

GREEN VALLEY RECREATION, INC.

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

GREEN VALLEY RECREATION, INC.
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Green Valley Recreation, Inc.
Green Valley, Arizona

Opinion

We have audited the accompanying financial statements of Green Valley Recreation, Inc. (an Arizona nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Green Valley Recreation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are required to be independent of Green Valley Recreation, 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 Green Valley Recreation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' responsibilities 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 auditors' 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 Green Valley Recreation, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Valley Recreation, 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.

HBL CPAs, P.C.

HBL CPAs, P.C.

May 25, 2022

GREEN VALLEY RECREATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents:		
Held in deposit accounts	\$ 3,759,783	\$ 4,558,345
Held in investment brokerage accounts	2,505,099	1,031,554
	6,264,882	5,589,899
Accounts receivable	189,247	204,568
Accrued interest	48,022	40,408
Investments	12,751,440	11,260,923
Prepaid expenses	310,603	267,187
Total current assets	19,564,194	17,362,985
Non-current assets -		
Property and equipment, net	17,990,084	17,884,981
Total assets	\$ 37,554,278	\$ 35,247,966
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 252,796	\$ 281,163
Accrued payroll and related liabilities	298,607	432,848
Refundable capital fee liability	294,507	211,582
Custodial liabilities	25,817	17,631
Deferred membership dues	4,538,837	3,685,092
Deferred program and rental revenue	134,829	43,933
In-kind lease payable - current portion	4,000	-
Note payable - current portion	11,000	-
Total current liabilities	5,560,393	4,672,249
Non-current liabilities:		
Non-current portion of compensation liability	-	27,424
In-kind lease payable - long term portion	54,667	-
Note payable - long term portion	88,000	-
Total liabilities	5,703,060	4,699,673
Net assets:		
Without donor restrictions:		
Undesignated available for operations	19,326,133	20,530,782
Board designated reserves for emergency operations	1,155,668	978,488
Board designated reserves for initiatives	2,190,524	1,132,391
Board designated reserves for repairs and replacements	9,148,893	7,906,632
Total net assets without donor restrictions	31,821,218	30,548,293
With donor restrictions	30,000	-
Total net assets	31,851,218	30,548,293
	\$ 37,554,278	\$ 35,247,966

The accompanying notes are an integral part of these financial statements.

GREEN VALLEY RECREATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Public support and revenues:			
Membership dues	\$ 6,942,771	\$ -	\$ 6,942,771
New member capital and initial fees	3,147,953	-	3,147,953
Investment income	684,669	-	684,669
Member, tenant and guest fees	700,464	-	700,464
Program revenue	212,685	-	212,685
Contributions	382	30,000	30,382
In-kind lease income	1,333	-	1,333
Advertising revenue	22,565	-	22,565
Late fees	64,756	-	64,756
Facility rent revenue	5,110	-	5,110
Cell tower lease income	41,594	-	41,594
Other revenue	6,429	-	6,429
Bad debt recovery	956	-	956
Total public support and revenues	<u>11,831,667</u>	<u>30,000</u>	<u>11,861,667</u>
Expenses:			
Program services	8,416,073	-	8,416,073
General and administrative	<u>2,142,669</u>	<u>-</u>	<u>2,142,669</u>
Total expenses	<u>10,558,742</u>	<u>-</u>	<u>10,558,742</u>
Change in net assets	1,272,925	30,000	1,302,925
Net assets, beginning of year	<u>30,548,293</u>	<u>-</u>	<u>30,548,293</u>
Net assets, end of year	<u>\$ 31,821,218</u>	<u>\$ 30,000</u>	<u>\$ 31,851,218</u>

GREEN VALLEY RECREATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Public support and revenues:			
Membership dues	\$ 6,748,910	\$ -	\$ 6,748,910
New member capital and initial fees	2,533,963	-	2,533,963
Investment income	839,357	-	839,357
Member, tenant and guest fees	611,398	-	611,398
Program revenue	378,573	-	378,573
In-kind contributions	-	63,913	63,913
Advertising revenue	122,893	-	122,893
Late fees	49,872	-	49,872
Facility rent revenue	28,427	-	28,427
Cell tower lease income	41,059	-	41,059
Other revenue	16	-	16
	<u>11,354,468</u>	<u>63,913</u>	<u>11,418,381</u>
Net assets released from restrictions	<u>423,300</u>	<u>(423,300)</u>	<u>-</u>
Total public support and revenues	11,777,768	(359,387)	11,418,381
Expenses:			
Program services	7,731,115	-	7,731,115
General and administrative	<u>2,449,608</u>	<u>-</u>	<u>2,449,608</u>
Total expenses	10,180,723	-	10,180,723
Change in net assets	1,597,045	(359,387)	1,237,658
Net assets, beginning of year	<u>28,951,248</u>	<u>359,387</u>	<u>29,310,635</u>
Net assets, end of year	<u>\$ 30,548,293</u>	<u>\$ -</u>	<u>\$ 30,548,293</u>

