R&A CPAs

A PROFESSIONAL CORPORATION

Green Valley Recreation, Inc.

(A not~for~profit corporation)

Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

Contents

Independent Auditors' Report

To the Board of Directors
Green Valley Recreation, Inc.
Tucson, Arizona

Opinion

We have audited the financial statements of Green Valley Recreation, Inc. ("GVR") (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GVR as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). 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 GVR 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.

Prior Period Financial Statements

The financial statements of GVR as of December 31, 2021 were audited by other auditors whose report dated May 25, 2022 expressed an unmodified opinion on those financial statements.

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 GVR'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 US GAAS 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 US GAAS, 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 GVR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the GVR'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.

Emphasis of Matter – Adoption of New Accounting Pronouncements

As discussed in Note A to the financial statements, GVR adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* and ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

R&A CPAs

A Professional Corporation

Tucson, Arizona
April 11, 2023

Statements of Financial Position as of December 31, 2022 and 2021

Assets	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents:		
Held in deposit accounts	$ 1,866,102	$ 3,760,275
Held in investment brokerage accounts	1,085,294	2,505,099
Total cash and cash equivalents	2,951,396	6,265,374
Investment in marketable securities	14,484,638	12,751,440
Accounts receivable, net	49,711	188,755
Interest receivable	63,434	48,022
Supply and maintenance inventory	23,044	-
Prepaid expenses	275,961	310,603
Total current assets	17,848,184	19,564,194
LONG-TERM ASSETS:		
Property and equipment, net	19,177,114	17,990,084
Operating lease right-of-use assets, net of accumulated amortization of $1,303 and $2,003, respectively	467	2,125
Finance lease right-of-use assets, net of accumulated amortization of $104,829 and $61,456, respectively	111,355	154,728
Total long-term assets	19,288,936	18,146,937
TOTAL ASSETS	$ 37,137,120	$ 37,711,131
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 316,061	$ 252,796
Accrued payroll and related liabilities	281,817	298,607
Refundable capital fee liability	202,757	294,507
Other accrued liabilities	22,168	-
Custodial liabilities	33,758	25,817
Deferred membership dues	4,603,250	4,538,837
Deferred program and rental revenue	130,021	134,829
Deferred lease revenue - current portion	4,000	4,000
Note payable - current portion	11,000	11,000
Operating lease liabilities, current portion	439	1,559
Finance lease liabilities, current portion	39,319	39,145
Total current liabilities	5,644,590	5,601,097
Long-term liabilities:		
Deferred lease revenue, net of current portion	50,667	54,667
Note payable, net of current portion	77,000	88,000
Operating lease liabilities, net of current portion	-	439
Finance lease liabilities, net of current portion	84,261	123,580
Total long-term liabilities	211,928	266,686
TOTAL LIABILITIES	5,856,518	5,867,783
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated available for operations	20,580,765	19,318,263
Board designated reserves for emergency operations	491,242	1,155,668
Board designated reserves for initiatives	2,546,589	2,190,524
Board designated reserves for repairs and replacements	7,662,006	9,148,893
Total net assets without donor restrictions	31,280,602	31,813,348
Net asset with donor restrictions	-	30,000
TOTAL NET ASSETS	31,280,602	31,843,348
TOTAL LIABILITIES AND NET ASSETS	$ 37,137,120	$ 37,711,131

Statement of Activities for the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Statement of Activities, 2022			
PUBLIC SUPPORT AND REVENUES:			
Membership dues	$ 6,947,340	$ -	$ 6,947,340
New member capital and initial fees	3,637,550	-	3,637,550
Member, tenant, and guest fees	247,452	-	247,452
Program revenue	401,554	-	401,554
Investment income (loss)	(1,526,699)	-	(1,526,699)
Lease revenue	4,000	-	4,000
Late fees	87,044	-	87,044
Facility rent revenue	21,163	-	21,163
Cell tower lease income	43,105	-	43,105
Other revenue	67	-	67
Net assets released from restrictions	30,000	(30,000)	-
Total public support and revenues	9,892,576	(30,000)	9,862,576
EXPENSES:			
Program services	8,045,303	-	8,045,303
General and administrative	2,380,019	-	2,380,019
Total expenses	10,425,322	-	10,425,322
CHANGE IN NET ASSETS	(532,746)	(30,000)	(562,746)
Net assets, beginning of year	31,813,348	30,000	31,843,348
NET ASSETS, END OF YEAR	$ 31,280,602	$ -	$ 31,280,602

