(26%)	330,778	543,981	(213,203)	(39%)	796,000	465,222
Investment Income	144,410	151,324	6,914	5%	151,324	165,732	(14,408)	(9%)	377,651	226,326
Advertising Income	48,069	69,030	20,961	44%	69,030	44,587	24,444	55%	110,000	40,970
Cell Tower Lease Inc.	17,992	20,419	2,427	13%	20,419	16,939	3,480	21%	36,000	15,581
Comm. Revenue	66,061	89,449	23,388	35%	89,449	61,526	27,923	45%	146,000	56,551
Other Income	64,808	47,404	(17,404)	(27%)	47,404	76,784	(29,380)	(38%)	100,500	53,096
Facility Rent	50,372	20,817	(29,555)	(59%)	20,817	65,954	(45,137)	(68%)	100,000	79,183
Marketing Events	-	-	-	0%	-	3,000	(3,000)	(100%)	3,000	3,000
In-Kind Contributions	-	63,913	63,913	0%	63,913	-	63,913	0%	-	(63,913)
Other Revenue	115,180	132,134	16,954	15%	132,134	145,738	(13,604)	(9%)	203,500	71,366
Total Revenue	5,937,701	5,630,225	(307,476)	(5%)	5,630,225	6,168,646	(538,421)	(9%)	11,393,476	5,763,251
Expenses										
Major Proj.-Rep. & Maint.	407,275	150,165	257,110	63%	150,165	136,046	(14,118)	(10%)	265,148	114,983
Facility Maintenance	82,380	236,528	(154,148)	(187%)	236,528	320,009	83,481	26%	704,554	468,026
Fees & Assessments	9,914	(1,550)	11,464	116%	(1,550)	8,660	10,210	118%	78,716	80,266
Utilities	479,705	410,648	69,057	14%	410,648	489,014	78,366	16%	892,031	481,382
Depreciation	808,545	829,388	(20,843)	(3%)	829,388	885,721	56,333	6%	1,869,644	1,040,256
Furniture & Equipment	177,153	88,815	88,337	50%	88,815	113,245	24,430	22%	264,764	175,949
Vehicles	37,096	24,914	12,181	33%	24,914	46,926	22,012	47%	73,624	48,710
Facilities & Equipment	2,002,068	1,738,909	263,159	13%	1,738,909	1,999,622	260,713	13%	4,148,481	2,409,572
Wages, Benfts., PR Exp.	2,291,235	2,210,838	80,398	4%	2,210,838	2,308,260	97,423	4%	4,616,520	2,405,683
Conferences & Training	29,613	9,075	20,538	69%	9,075	47,424	38,349	81%	88,000	78,925
Personnel	2,320,849	2,219,913	100,936	4%	2,219,913	2,355,684	135,772	6%	4,704,520	2,484,608
Food & Catering	19,829	14,324	5,505	28%	14,324	24,798	10,474	42%	45,031	30,707
Recreation Contracts	385,223	303,684	81,539	21%	303,684	482,272	178,588	37%	632,750	329,066
Bank & Credit Card Fees	70,748	65,347	5,402	8%	65,347	85,140	19,793	23%	96,146	30,799
Program	475,800	383,355	92,445	19%	383,355	592,210	208,854	35%	773,927	390,571
Communications	46,017	52,095	(6,078)	(13%)	52,095	53,140	1,045	2%	104,149	52,054
Printing	34,752	33,372	1,380	4%	33,372	23,987	(9,385)	(39%)	94,497	61,125
Advertising	-	630	(630)	0%	630	5,000	4,370	87%	5,000	4,370
Communications	80,769	86,097	(5,328)	(7%)	86,097	82,126	(3,971)	(5%)	203,646	117,549
Supplies	138,370	91,036	47,333	34%	91,036	170,195	79,159	47%	344,127	253,090
Postage	8,557	8,392	165	2%	8,392	5,958	(2,434)	(41%)	18,500	10,108
Dues & Subscriptions	4,661	5,158	(497)	(11%)	5,158	3,388	(1,771)	(52%)	8,102	2,944
Travel & Entertainment	6,508	4,768	1,740	27%	4,768	6,696	1,928	29%	16,580	11,812
Other Operating Expense	698	142,553	(141,855)	(20,312%)	142,553	86,146	(56,407)	(65%)	178,260	35,707
Operations	158,794	251,907	(93,113)	(59%)	251,907	272,383	20,475	8%	565,568	313,661
Information Technology	45,297	30,690	14,607	32%	30,690	41,466	10,776	26%	114,900	84,210
Professional Fees	131,833	109,943	21,890	17%	109,943	159,043	49,100	31%	311,749	201,806
Commercial Insurance	106,779	160,008	(53,229)	(50%)	160,008	112,703	(47,305)	(42%)	280,000	119,992
Taxes	-	25	(25)	0%	25	-	(25)	0%	18,000	17,975
Provision for Bad Debt	12,288	-	12,288	100%	-	12,000	12,000	100%	24,000	24,000
Corporate Expenses	296,198	300,665	(4,468)	(2%)	300,665	325,212	24,547	8%	748,649	447,983
Expenses	5,334,478	4,980,846	353,631	7%	4,980,846	5,627,237	646,391	11%	11,144,791	6,163,945
Gross surplus(Rev-Exp)	603,224	649,379	46,155	8%	649,379	541,408	107,970	20%	248,685	(400,694)
Unrea. Gain/Loss on Invest.	430,908	(74,529)	(505,436)		(74,529)	-	(74,529)		-	74,529
Net from Operations	1,034,131	574,850	(459,281)	(44%)	574,850	541,408	33,442	6%	248,685	(326,165)