GREEN VALLEY RECREATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Program services</u>	<u>Supporting services - general and administrative</u>	<u>Total</u>
Salaries and wages	\$ 3,095,319	\$ 982,654	\$ 4,077,973
Employee related expenses	<u>1,034,085</u>	<u>341,422</u>	<u>1,375,507</u>
	4,129,404	1,324,076	5,453,480
Advertising	2,500	-	2,500
Bank and credit card fees	-	46,496	46,496
Catering	19,398	492	19,890
Communication	64,938	35,354	100,292
Computer expense	82,361	4,054	86,415
Depreciation	1,480,083	181,938	1,662,021
Dues and subscriptions	4,208	5,853	10,061
Employee training	6,693	4,882	11,575
Facility maintenance	353,598	1,372	354,970
Fees and taxes	14,374	36,535	50,909
Insurance	-	318,648	318,648
Investment fees	-	73,257	73,257
Miscellaneous	27,451	-	27,451
Professional services	56,963	107,244	164,207
Postage and printing	84,831	11,305	96,136
Recreation contracts	260,693	-	260,693
Rental expense	11,382	-	11,382
Repair and maintenance	543,722	-	543,722
Signage	15,791	-	15,791
Supplies	281,991	20,051	302,042
Travel	11,302	2,143	13,445
Utilities	824,967	-	824,967
Vehicles	83,844	-	83,844
Uncapitalized equipment	<u>55,579</u>	<u>42,226</u>	<u>97,805</u>
Total functional expenses	8,416,073	2,215,926	10,631,999
Less investment fees netted against revenues	<u>-</u>	<u>(73,257)</u>	<u>(73,257)</u>
Total expenses	<u>\$ 8,416,073</u>	<u>\$ 2,142,669</u>	<u>\$ 10,558,742</u>

GREEN VALLEY RECREATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program services</u>	<u>Supporting services - general and administrative</u>	<u>Total</u>
Salaries and wages	\$ 2,816,981	\$ 1,080,412	\$ 3,897,393
Employee related expenses	<u>892,215</u>	<u>324,127</u>	<u>1,216,342</u>
	3,709,196	1,404,539	5,113,735
Advertising	-	630	630
Bank and credit card fees	-	73,901	73,901
Catering	24,120	569	24,689
Communication	104,111	5,897	110,008
Computer expense	81,983	-	81,983
Depreciation	1,388,241	280,318	1,668,559
Dues and subscriptions	4,818	5,068	9,886
Employee training	17,850	12,178	30,028
Facility maintenance	452,302	13,711	466,013
Fees and taxes	18,899	15,982	34,881
Insurance	-	304,699	304,699
Investment fees	-	81,888	81,888
Miscellaneous	28,471	-	28,471
Professional services	92,066	119,153	211,219
Postage and printing	31,870	49,524	81,394
Recreation contracts	351,530	-	351,530
Rental expense	9,620	-	9,620
Repair and maintenance	299,982	-	299,982
Signage	20,254	-	20,254
Supplies	203,119	114,241	317,360
Travel	15,632	302	15,934
Utilities	719,908	-	719,908
Vehicles	66,385	-	66,385
Uncapitalized equipment	<u>90,758</u>	<u>48,896</u>	<u>139,654</u>
Total functional expenses	7,731,115	2,531,496	10,262,611
Less investment fees netted against revenues	<u>-</u>	<u>(81,888)</u>	<u>(81,888)</u>
Total expenses	<u>\$ 7,731,115</u>	<u>\$ 2,449,608</u>	<u>\$ 10,180,723</u>