Statement of Activities for the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Statement of Activities, 2021			
PUBLIC SUPPORT AND REVENUES:			
Membership dues	$ 6,942,771	$ -	$ 6,942,771
New member capital and initial fees	3,688,603	-	3,688,603
Member, tenant, and guest fees	159,813	-	159,813
Program revenue	212,686	-	212,686
Investment income	684,669	-	684,669
Lease revenue	1,333	-	1,333
Late fees	64,756	-	64,756
Facility rent revenue	5,110	-	5,110
Cell tower lease income	41,594	-	41,594
Advertising revenue	22,565	-	22,565
Other revenue	6,429	-	6,429
Bad debt recovery	956	-	956
Contributions	382	30,000	30,382
Total public support and revenues	11,831,667	30,000	11,861,667
EXPENSES:			
Program services	8,343,331	-	8,343,331
General and administrative	2,214,527	-	2,214,527
Total expenses	10,557,858	-	10,557,858
CHANGE IN NET ASSETS	1,273,809	30,000	1,303,809
Net assets, beginning of year	30,548,293	-	30,548,293
Cumulative effect adjustment - implementation of ASC 842	(8,754)	-	(8,754)
NET ASSETS, END OF YEAR	$ 31,813,348	$ 30,000	$ 31,843,348

Statement of Functional Expenses for the Year Ended December 31, 2022

	Program services	General and administrative	Totals
Functional Expenses, 2022			
Salaries and wages	$ 2,957,458	$ 960,326	$ 3,917,784
Employee related expenses	982,046	318,677	1,300,723
Total employee-related expenses	3,939,504	1,279,003	5,218,507
Depreciation	1,406,388	145,551	1,551,939
Utilities	951,135	-	951,135
Supplies	363,079	55,919	418,998
Recreation contracts	375,954	-	375,954
Insurance	-	338,380	338,380
Facility maintenance	315,962	1,624	317,586
Repairs and maintenance	252,621	-	252,621
Professional services	60,335	117,602	177,937
Uncapitalized equipment	71,601	51,298	122,899
Communication	25,764	81,941	107,705
Postage and printing	91,677	8,690	100,367
Computer expense	-	88,337	88,337
Vehicles	88,253	-	88,253
Investment fees	-	86,438	86,438
Fees and taxes	14,224	54,507	68,731
Bank and credit card fees	-	61,743	61,743
Amortization	-	43,373	43,373
Employee training	10,831	15,676	26,507
Catering	24,945	1,248	26,193
Interest	-	24,073	24,073
Advertising	19,285	-	19,285
Dues and subscriptions	6,760	8,863	15,623
Signage	11,996	-	11,996
Travel	7,721	1,442	9,163
Rental expense	7,268	661	7,929
Miscellaneous	-	88	88
Total expenses	8,045,303	2,466,457	10,511,760
Less investment fees netted against revenues	-	(86,438)	(86,438)
TOTAL EXPENSES, NET	$ 8,045,303	$ 2,380,019	$ 10,425,322

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program services	General and administrative	Totals
FUNCTIONAL EXPENSES, 2021			
Salaries and wages	$ 3,095,319	$ 982,654	$ 4,077,973
Employee related expenses	1,034,085	341,422	1,375,507
Total employee-related expenses	4,129,404	1,324,076	5,453,480
Depreciation	1,480,083	181,938	1,662,021
Utilities	824,967	-	824,967
Repairs and maintenance	543,722	-	543,722
Insurance	-	318,648	318,648
Supplies	281,991	20,051	302,042
Facility maintenance	280,856	1,372	282,228
Recreation contracts	260,693	-	260,693
Professional services	56,963	107,244	164,207
Communication	64,938	35,354	100,292
Uncapitalized equipment	55,579	42,226	97,805
Postage and printing	84,831	11,305	96,136
Computer expense	82,361	4,054	86,415
Vehicles	83,844	-	83,844
Investment fees	-	73,257	73,257
Fees and taxes	14,374	36,535	50,909
Bank and credit card fees	-	46,496	46,496
Amortization	-	39,799	39,799
Interest	-	32,059	32,059
Miscellaneous	27,451	-	27,451
Catering	19,398	492	19,890
Signage	15,791	-	15,791
Travel	11,302	2,143	13,445
Employee training	6,693	4,882	11,575
Rental expense	11,382	-	11,382
Dues and subscriptions	4,208	5,853	10,061
Advertising	2,500	-	2,500
Total expenses	8,343,331	2,287,784	10,631,115
Less investment fees netted against revenues	-	(73,257)	(73,257)
TOTAL EXPENSES, NET	$ 8,343,331	$ 2,214,527	$ 10,557,858