Green Valley Recreation, Inc.
Statement of Changes in Net Assets
As of Date: June 30, 2020 and Dec 31, 2019

	Totals	Unrestricted		Emergency Reserve Fund	Maint - Repair - Replacement Reserve Fund	Initiatives Reserve Fund
		Unrestricted	Fixed Assets			
Net change in net assets-GVR	574,850 (13)	574,850	-	-	-	-
Transfers between unrestricted and reserves:						
Reserve Study Allocation	-	-	-	-	-	-
Principal Transfers	-	(1,218,515)	-	-	1,005,942	212,573
Depreciation	-	829,388	(829,388)	-	-	-
Purchase & Contributed Fixed Assets	-	(187,483)	841,218	-	(274,908)	(378,827)
Withdrawals	-	1,092,976	-	(15,000)	(65,374)	(1,012,602)
Allocations of Net Change components:						
Investment income	-	(128,501)	-	6,413	95,099	26,989
Investment Expenses	-	32,888	-	(2,211)	(22,703)	(7,975)
Unrealized Gains (Losses) on Market	-	(94,864)	-	(47,978)	96,017	46,825
Repairs and replacements	-	-	-	-	-	-
Net Change to June 30, 2020	574,850 (13)	900,739	11,830	(58,776)	834,073	(1,113,016)
Net Assets at, Dec 31, 2019	29,310,635 (22)	1,203,749	17,670,198 (21)	880,329 (23)	7,055,756 (24)	2,500,602 (25)
Net Assets as at, June 30, 2020	29,885,485 (8)	2,104,488	17,682,028 (7)	821,554 (9)	7,889,829 (10)	1,387,586 (11)

19,786,516

(14)

10,098,968 (12)

Footnotes refer to Statement of Financial Position and Statement of Activities



Green Valley Recreation, Inc.
Investment Portfolios
Changes and Market Values
Beginning of Year and Current Month End

	Totals	Unrestricted	Emergency Reserve Fund	Maint - Repair - Replace Reserve Fund	Initiatives Reserve Fund
Balance Dec 31, 2019 (at Market)	13,711,327 (20)	3,274,640 (19)	880,329 (15)	7,055,756 (16)	2,500,602 (17)
Changes since Jan 1, 2019:					
Principal additions	2,718,515	1,500,000	-	1,005,942	212,573
Investment income	156,707	28,206	6,413	95,099	26,989
Withdrawals	(2,246,711)	(500,000)	(15,000)	(340,282)	(1,391,429)
Investment Expenses	(32,888)	-	(2,211)	(22,703)	(7,975)
Net Change for 6 Months	595,623	1,028,206	(10,798)	738,057	(1,159,842)
Balance before Market Change at June 30, 2020	14,306,950	4,302,846	869,531	7,793,812	1,340,760
6 months Change in Unrealized Gain/(Loss)	(74,529) (26)	(169,393)	(47,978)	96,017	46,825
Balance at June 30, 2020 (at Market)	\$ 14,232,422 (6)	4,133,453 (5)	821,553.61 (1)	7,889,829 (2)	1,387,586 (3)

10,098,968 (12)

Footnotes refer to Statement of Financial Position and Statement of Activities



EXHIBIT

GVR Pickleball Center – Sport Court Amenities

Overview

As part of a complete and typical outdoor racquet sport court center, certain amenities are expected by GVR members. It is typical that these amenities are additional to a construction project and not included within the scope of work of a construction contract. Though some amenities, such as benches and trash/recycling receptacles, may be called out in the designs of a project, they are often valued engineered out of the final approved construction contract.

Also, typical, the primary users of a court facility offer valuable guidance in specific and sport particular products that may function and perform in more favorable capacities than those specified by an architect or designer.