GREEN VALLEY RECREATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,302,925	\$ 1,237,658
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,662,021	1,668,559
Donated property and equipment	-	(63,913)
Realized (gains) losses on investments	(51,716)	140,314
Unrealized (gains) on investments	(413,196)	(766,032)
Purchases in construction in progress in prior year end expensed in current year	7,063	-
In-kind lease income	(1,333)	-
(Increase) decrease in operating assets:		
Accounts receivable	15,321	(32,133)
Accrued interest	(7,614)	9,079
Prepaid expenses	(43,416)	46,566
Increase (decrease) in operating liabilities:		
Accounts payable	(28,367)	(21,792)
Accrued payroll and related liabilities	(134,241)	252,667
Refundable capital fee liability	82,925	211,582
Custodial liabilities	8,186	6,398
Deferred membership dues	853,745	(646,440)
Deferred program and rental revenue	90,896	(242,002)
Non-current compensation liability	(27,424)	27,424
Net cash provided by operating activities	3,315,775	1,827,935
Cash flows from investing activities:		
Purchases of property and equipment	(1,604,187)	(1,819,429)
Proceeds from sale of investments	5,262,113	8,343,669
Purchases of investments	(6,287,718)	(7,060,615)
Net cash (used in) investing activities	(2,629,792)	(536,375)
Net cash (used in) financing activities -		
Principal payment on note payable	(11,000)	-
Change in cash and cash equivalents	674,983	1,291,560
Cash and cash equivalents, beginning of year	5,589,899	4,298,339
Cash and cash equivalents, end of year	\$ 6,264,882	\$ 5,589,899
<u>Supplemental cash flow information:</u>		
Non-cash investing and financing -		
Property and equipment received in exchange for note payable and in-kind lease payable	\$ 170,000	-
No cash paid for income taxes or interest in 2021 or 2020.		

The accompanying notes are an integral part of these financial statements.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 – Organization

Green Valley Recreation, Inc. (GVR) was incorporated as a not-for-profit corporation in 1979 under the laws of Arizona. GVR was the successor corporation to the Green Valley Community Club incorporated in 1972. GVR's purpose is to address the recreational needs of members through the operation and maintenance of recreational and social facilities (currently there are 14 such facilities) and the sponsorship of cultural and civic activities for its members within the unincorporated community of Green Valley, Arizona. All property owners within certain geographic boundaries as defined by GVR's by-laws require regular membership in GVR. Members' properties are encumbered by deed restrictions that require perpetual membership and payment of annual dues and assessments, including a capital investment fee upon each property's transfer. There were 13,772 members as of December 31, 2021.

GVR has assumed responsibility for operation, maintenance, and upkeep for recreational facilities donated by area developers at the completion of housing developments within GVR's boundaries.

NOTE 2 – Summary of significant accounting policies

Basis of presentation

The financial statements of GVR have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require GVR to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of GVR's management and board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GVR or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and contributed goods and services

Unconditional contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Conditional contributions consist of contributions that contain a barrier to entitlement of the funds by the recipient, such as requirement to expend the funds for a specific purpose or program, or other requirements, and also contain a provision for return of the funds to the resource provider if the barriers are not overcome. Payments received for conditional contributions are recorded as a liability, reported in the statements of financial position as conditional contributions refundable, or are unrecognized initially, in the case of conditional promises to give, until the barriers to entitlement are overcome. At that point, the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions, based on the nature of the underlying transaction. At December 31, 2021, GVR had received no conditional contributions.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the nature of the restrictions. When a restriction expires, that is, when funds are expended in accordance with donor restrictions, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of significant accounting policies, continued

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 and 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. Actual results could differ from those estimates.

Donated goods, facilities and services

Donated goods and facilities are valued at fair market value. Donated services are recognized in the financial statements at fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although GVR may utilize the services of outside volunteers, the fair value of these services has not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Cash and cash equivalents

The Organization considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. GVR maintains its cash in bank deposit accounts which may exceed federally insured limits. Uninsured cash at December 31, 2021 was \$4,447,901.

Accounts receivable

Accounts receivable consist of unpaid membership dues and facility rentals established under contractual agreements. The Organization records an allowance for doubtful accounts equal to the estimated collection losses that will be incurred, which is based on historical collection experience. As a result, there is at least a possibility that these estimates will change by a material amount in the near term. Doubtful accounts are periodically reviewed for collectibility and charged to the allowance account when management determines that the amounts are uncollectible.

Investments

Investments consist of marketable securities in debt and equity securities and mutual funds under management with various national brokerages, all of which are carried at quoted market values determined at the date of the statement of financial position. Income, gains and losses are reported in the statements of activities as increases and decreases in net assets without donor restrictions.

Property and equipment

GVR capitalizes all expenditures for property and equipment in excess of \$5,000 with a useful life greater than one year. Purchased property and equipment are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

At formation, GVR was the beneficiary of infrastructure contributed by developers building in the community of Green Valley. Additional contributed property, plant, and equipment has been donated by clubs associated with GVR. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of significant accounting policies, continued

Note payable and in-kind lease payable

The note payable and in-kind lease payable represent the obligation to pay and to provide office space at no charge to Green Valley Recreation Foundation (the Foundation), in exchange for real property received during the year ended December 31, 2021. Management believes that any future change in the fair value of the office space, offset by any discount to present value for the fair value of space to be provided in the future, would not be material to the financial statements taken as a whole. Accordingly, management has estimated neither the future change in fair value of office space to be provided, nor the present value of the fair value of the space to be provided over the term of the agreement. See Note 9.