Statements of Cash Flows for the Years Ended December 31, 2022 and 2021

Cash Flows from Operating Activities	2022	2021
CHANGE IN NET ASSETS	$ (562,746)	$ 1,303,809
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	1,551,939	1,662,021
Realized (gains) losses on investments in marketable securities	242,477	(51,716)
Unrealized (gains) losses on investments in marketable securities	1,569,862	(413,196)
Amortization of finance lease right-of-use assets	43,373	39,799
In-kind lease income	(4,000)	(1,333)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable, net of accumulated depreciation	139,044	17,232
Interest receivable	(15,412)	(7,614)
Supply and maintenance inventory	(23,044)	-
Prepaid expenses	34,642	(43,416)
Operating lease right-of-use assets, net	1,658	2,020
Accounts payable	63,265	(28,367)
Accrued payroll and related liabilities	(16,790)	(134,241)
Refundable capital fee liability	(91,750)	82,925
Other accrued liabilities	22,168	-
Custodial liabilities	7,941	8,186
Deferred membership dues	64,413	853,745
Deferred program and rental revenue	(4,808)	90,895
Operating lease liabilities	(1,559)	(5,788)
Compensation liability	-	(27,424)
Net cash flows provided by operating activities	3,020,673	3,347,537
Cash Flows from Investing Activities		
Purchases of buildings, improvements, furniture and vehicles	(2,738,969)	(1,597,125)
Proceeds from sale of investment in marketable securities	7,565,748	5,262,113
Purchases of investment in marketable securities	(11,111,285)	(6,287,719)
Net cash flows used in investing activities	(6,284,506)	(2,622,731)
Cash Flows from Financing Activities		
Principal payment on note payable	(11,000)	(11,000)
Payments on finance leases	(39,145)	(36,912)
Net cash flows used in financing activities	(50,145)	(47,912)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,313,978)	676,894
Cash and cash equivalents, beginning of year	6,265,374	5,588,480
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,951,396	$ 6,265,374
Supplemental Information		
Property and equipment received in exchange for a note payable and in-kind lease payable and in-kind lease payable	$ -	$ 170,000
Operating lease right-of-use assets obtained in exchange for lease liabilities	$ -	$ 4,128
Finance lease right-of-use assets obtained in exchange for lease liabilities	$ -	$ 129,635
No cash paid for income taxes or interest in 2022 or 2021		

NOTES TO FINANCIAL STATEMENTS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by Green Valley Recreation, Inc. in the preparation of its financial statements is as follows.

NATURE OF OPERATIONS

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 13,823 and 13,772 members as of December 31, 2022 and 2021, respectively.

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.

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 GVR. 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.

CASH AND CASH EQUIVALENTS

GVR considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. GVR classifies money market mutual funds with investments. GVR maintains its cash in bank deposit accounts which may exceed federally insured limits. Uninsured cash at December 31, 2022 and 2021 was $2,451,396 and $4,477,901, respectively.

ACCOUNTS RECEIVABLE

Accounts receivable are uncollateralized and consist of unpaid membership dues and facility rentals established under contractual agreements. GVR 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 collectability and charged to the allowance account when management determines that the amounts are uncollectible.

MAINTENANCE AND SUPPLY INVENTORY

GVR maintains an inventory of supplies and items commonly used for maintenance activities. The inventory is recorded at cost and no income is generated from such items.

INVESTMENT IN MARKETABLE SECURITIES

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.