As part of the development process of the GVR Pickleball Center, staff and the GVR Pickleball Design Group meet several times throughout the center development process to discuss specific amenities. Reasoning, functionality and experience with product performance were weighed by both staff and Design Group representatives in compiling a wish list of amenities that are specific to a well-functioning and properly adorned outdoor sport court facility for all GVR members.

Thanks to a \$50,000 grant to the GVR Foundation in 2018 from the Freeport-McMoRan Foundation applied to construction of Pickleball Center restrooms, funds previously authorized by the Board for the Pickleball Center are available for procurement of some amenities.

A few sport courts wish list amenities items are presented in the table below:

GVR PICKLEBALL CENTER - WISH LIST	
Amenity	Estimated Costs
Exterior benches	\$11,000
Windscreens	\$9,000
Exterior Trash and Recycling Receptacles	\$7,600
Inner-court Safety-fence Top Cap Protectors	\$6,200
Backboard/practice wall	\$4,800
Bulletin boards/message centers/directories	\$4,700
Flag pole and flag(s)	\$4,500
Estimated Costs	\$47,800

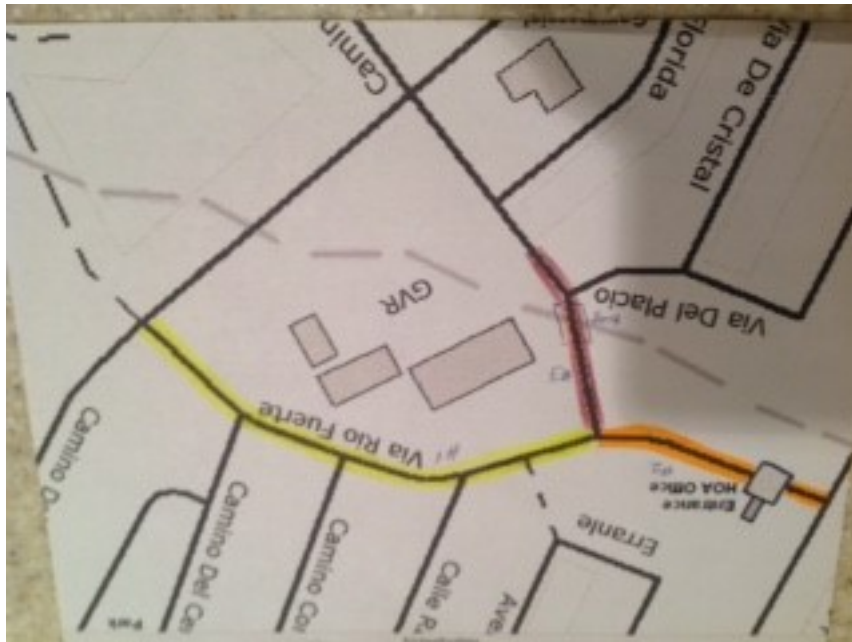
Recommendation

Endorse expenditure of up to \$50,000 from the \$1.25M Board-authorized funding for the Pickleball Center.



Request from The Springs HOA Board and Capital Preserve Committee for GVR Financial Assistance to Maintain Roads around GVR's Santa Rita Springs Center.

A formal request was received from the Springs Homeowners Association for financial assistance from GVR to help maintain the HOA's roads that surround GVR's Santa Rita Springs Center.





The Springs Homeowners Association

951 West Via Rio Fuerte

Green Valley, AZ 85614

Phone: 520.648-1699

February 5, 2020

Kent Blumenthal, GVR Chief Executive Officer

David Jund, GVR Director of Facilities, Aaron Young, GVR Senior Maintenance Supervisor

Denise Nichols, GVR Director and Chair of Planning and Evaluation Committee

Don Weaver, GVR Director and Member of Planning and Evaluation Committee

Dear GVR Leaders and Staff,

As representatives of The Springs at Santa Rita HOA, we are writing to continue the facilitation of discussion regarding expenses for the maintenance of the roads adjacent to The Springs GVR buildings and parking lots.

The Springs is unique in its setting with privately owned and maintained roads surrounding the GVR facility. Hundreds of GVR members utilize these roads daily.

Rebecca Keenan, President of The Springs HOA, has made several attempts (6) to come to a resolution regarding sharing of costs of our road repairs, without success.

It was indicated by Mr. Jund (October 9, 2018), "I will speak to my CEO and CFO tomorrow about the shared expense of street maintenance. I believe it is something we will accommodate. I want to be sure that belief is correct. I will write back to you as soon as I have confirmation of how we are to address this maintenance subject."