Income tax status

GVR is exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code. However, income from certain activities not directly related to the entity's tax-exempt purpose may be subject to taxation as unrelated business income.

In accordance with generally accepted accounting principles, GVR holds no uncertain tax positions and, therefore, has no policy for evaluating them. GVR's Forms 990, *Return of Organization Exempt from Income Taxes*, are generally subject to examination by the Internal Revenue Service for three years after the date the returns were filed.

Advertising expense

Advertising costs are expensed as incurred and totaled \$2,500 and \$630 for the years ended December 31, 2021 and 2020, respectively.

Functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by natural classification and by function in a matrix format, as required by US GAAP. Certain costs have been allocated between the program services and supporting services.

Expenses are typically allocated based on a method that is deemed appropriate by management in the manner in which the expense is accrued. Indirect costs are the only expenses that are deemed as administrative by function. Management typically codes expenses to a program, administrative, fundraising or another shared expense category during the payment process. Shared expenses are allocated either by percentage of staff time within the administrative, fundraising, and program categories or based on the (1) square footage allocations or (2) headcount allocation including normal office volunteers.

Shared direct expenses are typically those that are incurred in support of program work and can be allocated by either the salary basis or shared direct expense allocation. Such expenses include employee benefits, employment taxes, occupancy costs, technology, equipment, telephone, postage, and office supplies, etc.

Refundable capital fee liability

Each time a home is purchased within the boundaries of GVR, a Property Acquisition Capital Fee (PACF) is charged to the buyer to fund future capital improvements and maintenance of GVR's recreational infrastructure. This fee is refundable if the buyer has also sold a home within GVR within the past year and applies for a fee waiver. Management estimates the total refunds that are likely to result from waivers within the next year using the historical ratio of waivers to home sales. See Note 15.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 2 – Summary of significant accounting policies, continued

New accounting pronouncements

The following accounting pronouncements were adopted on a retrospective basis during the year ended December 31, 2020, with no impact on previously stated net assets, by class or in total.

In January 2016, FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. FASB subsequently issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2018-09, *Codification Improvements*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These subsequent updates further improve and clarify the guidance provided in ASU 2016-01. Collectively, this guidance expands the scope of fair value reporting for investments on the statement of financial position with changes included in the change in net assets on the statement of activities to include equity investments in partnerships, unincorporated joint ventures, and limited liabilities companies; collectively referred to as equity securities.

In August 2016, FAS issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on the classification of certain transactions in the statement of cash flows and reduces diversity in practice.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The ASU also requires that amounts generally described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, FASB issued ASU 2018-18, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions by providing criteria for determining whether a resource provider is receiving commensurate value in return for resources transferred. The guidance makes clear that a resource provider, including a foundation or a government agency is not synonymous with the general public. The ASU also provides guidance for determining whether a contribution is conditional or unconditional.

NOTE 3 – Retirement plan

All GVR employees that are 20.5 years of age or older and have attained at least 1,000 annual working hours are eligible to participate in GVR's 401(k) retirement plan. Employees may contribute an amount up to the annual IRS limits. GVR matches the percentage the employee contributes per pay period up to 5% of compensation. Retirement plan contributions made by GVR were \$116,788 and \$107,316 for the years ended December 31, 2021 and 2020, respectively.

NOTE 4 – Liquidity and availability

Management regularly monitors the availability of financial resources required to meet current operating needs. The Organization generally maintains financial resources as cash and cash equivalents, and as investments in marketable securities. The Organization utilizes a one-year time horizon to assess its immediate liquidity needs. This period of time was established based on management's understanding of the typical cycle of payables in the normal course of business. The Organization invests cash in excess of immediate projected requirements in short-term, liquid investments that may be used to fulfill liquidity needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of a significant, unanticipated liquidity need, GVR has the ability to raise additional funds through increased annual membership dues. Additionally, GVR may impose a special assessment, if such an assessment is approved in advance, by a majority of the members voting.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 4 – Liquidity and availability, continued

The following reflects GVR’s financial assets, and limitations on those assets as of December 31, 2021 and 2020, available for use for general expenditures within one year of the date of the statement of financial position:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 6,264,882	\$ 5,589,899
Accounts receivable	189,247	204,568
Accrued interest	48,022	40,408
Investments	<u>12,751,440</u>	<u>11,260,923</u>
	19,253,591	17,095,798
Less amounts unavailable due to Board designations:		
Emergency operations	1,155,668	978,488
Initiatives	2,190,524	1,132,391
Repairs and replacements	<u>9,148,893</u>	<u>7,906,632</u>
	<u>12,495,085</u>	<u>10,017,511</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,758,506</u>	<u>\$ 7,078,287</u>