INVESTMENT VALUATION AND INCOME

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Investment expenses are recorded as a reduction in investment earnings.

US GAAP establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under US GAAP are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that GVR has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

GVR's investments are summarized in the *Fair Value of Investments and Investment Income* note.

FINANCIAL INSTRUMENTS

Financial instruments that subject GVR to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and investment in marketable securities. The total loss that would occur if the accounts became uncollectible is the stated balance of the financial instruments reported in the accompanying statements of financial position.

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.

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. 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 total refunds that are likely to result from waivers within the next year using the historical ratio of waivers to home sales.

LEASES

GVR recognizes and measures its lease obligations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases ("Topic 842")*. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term. ROU assets are recognized at the commencement date of the lease under Topic 842 based on the lower of the lease liability or the fair value of the underlying asset, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. GVR's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date under Topic 842 to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the balance of the right-of-use asset reflects that GVR will exercise a purchase option. In that case the right-of-use asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, GVR's incremental borrowing rate or the risk-free rate determined with reference to the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in GVR's estimate of the amount expected to be payable under a residual value guarantee, if GVR changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the results of operations if the carrying amount of the right-of-use asset has been reduced to zero.

Practical expedients

GVR has elected, for all underlying classes of asset, to not recognize ROU assets and lease liabilities for short-term leases that a have a lease term of 12 months or less at commencement, and do not include an option to purchase the underlying asset that GVR is reasonably certain to exercise. GVR recognizes lease costs associated with short-term leases on a straight-line basis over the lease term. GVR elected to not include non-lease components in its determination of its fixed lease payment obligations in the measurement of ROU assets and lease liabilities. GVR uses a risk-free rate to discount future lease payments, considering the currency of the lease agreement and terms of the lease.

CONTRIBUTIONS

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. When conditions are satisfied, 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, 2022 and 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.

REVENUE

Revenue is recognized in accordance with Accounting Standards Codification Topic 606 – *Revenues from Contracts with Customers* ("ASC 606") which requires an evaluation of contracts with customers based the following five-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied.

ASC 606 requires revenues to be recognized when performance obligations are satisfied by transferring goods or services promised in a contract, in an amount that reflects the consideration that the GVR expects to receive in exchange for those goods or services. Performance obligations in the GVR's contracts represent distinct or separate service streams that it provides.

Management has assessed recognition of each type of revenue generated by GVR, in accordance with ASC 606, as described below.

Membership dues and access card fees – Revenue is recognized as the performance obligation is satisfied 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, 2022 or 2021 for prior year membership dues. Outstanding performance obligations at December 31, 2022 and 2021 represent amounts collected in advance for future period membership dues.

Facility rent - 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.

Capital/Initial fees - New member capital and initial fees are recognized at a point in time, when a property is purchased, and late fees are recognized when the related fees are determined to be overdue.

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

DONATED GOODS, FACILITIES AND SERVICES

Donated goods and facilities are valued at fair value at the time of donation. Donated services are recognized in the financial statements at fair 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 US GAAP.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and general and administrative 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, or fundraising directly during the payment process.

INCOME TAXES

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 US GAAP, management believes 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 Costs

Advertising costs are expensed as incurred and totaled $19,285 and $2,500 for the years ended December 31, 2022 and 2021, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities at the date of the financial statements. Actual results could differ from estimates.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have no effect on previously reported net assets.

New Accounting Pronouncements

The following accounting pronouncements were adopted during the years ended December 31, 2022 and 2021. As a result of the adoption of the new standards, there was no material impact on previously reported net assets.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases ("Topic 842")*. ASU No. 2016-02 was issued to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about leasing arrangements. ASU No. 2016-02 is effective for annual periods or fiscal years beginning after December 15, 2021. GVR adopted ASU No. 2016-02 for the year ended December 31, 2022, under a retrospective approach. Accordingly, GVR evaluated each leasing transaction at the beginning of each reporting period presented to determine the impact. The implementation of ASU No. 2016-02 resulted in a cumulative effect adjustment of $8,754 to net assets as of January 1, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 is effective for annual periods or fiscal years beginning after June 15, 2021. GVR adopted ASU No. 2020-07 for the year ended December 31, 2022 on a prospective basis and it had no effect on net assets.