Road repair on Fuerte is to begin in 2021. It is in everyone's best interest to plan ahead and organize repairs to allow ample time to get budgets in line and be considerate of those GVR members who enter on our roads each day (to use the popular Clay Studio, Computer Club, Camera Club, Art League, meeting rooms, pool, and fitness facility).

We have included a map which indicates the roads which are appropriate for financial sharing.

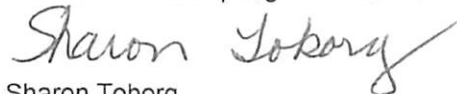
This is a formal request for assistance from GVR for The Springs HOA Board and Capital Reserve Committee. We are in the planning stage of our 2021 expenditures. A reply to our request by February 24, 2020 would be appreciated.

Thanking you in advance for GVR's cooperation in this matter,



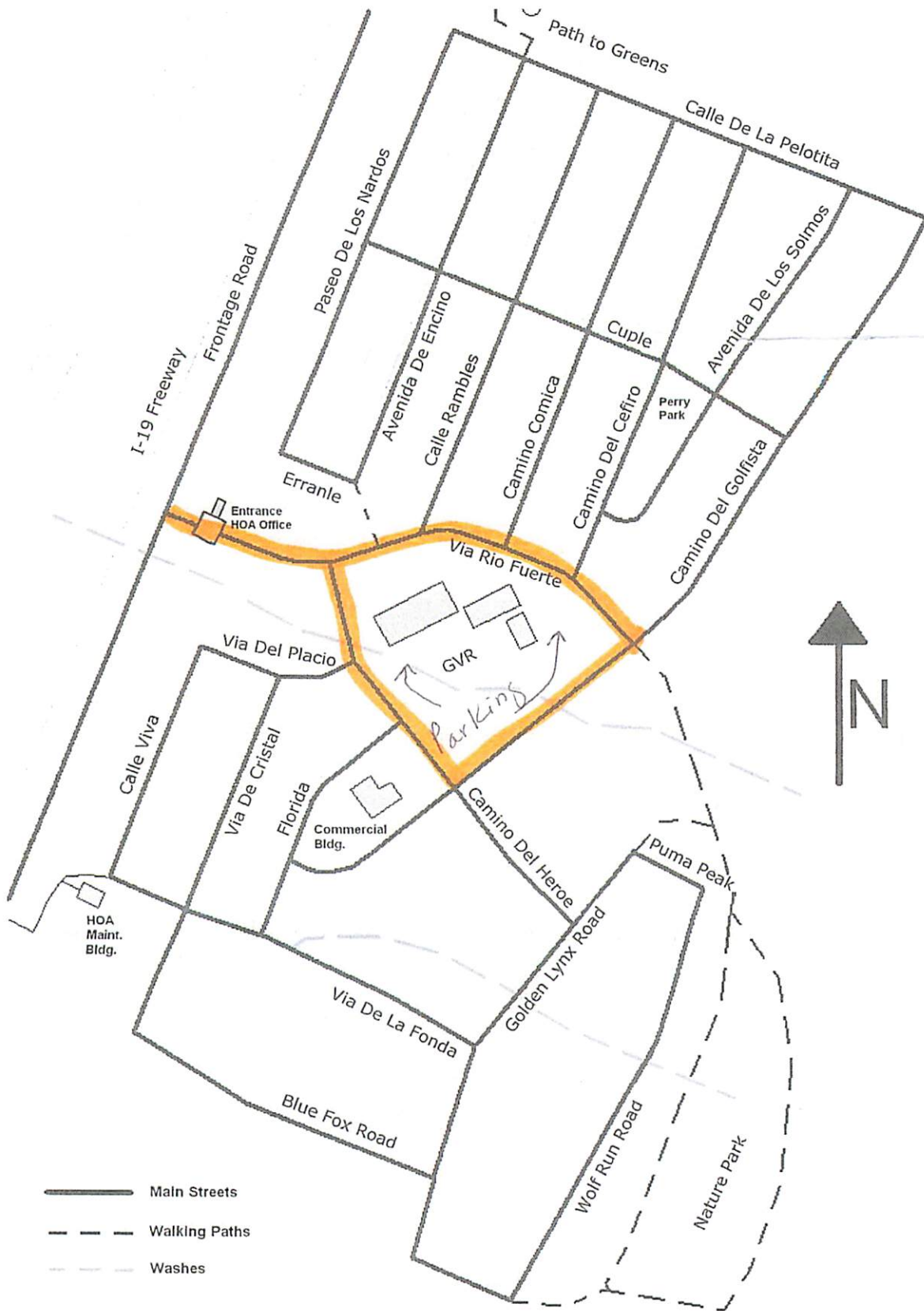
Rebecca Keenan

President of The Springs at Santa Rita HOA



Sharon Toborg

Chairman of the Capital Reserve Committee for The Springs at Santa Rita HOA





APPENDIX GVR BOARD OF DIRECTORS

Insert Date approved by Board

INVESTMENT POLICY STATEMENT

1. Introduction

In making investment decisions, the Green Valley Recreation (GVR) Board of Directors (the “Board”), Investments Committee, GVR’s Chief Executive officer (the “CEO”) and Chief Financial officer (the “CFO”) and GVR’s financial advisor(s), if any, shall act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner they reasonably believe to be in the best interests of Green Valley Recreation, Inc. (the “GVR) and manage the assets of GVR in accordance with the Arizona Prudent Investor Act (AZ Rev Stat § 14-10901 et. seq.) and the Arizona Management of Institutional Funds Act (AZ Rev Stat § 10-11801 et. seq.)

2. Purpose and Scope

The purpose of this Investment Policy Statement (the “IPS”) is to provide a framework for ensuring that GVR investments are managed consistently with GVR’s short-term and long-term financial objectives. At the same time, this IPS is intended to provide for sufficient investment flexibility to adjust to operational and market changes. Section 5 includes the detailed investment strategy and financial objectives for each Fund

The Investment funds include the following:

- a. Operating Cash Investments Account
- b. Initiatives Reserve Fund (IRF)
- c. Maintenance Repair/Replace Reserve Fund (MRF)
- d. Emergency Reserve Fund (ERF)