NOTE 5 – Accounts receivable

Accounts receivable consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 364,159	\$ 381,130
Less allowance for uncollectible accounts	<u>(174,912)</u>	<u>(176,562)</u>
	<u>\$ 189,247</u>	<u>\$ 204,568</u>

NOTE 6 – Fair value measurements, investments and investment income

Investment income consisted of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 293,014	\$ 295,527
Realized gains (losses)	51,716	(140,314)
Unrealized gains	413,196	766,032
Investment fees	<u>(73,257)</u>	<u>(81,888)</u>
	<u>\$ 684,669</u>	<u>\$ 839,357</u>

Fair value measurements are determined based on the assumptions, referred to as inputs that market participants would use in pricing the asset. The fair value hierarchy distinguishes between market participant assumptions and GVR’s own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources; while unobservable inputs are GVR’s own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of GVR’s marketable securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. Small issue municipal bonds are valued by the investment brokerages holding the assets.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 6 – Fair value measurements, investments and investment income, continued

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. GVR does not utilize Level 3 inputs.

Fair values of assets measured on a recurring basis at December 31, 2021 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate bonds	\$ 6,011,601	\$ -	\$ 6,011,601
Mutual funds	3,416,541	-	3,416,541
Common stock	2,784,922	-	2,784,922
Government bonds	237,514	-	237,514
Exchange traded funds	194,568	-	194,568
Small issue municipal bonds	-	106,294	106,294
	<u>\$ 12,645,146</u>	<u>\$ 106,294</u>	<u>\$ 12,751,440</u>

Activity related to assets measured at fair value on a recurring basis utilizing Level 2 inputs were as follows for the year ended December 31, 2021:

	<u>Beginning balance</u>	<u>Change in fair value</u>	<u>Sales and redemptions</u>	<u>Realized gains</u>	<u>Ending balance</u>
Small issue municipal bonds	\$ <u>110,504</u>	\$ <u>(4,210)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>106,294</u>

Fair values of assets measured on a recurring basis at December 31, 2020 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate bonds	\$ 4,752,570	\$ -	\$ 4,752,570
Mutual funds	3,055,287	-	3,055,287
Common stock	2,637,766	-	2,637,766
Government bonds	348,949	-	348,949
Certificates of deposit	247,270	-	247,270
Exchange traded funds	48,228	-	48,228
REITs	60,349	-	60,349
Small issue municipal bonds	-	110,504	110,504
	<u>\$ 11,150,419</u>	<u>\$ 110,504</u>	<u>\$ 11,260,923</u>

Activity related to assets measured at fair value on a recurring basis utilizing Level 2 inputs were as follows for the year ended December 31, 2020:

	<u>Beginning balance</u>	<u>Change in fair value</u>	<u>Sales and redemptions</u>	<u>Realized gains</u>	<u>Ending balance</u>
Small issue municipal bonds	\$ <u>261,887</u>	\$ <u>5,385</u>	\$ <u>(160,000)</u>	\$ <u>3,232</u>	\$ <u>110,504</u>

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 6 – Fair value measurements, investments and investment income, continued

Assets held in the brokerage accounts, by type of asset and board designation, were as follows at December 31, 2021:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Accrued interest</u>	<u>Brokerage account total</u>
Board-designated net assets:				
Emergency	\$ 82,642	\$ 1,073,011	\$ 15	\$ 1,155,668
Initiatives	535,216	1,647,088	8,220	2,190,524
Repairs and replacements	1,323,612	7,785,496	39,785	9,148,893
Total board-designated	<u>1,941,470</u>	<u>10,505,595</u>	<u>48,020</u>	<u>12,495,085</u>
Undesignated - operations	563,629	2,245,845	2	2,809,476
	<u>\$ 2,505,099</u>	<u>\$ 12,751,440</u>	<u>\$ 48,022</u>	<u>\$ 15,304,561</u>

Assets held in the brokerage accounts, by type of asset and board designation, were as follows at December 31, 2020:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Accrued interest</u>	<u>Brokerage account total</u>
Board-designated net assets:				
Emergency	\$ 24,564	\$ 953,851	\$ 73	\$ 978,488
Initiatives	96,662	1,027,766	7,963	1,132,391
Repairs and replacements	358,215	7,516,188	32,229	7,906,632
Total board-designated	<u>479,441</u>	<u>9,497,805</u>	<u>40,265</u>	<u>10,017,511</u>
Undesignated - operations	552,113	1,763,118	143	2,315,374
	<u>\$ 1,031,554</u>	<u>\$ 11,260,923</u>	<u>\$ 40,408</u>	<u>\$ 12,332,885</u>