Note B. Accounts Receivable

Accounts receivable consisted of the following at December 31:

	2022	2021
Accounts receivable	$ 213,619	$ 363,667
Less allowance for uncollectible accounts	(163,908)	(174,912)
Net accounts receivable	$ 49,711	$ 188,755

NOTE C. INVESTMENT IN MARKETABLE SECURITIES

Fair values of assets measured on a recurring basis at December 31, 2022 were as follows:

	Level 1	Level 2	Total
Corporate bonds	$ 6,211,153	$ -	$ 6,211,153
Mutual funds	3,283,684	-	3,283,684
Common stock	3,203,930	-	3,203,930
Government bonds	1,501,016	-	1,501,016
Exchange traded funds	168,251	-	168,251
Small issue municipal bonds	-	116,604	116,604
Total investments at fair value	$ 14,368,034	$ 116,604	$ 14,484,638

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

	Level 1	Level 2	Total
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
Total investments at fair value	$ 12,645,146	$ 106,294	$ 12,751,440

Investment income consisted of the following for the years ended December 31:

	2022	2021
Interest and dividends	$ 372,078	$ 293,014
Realized gain (loss)	(242,477)	51,716
Unrealized loss	(1,569,862)	413,196
Less investment fees	(86,438)	(73,257)
Net investment income (loss)	$ (1,526,699)	$ 684,669

Assets held in the brokerage accounts, by type of asset and board designation, were as follows at December 31, 2022:

	Cash and cash equivalents	Investments	Accrued interest	Brokerage account total
Board designated net assets:				
Emergency	$ 93,869	$ 396,832	$ 541	$ 491,242
Initiatives	319,814	2,211,743	15,032	2,546,589
Repairs and replacements	168,672	7,451,499	41,835	7,662,006
Total board designated assets	582,355	10,060,074	57,408	10,699,837
Undesignated - operations	502,939	4,424,564	6,026	4,933,529
Total assets held	$ 1,085,294	$ 14,484,638	$ 63,434	$ 15,633,366

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

	Cash and cash equivalents	Investments	Accrued interest	Brokerage account total
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	1,941,470	10,505,595	48,020	12,495,085
Undesignated - operations	563,629	2,245,845	2	2,809,476
Total assets held	$ 2,505,099	$ 12,751,440	$ 48,022	$ 15,304,561

NOTE D. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management regularly monitors the availability of financial resources required to meet current operating needs. GVR generally maintains financial resources as cash and cash equivalents and as investments in marketable securities. GVR utilizes a one-year time horizon to assess its immediate liquidity needs and maintains a minimum cash balance of no less than 90 days of annual operating expenses. This period of time was established based on management's understanding of the typical cycle of payables in the normal course of business. GVR 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.

The following reflects GVR's financial assets, and limitations on those assets as of December 31, 2022 and 2021, available for use for general expenditures within one year of the date of the statement of financial position:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 2,951,396	$ 6,265,374
Accounts receivable, net	49,711	188,755
Interest receivable	63,434	48,022
Investment in marketable securities	14,484,638	12,751,440
Total financial assets	17,549,179	19,253,591
Less board designated amounts:		
Emergency operations	491,242	1,155,668
Initiatives	2,546,589	2,190,524
Repairs and replacements	7,662,006	9,148,893
Total board designated amounts	10,699,837	12,495,085
Net financial assets available to meet cash needs for general expenditures within one year	$ 6,849,342	$ 6,758,506

Note E. Operating and Capital Leases

GVR leases office equipment and a mobile storage unit under non-cancelable leases expiring at various times through 2026.

Operating leases

The following is a schedule of future minimum lease payments under non-cancelable operating leases as of December 31, 2022:

2023	$	440
Total undiscounted lease payments	$	440
Less imputed interest		(1)
Total operating lease liabilities	$	439
Less current portion		(439)
Operating lease liabilities, long-term portion	$	-

For the years ended December 31, 2022 and 2021, total operating lease costs were $1,665 and $2,020, respectively.

As of December 31, 2022, the weighted average remaining lease term is 0.71 years for operating leases and the weighted average discount rate is 0.78%.