This IPS applies to all investments of GVR’s excess operating cash and **Reserve Funds** and supersedes Appendix Subsection 3 of the GVR’s Corporate Policy Manual (CPM) concerning investments.

3. Definitions

Defined words used in this IPS are capitalized and written in **Bold** typeface.

See Appendix A for definitions of defined words.

4. Management of Investments.

GVR's Board has fiduciary responsibility for GVR's investments.

The Board, Investments Committee, GVR's CEO and CFO and financial advisor(s), if any, are bound by (1) this IPS unless changed or amended by Board resolution and (2) all federal and state laws and regulations.

The responsible parties for day-to-day management of each investment account are as follows:

- a. Operating Cash Investments Acct: GVR's CEO and CFO.
- b. Initiatives Reserve Fund (IRF): The Investment Advisor.
- c. Maintenance Repair/Replace Reserve Fund (MRF): The Investment Advisor.
- d. Emergency Reserve Fund (ERF): The Investment Advisor.

5. Investment Objectives, Asset Allocation, Risk Tolerance, Investment Strategy, Benchmarks, Liquidity, and Rebalancing.

Investment Objectives

The primary investment principle is to maintain the safety of GVR's assets. The secondary investment principle is to have invested operating cash and **Reserve Funds** available when needed by GVR's operations without incurring an unwarranted loss of value or costs. The maturity horizon for each **Fund** shall be determined by each **Fund's** purpose, use, and needs. The third investment principle is to achieve return on investments exceeding benchmarks, while meeting safety and liquidity principles.

Asset Allocations

The target **Asset Allocations** and anticipated allocation ranges for each **Fund** are below:

A. Operating Cash Investment Account

Investment Type	Target	Range
Cash	25%	20% to 40%
Fixed Income	75%	60% to 80%
Equities	0%	Not Allowed

B. Initiatives Reserve Fund

Investment Type	Target	Range
Cash	10%	0% to 20%
Fixed Income	80%	70% to 90%
Equities	10%	0% to 20%

C. Maintenance Repair/Replace Reserve Fund

Investment Type	Target	Range
Cash	5%	0% to 10%
Fixed Income	70%	60% to 80%
Equities	25%	15% to 35%

D. Emergency Reserve Fund

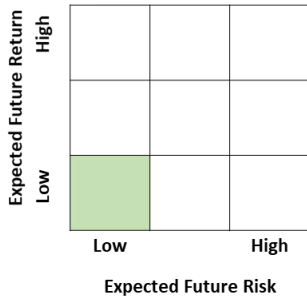
Investment Type	Target	Range
Cash	0%	0% to 10%
Fixed Income	30%	20% to 40%
Equities	70%	60% to 80%

Risk Tolerance

Risk tolerance for each investment fund is as follows:

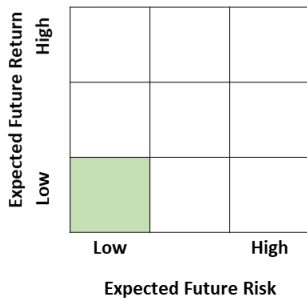
A. Operating Cash Investment Account:

Low Risk/Low Return



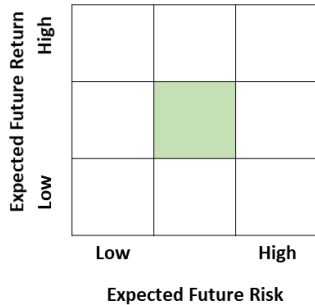
B. Initiatives Reserve Fund

Low Risk/Low Return



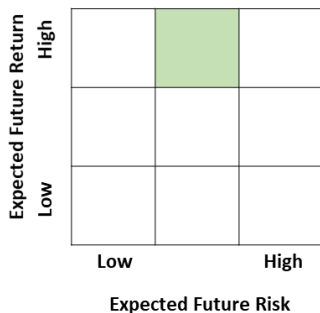
C. Maintenance Repair/Replace Reserve Fund

Medium Risk/Medium Return



D. Emergency Reserve Fund

High Return/Medium Risk



Investment Strategy

Within the constraints of the primary and secondary investment principles and **Risk Tolerance**, the following written Investment Strategies for operating cash investments and each Reserve Fund has been crafted and implemented to achieve the following.

- a. Match the purpose and use of operating cash investments and each **Reserve Fund**.
- b. Provide a relatively predictable and growing stream of annual income and **Capital Appreciation** after inflation, taxes, if any, fees and costs while minimizing the impact of market Volatility.
- c. Excluding Treasury securities, investments in any one security shall not exceed 10% of the value of a reserve fund.

Benchmarks

The following benchmarks will be utilized for the investment funds:

A. Operating Cash Investment Account

For each performance report, the brokerage firm will calculate a blended Benchmark for the Operating Cash Investment Account, from the Benchmarks listed below, to reflect how the funds contained within the account are invested.

- a. ICE BofAML 0-3 Month US Treasury Bill Index TR USD
- b. BB T-Bill 1-3 month TR
- c. BB U.S. 1-3 year Government
- d. BB US Aggregate Index

This blended Benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client.

B. Initiatives Reserve Fund

The Benchmark for the Initiatives Reserve Fund will be a blended benchmark as follows:

- | | |
|--|--------------|
| a. Russell 3000 Index | 7.0% |
| b. MSCI EAFE | 1.5% |
| c. MSCI EM | 1.5% |
| d. ML 91-Day T-Bill | 10.0% |
| e. Bloomberg Barclays Intermediate Government/Credit | <u>80.0%</u> |
| Total | 100.0% |

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

C. Maintenance Repair/Replace Reserve Fund

The Benchmark for the Maintenance Repair/Replace Reserve Fund will be a blended benchmark as follows:

- | | |
|--|--------------|
| a. Russell 3000 Index | 20.0% |
| b. MSCI EAFE | 2.5% |
| c. MSCI EM | 2.5% |
| d. ML 91-Day T-Bill | 5.0% |
| e. Bloomberg Barclays Intermediate Government/Credit | <u>70.0%</u> |
| Total | 100.0% |

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

D. Emergency Reserve Fund

The Benchmark for the Emergency Reserve Fund will be a blended benchmark as follows:

a. Russell 3000 Index	60.0%
b. MSCI EAFE	5.0%
c. MSCI EM	5.0%
d. Bloomberg Barclays Intermediate Government/Credit	<u>30.0%</u>
Total	100.0%

A comparison of Fund performance to this benchmark shall be provided by this Fund's Investment Advisor within their reports and presentations to the Client

Liquidity

Maintaining sufficient liquidity to meet operational needs is one of GVR's key investment objectives. At each quarterly review of investments with the Investment Advisor, the IC will assess the liquidity position of each fund as to being within the ranges set forth in the asset allocation tables. Also, the IC will monitor the trends from these quarterly reports and determine whether a range adjustment is appropriate. If so, the IC will propose the recommended adjustment to the GVR Board of Directors for approval to revise the IPS.

Rebalancing

Portfolios shall be **Rebalanced** as appropriate but at least quarterly.

6. Permitted Investments:

- a. U.S. Treasury Bills, Notes and Bonds and Certificates of Deposit issued by a bank insured by the Federal Deposit Insurance Corporation
- b. Securities of Federal Agencies that carry the direct or implied guarantee of the U.S. Government including Federal Home Loan Bank, Federal Farm Credit Bank, Federal National Mortgage Association, Student Loan Marketing Association, World Bank and Tennessee Valley Authority.
- c. U.S. and foreign corporate bonds and notes denominated in US Dollars rated **Investment Grade** including short, medium- and long-term notes rated of Baa3 or better at time of purchase.
- d. Taxable Municipal bonds rated Baa3 or BBB- or better at time of purchase.
- e. U.S. corporate common stock.
- f. Small-Capitalization Stocks (defined as market-capitalization below \$2 billion) shall not represent more than 10% of the equity segment of any GVR **Fund**.
- g. International Stocks shall not represent more than 15% of the equity segment of any GVR **Fund**.
- h. American Depository Receipts (ADR)** and Global Depository Receipts of a foreign corporation.