NOTE 7 – Operating leases

GVR leases office equipment and a mobile storage unit under non-cancelable operating leases expiring at various times through 2026. Rental expense for the years ended December 31, 2021 and 2020 was \$79,975 and \$45,269, respectively, and is included in facility maintenance expense in the statement of functional expenses. Future minimum lease payments under these operating leases are as follows:

Year ending December 31,	2021	\$ 67,998
	2022	61,710
	2023	51,273
	2024	42,387
	2025	10,735
		<u>\$ 234,103</u>

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 8 – Property and equipment

Property and equipment consisted of the following at December 31, 2021:

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Land and improvements	\$ 4,166,277	\$ 2,126,635	\$ 6,292,912
Buildings and improvements	12,852,422	13,186,497	26,038,919
Tennis, shuffleboard, and sports courts	324,958	1,990,615	2,315,573
Pools, spas, and equipment	412,588	2,888,420	3,301,008
Recreational equipment	230,841	1,295,394	1,526,235
Vehicles	-	852,309	852,309
Furniture and equipment	<u>30,000</u>	<u>2,323,400</u>	<u>2,353,400</u>
	18,017,086	24,663,270	42,680,356
Less accumulated depreciation	(10,383,093)	(14,813,135)	(25,196,228)
Construction in progress	<u>-</u>	<u>505,956</u>	<u>505,956</u>
	<u>\$ 7,633,993</u>	<u>\$ 10,356,091</u>	<u>\$ 17,990,084</u>

Property and equipment consisted of the following at December 31, 2020:

	<u>Contributed</u>	<u>Purchased</u>	<u>Total</u>
Land and improvements	\$ 4,166,277	\$ 1,954,449	\$ 6,120,726
Buildings and improvements	12,852,422	12,171,439	25,023,861
Tennis, shuffleboard, and sports courts	324,958	1,990,766	2,315,724
Pools, spas, and equipment	412,588	2,744,674	3,157,262
Recreational equipment	230,841	1,219,914	1,450,755
Vehicles	-	800,858	800,858
Furniture and equipment	<u>30,000</u>	<u>2,187,918</u>	<u>2,217,918</u>
	18,017,086	23,070,018	41,087,104
Less accumulated depreciation	(10,074,576)	(13,512,621)	(23,587,197)
Construction in progress	<u>-</u>	<u>385,074</u>	<u>385,074</u>
	<u>\$ 7,942,510</u>	<u>\$ 9,942,471</u>	<u>\$ 17,884,981</u>

NOTE 9 – Note payable and in-kind lease payable

During the year ended December 31, 2021, GVR purchased a parking lot from Green Valley Recreation Foundation (the Foundation) for a purchase price of \$170,000. The purchase price was effected through a note payable to the Foundation totaling \$110,000 and agreement to provide office space to the Foundation at no charge for fifteen years.

The note payable is non-interest bearing and requires annual principal payments of \$11,000 through 2031 until the note is paid in full. GVR made the first annual payment at the time of closing in August 2021.

The value of the office space to be provided is estimated at \$4,000 per year. During the year ended December 31, 2021, GVR recognized \$1,333 in in-kind lease income and decrease in in-kind lease payable for space provided to the Foundation during the last 4 months of the year.

Liabilities related to the property acquisition were as follows at December 31, 2021:

	<u>Note payable</u>	<u>In-kind lease payable</u>	<u>Total</u>
Payable to GVR Foundation:	\$ 99,000	\$ 58,667	\$ 157,667
Less current portion	(11,000)	(4,000)	(15,000)
Long-term portion	<u>\$ 88,000</u>	<u>\$ 54,667</u>	<u>\$ 142,667</u>

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 9 – Note payable and in-kind lease payable, continued

Future minimum payments on the note payable and fair value of office space to be provided to the Foundation at no cost for each of the next five years and thereafter consists of the following at December 31, 2021:

		Note payable	In-kind lease payable	Total
Year ending December 31,	2022	\$ 11,000	\$ 4,000	\$ 15,000
	2023	11,000	4,000	15,000
	2024	11,000	4,000	15,000
	2025	11,000	4,000	15,000
	2026	11,000	4,000	15,000
	Thereafter	44,000	38,667	82,667
		<u>\$ 99,000</u>	<u>\$ 58,667</u>	<u>\$ 157,667</u>

GVR had no debt and no in-kind lease payable at December 31, 2020.