Finance Leases

The economic substance of certain leases is financing the acquisition of the assets through the leases and, accordingly, they have been recorded as finance lease obligations in the accompanying financial statements.

The following is a schedule of future minimum payments as of December 31, 2022:

2023	$	56,790
2024		49,462
2025		37,688
2026		10,735
Total undiscounted lease payments	$	154,675
Less interest		(31,095)
Total finance lease liabilities	$	123,580
Less current portion		(39,319)
Finance lease liabilities, long-term portion	$	84,261

As of December 31, 2022, the weighted average remaining lease term is 2.99 years for finance leases and the weighted average discount rate is 19.54%.

NOTE F. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 consisted of the following:

	Contributed	Purchased	Total
Land and improvements	$ 4,166,276	$ 2,126,636	$ 6,292,912
Buildings and improvement	12,852,422	14,125,121	26,977,543
Tennis, shuffleboard, and sports courts	324,958	1,990,614	2,315,572
Pools, spas, and equipment	412,588	2,971,493	3,384,081
Recreational equipment	230,841	1,295,394	1,526,235
Vehicles	-	877,198	877,198
Furniture	30,000	2,547,718	2,577,718
Total property and equipment	18,017,085	25,934,174	43,951,259
Less accumulated depreciation	(10,691,609)	(16,056,558)	(26,748,167)
Construction-in-progress	-	1,974,022	1,974,022
Property and equipment, net	$ 7,325,476	$ 11,851,638	$ 19,177,114

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

	Contributed	Purchased	Total
Land and improvements	$ 4,166,277	$ 2,126,635	$ 6,292,912
Buildings and improvement	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	30,000	2,323,400	2,353,400
Total property and equipment	18,017,086	24,663,270	42,680,356
Less accumulated depreciation	(10,383,093)	(14,813,135)	(25,196,228)
Construction-in-progress	-	505,956	505,956
Property and equipment, net	$ 7,633,993	$ 10,356,091	$ 17,990,084

NOTE G. REFUNDABLE CAPITAL FEE LIABILITY

For the years ended December 31, 2022 and 2021, 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:

	2022	2021
Property acquisition capital fees collected	$ 2,929,188	$ 3,141,989
Less change in estimated obligation for refundable fees	96,208	(82,925)
PACF revenue recognized, included in new member capital and initial fees on the statement of activities	$ 3,025,396	$ 3,059,064
Actual PACF fee refunds	$ 205,568	$ 336,784

NOTE H. NOTES PAYABLE AND DEFERRED LEASE REVENUE

During the year ended December 31, 2021, GVR purchased a parking lot from GVR 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 15 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 of lease revenue and reduction of deferred lease revenue for the space provided to the Foundation during the last four months of the year. During the year ended December 31, 2022, GVR recognized $4,000 of lease revenue and reduction of deferred lease revenue. Management has determined that the effect of imputed interest on the net present value of the note payable and the deferred lease revenue is immaterial.

Liabilities related to the property acquisition were as follows at December 31, 2022:

	Note payable	Deferred lease revenue	Total
Payable to GVR Foundation	$ 88,000	$ 54,667	$ 142,667
Less current portion	(11,000)	(4,000)	(15,000)
Long-term portion	$ 77,000	$ 50,667	$ 127,667

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

	Note payable	Deferred lease revenue	Total
Payable to GVR Foundation	$ 99,000	$ 58,667	$ 157,667
Less current portion	(11,000)	(4,000)	(15,000)
Long-term portion	$ 88,000	$ 54,667	$ 142,667

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, 2022:

	Note payable	Deferred lease revenue	Total
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
2027	11,000	4,000	15,000
Thereafter	33,000	34,667	67,667
Total minimum future payments	$ 88,000	$ 54,667	$ 142,667

NOTE I. 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, 2022:

	Emergency	Initiatives	Repairs and replacements	Total
Beginning balance	$ 1,155,668	$ 2,190,524	$ 9,148,893	$ 12,495,085
Board designations:				
Capital fees	-	649,825	-	649,825
Other designations	(467,156)	479,715	1,402,519	1,415,078
Expended for projects	-	(551,901)	(1,920,638)	(2,472,539)
Investment income	(212,796)	(212,818)	(971,133)	(1,396,747)
Change in accrued interest	15,526	(8,756)	2,365	9,135
Total board designated net assets	$ 491,242	$ 2,546,589	$ 7,662,006	$ 10,699,837