- i. Investments in mutual funds, Exchange Traded Funds (“ETF”) and index funds are permitted provided 85% or more of their investments are in permitted investments shown above and such funds do not use **Leverage**.
- j. Overnight investment in money market funds at GVR’s bank and broker/dealer, if any, are permitted.
- k. REITS

7. All investments NOT specified under Permitted Investments above are prohibited.

8. Review and Monitoring

- a. GVR’s Board of Directors is responsible for GVR’s Investment policies, activities, and performance.
- b. The Chief Executive officer (CEO) shall have oversight of and the Chief Financial officer (CFO) is responsible for: a) Monitoring the activities of GVR’s financial advisor(s) b) Day-to-day coordination with Advisor regarding investment activity and decisions.
- c. The Investments Committee’s responsibilities are listed below.
 - 1) Recommend to the Board the selection, hiring and termination of professional outside investment advisor(s) and/or brokerage firm with notice to the CEO
 - 2) Revise GVR’s Investment Policy Statement subject to Board approval
 - 3) Monitor, measure, and report on investment advisor’s or advisors’ performance(s) using the benchmarks specified in Section 5
 - 4) Ensure GVR management implements and complies with GVR’s Investment Policy Statement
 - 5) Meet at least once each calendar quarter to perform its assigned duties and report to the Board.

9. The responsibilities of the Client

- a. The client will authorize the CEO and CFO to serve as liaisons between the Client and Advisor.
- b. Client’s authorized staff is responsible to ensure the smooth transition of the Clients investment portfolio to Advisor.
- c. Client’s authorized staff will oversee that the Advisor’s reporting requirements are met.
- d. Client’s authorized staff will ensure that communications to Advisor from Client’s Board of Directors or Investments Committee are presented to Advisor in a timely manner.
- e. Client’s authorized staff will facilitate the Advisor’s face-to-face and videoconference presentations to Client’s Board of Directors or Investments Committee.
- f. Any proposed changes to this investment policy statement will be discussed with the Advisor promptly.
- g. The client will inform the Advisor, as soon as possible of anticipated additions to or withdrawals from the Portfolio.

10. The responsibilities of the Advisor

- a. Any deviation from this IPS will be discussed in advance with the Client unless market conditions require immediate action.

The Advisor will, within this IPS, have full discretion to buy, sell, invest and reinvest in assets on behalf of the Client.

- b. Advisor has a fiduciary responsibility to make investment decisions based upon what is best for the Client and within Investment Policy Statement approved by the Client, the Advisor will have discretion to buy, sell, invest, and reinvest in investment assets on behalf of the Client, with notification to the Client of such transactions.
- c. The Investment Advisor will make quarterly presentations about the Client's investment portfolio to the Client's Board of Directors and/or Investments Committee in Green Valley, AZ at Advisor's expense at least twice a year, unless otherwise mutually agreed in writing between Advisor and Client.
- d. The Advisor will participate in audio and/or videoconference meetings with the Client's Investments Committee on a quarterly basis each year, when not meeting in person, unless otherwise mutually agreed in writing between Advisor and Client.
- e. At a minimum, the Advisor will provide the GVR Investments Committee with Account Statements showing the following:
 1. Individual positions (at the end of the calendar-quarter),
 2. Asset allocation (at the end of the calendar-quarter),
 3. Fees and expenses charged directly to the IA (during the calendar-quarter),
 4. Transactions (occurring during the calendar-quarter),
 5. Performance net of any and all fees, expenses, and charges (as of the end of the calendar-quarter), and
 6. Comparative Investment Benchmarks, shown above in Section 5. (as of the end of the calendar-quarter).
- f. These account statements will be delivered shortly after the end of each calendar-quarter.

11. Remediation

- a) If a Reserve Fund is in violation of one or more of the Investment Constraints described above for a period of time greater than ten consecutive business days, then:
 - I. The Chairman of the GVR Investments Committee is to be immediately notified. The Chairman shall conduct an Investments Committee meeting, along with the Investment Advisor, to discuss the go -forward strategy due to the out of compliance issue. This shall happen within ten business days.
 - II. The Reserve Fund is to be brought back into compliance within ten business days of the meeting.

- III. Once the Reserve Fund is back in compliance, the Chairman of the GVR Investment Committee is to be immediately notified.
- b) If a Reserve Fund fails to achieve its Investment Objective (identified above under Section 5), then the:
 - I. Chairman of the GVR Investments Committee is to be immediately notified and
 - II. GVR Investments Committee is to meet within one calendar month to develop a recommendation on what actions, if any, should be taken to remedy this failure.