NOTE 10 – Related party transactions

Many of GVR's members also participate in special interest clubs that utilize meeting space in recreational buildings at no charge. GVR also provides these clubs with minor administrative services at no charge. Several employees of GVR are also GVR members. During the years ended December 31, 2021 and 2020, GVR received in-kind revenue totaling \$0 and \$63,913, respectively, in contractor services from the GVR Pickleball Club to complete the Kent J. Blumenthal Pickleball Complex.

During the years ended December 31, 2021 and 2020, the Foundation's Member Assistance Program provided \$34,088 and \$28,594, respectively, to GVR on behalf of specific members for membership dues. The Foundation was an entity under common control until 2020.

See Note 9 for information related to purchase of real property from and related liabilities to the Foundation as of and for the year ended December 31, 2021.

NOTE 11 – Revenue from contracts with customers

Management has assessed recognition of each type of revenue generated by GVR, as described below.

Recognized at a point in time

New member capital and initial fees are recognized at the time that a property is purchased (see Note 8), and late fees are recognized when the related fees are determined to be overdue.

Recognized through the passage of time

Management has determined that revenue from membership dues and access card fees are subject to performance obligations that are satisfied ratably over the life of the contract. The contract terms are for a single calendar year and, as such, there are no outstanding performance obligations as of December 31, 2021 for 2020 membership dues. Outstanding performance obligations at December 31, 2021 represent amounts collected in advance for 2021 membership dues.

Revenue generated by the use of GVR property and facilities is subject to performance obligations satisfied by the passage of a specified period not longer than one month.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 11 – Revenue from contracts with customers, continued

Recognized through performance of activities

Revenue generated by advertising contracts and fees from instructional and entertainment activities create obligations that are satisfied by the performance of specific activities.

During the years ended December 31, 2021 and 2020, GVR recognized \$3,728,026 and \$4,581,658, respectively, in previously deferred revenue for member dues, program revenue, and access card fees.

GVR had no contract assets at either December 31, 2021 or 2020. In addition, although there are no outstanding performance obligations related to new member capital and initial fees, GVR has recorded a liability for estimated refunds of these fees totaling \$294,507 and \$211,582 at December 31, 2021 and 2020, respectively. See Note 15.

Disaggregated revenue from contracts with customers and allocated performance obligations as of and for the year ended December 31, 2021 was as follows:

Recognized by:	<u>Revenue recognized</u>	<u>Outstanding performance obligations</u>
Point in time:		
New member capital and initial fees	\$ 3,147,953	\$ -
Late fees	64,756	-
The passage of time:		
Membership dues	6,942,771	4,538,837
Member, tenant and guest fees	700,464	-
Facility rental	5,110	-
Cell tower lease income	41,594	-
Performance activity:		
Program revenue	212,685	134,829
Advertising revenue	22,565	-
	<u>\$ 11,137,898</u>	<u>\$ 4,673,666</u>

Disaggregated revenue from contracts with customers and allocated performance obligations as of and for the year ended December 31, 2020 was as follows:

Recognized by:	<u>Revenue recognized</u>	<u>Outstanding performance obligations</u>
Point in time:		
New member capital and initial fees	\$ 2,533,963	\$ -
Late fees	49,872	-
The passage of time:		
Membership dues	6,748,910	3,685,092
Member, tenant and guest fees	611,398	-
Facility rental	28,427	538
Cell tower lease income	41,059	-
Performance activity:		
Program revenue	378,573	43,395
Advertising revenue	122,893	-
	<u>\$ 10,515,095</u>	<u>\$ 3,729,025</u>

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 12 – Future major repairs and replacements

GVR’s governing documents allow funds to be accumulated for future major repairs and replacements. The capital replacement reserves aggregated \$9,148,893 and \$7,906,632 as of December 31, 2021 and 2020, respectively. GVR funds such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs and the consideration of amounts previously accumulated. A full reserve study by an outside consultant was obtained in June of 2016 and updated in August of 2021. The study concluded that the fully funded reserve balance at December 31, 2021 would be \$9,325,899 of which GVR had funded \$9,148,893 or 98% at December 31, 2021. The reserve study is based on a recommended annual contribution of \$1,132,047 for 2022 to the replacement reserve, to be increased annually at a rate of 4.2%, inclusive of an assumed inflation factor of 2.5% on the costs of replacement items.

Actual expenditures may vary from the estimated amounts and variances may be material. Therefore, amounts accumulated in the future major repairs and replacement fund may not be adequate to meet future needs. If additional funds are needed, GVR has the right to levy increased regular assessments or to delay major repairs and replacements until funds are available. Additionally, GVR may impose a special assessment, if such an assessment is approved in advance, by a majority of the members voting.