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

	Emergency	Initiatives	Repairs and replacements	Total
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
Total board designated net assets	$ 1,155,668	$ 2,190,524	$ 9,148,893	$ 12,495,085

NOTE J. NET ASSETS WITH DONOR RESTRICTIONS

Activity in net assets with donor restrictions for the year ended December 31, 2022, and balances of net assets with donor restrictions as of the year then ended, were as follows:

	Beginning balance	Contributions	Releases	Ending balance
Subject to purpose restrictions:				
Monument sign	$ 30,000	$ -	$ 30,000	$ -

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:

	Beginning balance	Contributions	Releases	Ending balance
Subject to purpose restrictions:				
Monument sign	$ -	$ 30,000	$ -	$ 30,000

NOTE K. REVENUE FROM CONTRACTS WITH CUSTOMERS

During the years ended December 31, 2022 and 2021, GVR recognized $4,673,666 and $3,729,025, respectively, in previously deferred revenue for member dues, program revenue, and access card fees.

GVR had no contract assets at either December 31, 2022 or 2021. 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 $202,757 and $294,507 at December 31, 2022 and 2021, respectively.

Disaggregated revenue from contracts with customers and allocated performance obligations as of and for the year ended December 31, 2022 was as follows:

Revenue recognition method	Revenue recognized	Outstanding performance obligation
Point in time:		
New member capital and initial fees	$ 3,637,550	$ -
Late fees	87,044	-
Over time:		
Membership dues	6,947,340	4,603,250
Member, tenant and guest fees	247,452	-
Facility rental	21,163	-
Cell tower lease income	43,105	-
Performance activity:		
Program revenue	401,554	130,021
Advertising revenue	-	-
	$ 11,385,208	$ 4,733,271

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

Revenue recognition method	Revenue recognized	Outstanding performance obligation
Point in time:		
New member capital and initial fees	$ 3,688,603	$ -
Late fees	64,756	-
Over time:		
Membership dues	6,942,771	4,538,837
Member, tenant and guest fees	159,813	-
Facility rental	5,110	-
Cell tower lease income	41,594	-
Performance activity:		
Program revenue	212,686	134,829
Advertising revenue	22,565	-
	$ 11,137,898	$ 4,673,666

NOTE L. 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 $7,662,006 and $9,148,893 as of December 31, 2022 and 2021. 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 and in October of 2022. The most recent study concluded that the fully funded reserve balance at December 31, 2022 would be $9,841,795 of which GVR had funded $7,662,006 or 78% at December 31, 2022. The reserve study is based on a recommended annual contribution of $1,179,941 for 2022 to the replacement reserve, to be increased annually at a rate of 6.76%, 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 M. 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 limit. GVR matches the percentage the employee contributes per pay period up to 5% of compensation. Retirement plan contributions made by GVR were $105,293 and $116,788 for the years ended December 31, 2022 and 2021, respectively.

NOTE N. 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, 2022 and 2021, GVR received no in-kind revenue subject to recognition.

During the years ended December 31, 2022 and 2021, the Foundation's Member Assistance Program provided $21,900 and $34,088, respectively, to GVR on behalf of specific members for membership dues. The Foundation was an entity under common control until 2020. Amounts recorded as custodial liabilities in the accompanying statements of financial position represent amounts collected on behalf of the Foundation.

NOTE O. CONTINGENCIES

GVR is involved from time-to-time in various claims and legal actions in the ordinary course of business. Management does not believe that the impact of such matters will have a material adverse effect on their financial position or results of operations when resolved.

NOTE P. SUBSEQUENT EVENTS

The preparation of financial statements to conform with US GAAP requires management to disclose the date through which the subsequent events (i.e., an event or transaction that occurs after the balance sheet date but before the financial statements are issued) were evaluated when determining whether adjustment or disclosure in the financial statements is required. Management of GVR evaluated subsequent events through April 11, 2023, which represents the date the accompanying financial statements were available to be issued.