12. Acknowledgments

We, the Board of Directors, recognize the importance of adhering to this Investment Policy Statement and agree to fulfill its objectives to the best of our ability.

On behalf of the Board of Directors

President

Date

Green Valley Recreation, Inc. Board of Directors

APPENDIX A – Definition of Terms

Investment Policy Statement

Green Valley Recreation, Inc.

Investopedia.com is the primary source of definitions. Some definitions have been paraphrased or they are a composite from several sources.

American Depository Receipt (ADR) is a negotiable certificate issued by a U.S. bank representing a specific number of shares (or one share) in a foreign stock that is traded on a U.S. exchange. ADRs are denominated in U.S. Dollars, with the underlying security held by a U.S. financial institution overseas. This is an excellent way to buy an investment in a foreign-based company while realizing any dividend and capital gains in U.S. Dollars. However, ADRs do NOT eliminate currency, economic and country risks attributable to the foreign-based company. There are other ADR risks too. Consult your financial advisor(s).

Asset Class means a group of securities that exhibit similar characteristics. The three (3) main asset classes are stocks, fixed income securities (bills, notes, bonds & other debt) and cash and cash equivalents. Some investment professional would include real estate and commodities and, possibly, other types of investments. Whatever the asset lineup, each one is expected to reflect different risk and return characteristics and will perform differently.

Asset Allocation is an **Investment Strategy** aimed to balance risk and reward by apportioning a portfolio's assets according to an investor's goals, **Risk Tolerance**, and investment time horizon. There is no simple formula that can find the right asset allocation for every investor. However, the consensus among most financial professionals is asset allocation is one of the most important decisions an investor can make. In other words, an investor's selection of individual securities is secondary to the way investments are allocated among the various securities.

Capital Appreciation is a rise of an asset price based on a rise in market price.

Credit Rating is a grade composed of a letter or letters and numbers given to a particular security by a **Nationally Recognized Statistical Rating Organization** (a credit agency) that ranks investment according to its ability to meet its obligations.

Diversification is a process of allocating capital in a way that reduces exposure to any one particular asset or risk.

Fund or Fund's and Funds or Funds' means operating cash investments and each **Reserve Fund**.

Investment Grade is a **Credit Rating** that indicates the issuer of a debt security has relatively low probably of default. In the case of stocks, investment grade indicates the financial soundness of the issuer. The investment industry has well-established credit rating standards for investment grade.

Investment Strategy is an investor's plan of attack to guide its investment decisions based on its goals, **Risk Tolerance** and future needs for invested money. The components of most investment strategies include **Asset Allocation**, buy and sell guidelines and **Risk Tolerance**. Investment strategies can differ greatly from a rapid growth strategy to a **Capital Appreciation** strategy. The most important part of an investment strategy is that it aligns with the investor's goal and it is followed closely by the investor and his financial advisor.

Leverage is the use of various financial instruments or borrowed capital such as margin to increase a potential return of an investment.

Liquidity means how quickly and easily an investment can be converted into cash.

Nationally Recognized Statistical Rating Organization (NRSRO) is a term used by the U.S. Federal government in several regulatory areas to define a credit rating company like Standard & Poor's, Moody's, Fitch and others.

Rebalancing is the process of realigning the weightings of a portfolio's assets to match its **Asset Allocation** model's weightings. Over time, the prices of investments rise and fall unevenly thus changing the weighting of a portfolio's assets. For example: If an **Asset Allocation** model is 40% stocks, 50% fixed income and 10% cash and the current portfolio assets are distributed 45% stocks, 35% fixed income and 20% cash, rebalancing buys and sells investments to align the current portfolio's asset weightings with the **Asset Allocation** model. If a different **Asset Allocation** model is applied to a portfolio, rebalancing adjusts the portfolio's assets to the new **Asset Allocation** model's weightings.

Reserve Fund and Reserve Funds mean a reserve fund as defined in GVR's Corporate Policy Manual, Section V- Fiscal/Accounting, Subsection 2 – Reserve Policy – adopted 11/18/2014, subparagraph B – Maintenance Of GVR Financial Reserve System Updated 8/25/15.

Risk Tolerance is an investor's willingness to risk a potential loss for a potential gain. For example: How comfortable is an investor taking a potential 10% loss for a potential gain of 20%? The investor's risk tolerance is tested at various levels of loss v. gain to assess the investor's overall tolerance for risk and reward.

Volatility is the dispersion of a security's price from its mean price over time. A high deviation from a security's mean indicates high volatility. A low deviation indicates low volatility. Commonly, higher the volatility means higher the risk.