NOTE 13 – Board-designated net assets

The board of directors for GVR has designated portions of total net assets without donor restrictions to be used for emergency funding of operations, replacement and repair of major capital assets, and new projects.

Activity in board designated net assets was as follows for the year ended December 31, 2021:

	<u>Emergency</u>	<u>Initiatives</u>	<u>Repairs and replacements</u>	<u>Total</u>
Beginning balance	\$ 978,488	\$ 1,132,391	\$ 7,906,632	\$ 10,017,511
Board designations:				
Capital fees	-	634,035	-	634,035
Other designations	-	611,323	2,230,783	2,842,106
Expended for projects	-	(208,494)	(1,475,975)	(1,684,469)
Investment income	177,238	21,012	479,897	678,147
Change in accrued interest	(58)	257	7,556	7,755
Ending balance	<u>\$ 1,155,668</u>	<u>\$ 2,190,524</u>	<u>\$ 9,148,893</u>	<u>\$ 12,495,085</u>

Activity in board designated net assets was as follows for the year ended December 31, 2020:

	<u>Emergency</u>	<u>Initiatives</u>	<u>Repairs and replacements</u>	<u>Total</u>
Beginning balance	\$ 993,416	\$ 1,114,873	\$ 7,874,717	\$ 9,983,006
Board designations:				
Capital fees	-	512,375	1,005,942	1,518,317
Other designations	-	-	34,040	34,040
Expended for projects	(15,000)	(1,940,702)	(975,885)	(2,931,587)
Investment income	128,086	103,649	754,864	986,599
Change in accrued interest	(128,014)	1,342,196	(787,046)	427,136
Ending balance	<u>\$ 978,488</u>	<u>\$ 1,132,391</u>	<u>\$ 7,906,632</u>	<u>\$ 10,017,511</u>

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 14 – Net assets with donor restrictions

Activity in net assets with donor restrictions for the year ended December 31, 2021, and balances of net assets with donor restrictions as of the year then ended, were as follows:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to purpose restrictions - Monument sign	\$ <u> -</u>	\$ <u> 30,000</u>	\$ <u> -</u>	\$ <u> 30,000</u>

Activity in net assets with donor restrictions for the year ended December 31, 2020, and balances of net assets with donor restrictions as of the year then ended, were as follows:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to purpose restrictions - Pickleball courts	\$ <u> 359,387</u>	\$ <u> 63,913</u>	\$ <u> (423,300)</u>	\$ <u> -</u>

NOTE 15 – Refundable capital fee liability

GVR requires that those who purchase property within the boundaries of GVR pay a capital fee for the ongoing improvement and maintenance of the facilities and infrastructure. The Property Acquisition Capital Fee (PACF) is due on each purchase at the close of escrow. This fee is refundable if the buyer has also sold a home within GVR within the past year and applies for a fee waiver. Management estimates the obligation for fees that will be subject to a valid waiver using the historic rate of refunds to total fees received.

For the years ended December 31, 2021 and 2020, PACF revenue recognized, net of the change in the estimated obligation for fees to be refunded, and actual refunds pursuant to waivers were as follows:

	<u>2021</u>	<u>2020</u>
Property Acquisition Capital Fees (PACF) collected	\$ <u> 3,141,989</u>	\$ <u> 2,623,534</u>
Less change in estimated obligation for refundable fees	<u> (82,925)</u>	<u> (211,582)</u>
PACF revenue recognized, included in new member capital and initial fees on the statements of activities	\$ <u> 3,059,064</u>	\$ <u> 2,411,952</u>
Actual PACF fee refunds	\$ <u> 336,784</u>	\$ <u> 230,208</u>

NOTE 16 – In-kind contributions

In-kind contributions recognized during the year ended December 31, 2021 consisted of space provided to the Foundation at no charge under the agreement for purchase of real property from the Foundation. See Note 9.

In-kind contributions recognized during the year ended December 31, 2020 consisted of payments made directly to the contractor constructing the pickleball courts by GVR Pickleball Club and were included as increases in property and equipment as of that year end. All net assets with donor restrictions for the pickleball courts were released and reclassified to net assets without donor restrictions during the year ended December 31, 2020 when the asset was placed into service. See Note 14.

GREEN VALLEY RECREATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 17 – Subsequent events

Management has evaluated subsequent events through May 25, 2022, which is the date the financial statements were available to be issued.

The negative impacts to social activities, the local economy and the financial markets resulting from the ongoing COVID-19 pandemic and public response may affect public support and revenues across all categories other than membership dues, which are fixed based on the number of properties in membership area, in the following fiscal year. However, the uncertainty of the duration of this interruption and the results of current vaccination efforts prevent GVR from estimating the scope and significance of the overall impact on subsequent periods.