



Green Valley Recreation, Inc.

Presentation to the Board of Directors, Year Ended December 31, 2024

R&A CPAs, P.C.
4542 E. Camp Lowell, Ste. 100
Tucson, Arizona 85712





TOPICS FOR DISCUSSION

- Required Communications with Those Charged with Governance at the Conclusion of the Audit
- Auditors' Report on Financial Statements
- Key Audit Areas
- Financial Statement Highlights
- Management Letter Comments
- Upcoming Accounting Standards Affecting GVR
- Industry Updates
- Concluding Remarks
- Questions



REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

- Qualitative aspects of accounting practices
 - No new accounting standards adopted for December 31, 2024
 - Application of existing accounting policies did not change
 - We noted no transactions during the period for which there is a lack of authoritative guidance
- Difficulties encountered in performing the audit
 - We encountered no difficulties in performing the audit
- Corrected and uncorrected misstatements
 - We identified six audit adjustments and five reclassifications
 - There were no passed adjustments



REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT (CONT'D)

- Disagreements with management
 - There were no disagreements with management
- Management consultations with other independent accountants
 - No such consultations were required
- Other matters
 - No other matters require communication to the Board



AUDITORS' REPORT ON FINANCIAL STATEMENTS

- R&A issued an unmodified opinion
 - Unmodified or sometimes referred to as a “clean opinion”
 - There were no material modifications to the financial statements required for them to be in conformity with accounting standards generally accepted in the United States of America



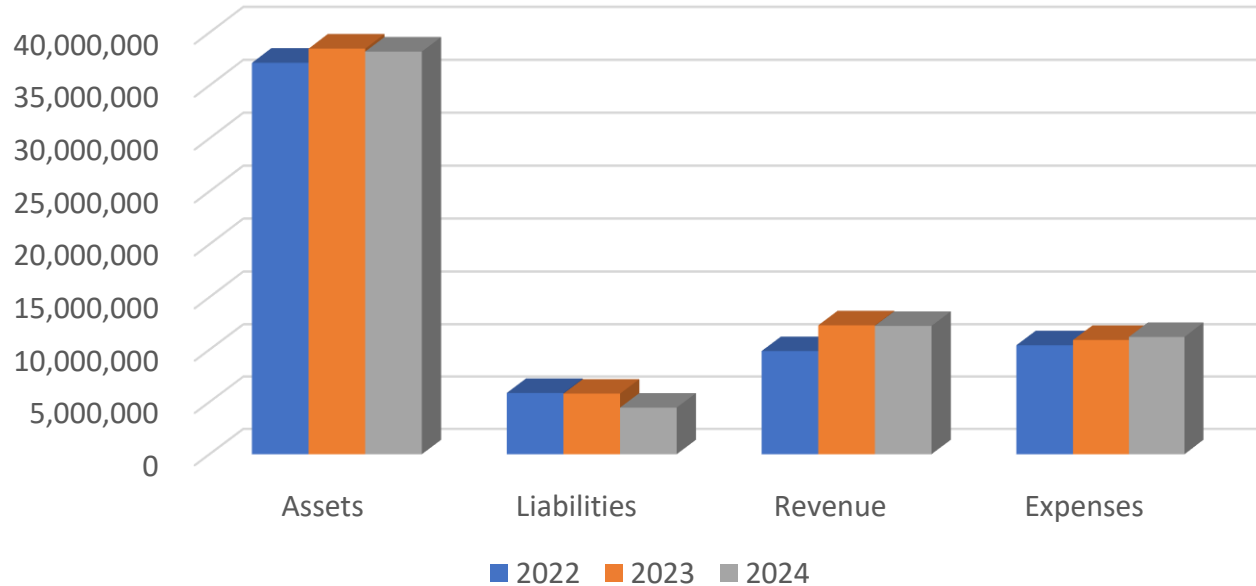
KEY AUDIT AREAS

- Program Revenue & Receivables
- Investments
- Property & Equipment
- Program Expenses, Accounts Payable and Other Liabilities
- Payroll & Related Liabilities
- Deferred Revenue
- Net Assets
- Cash



FINANCIAL STATEMENT HIGHLIGHTS

Overall 3 Year Trends





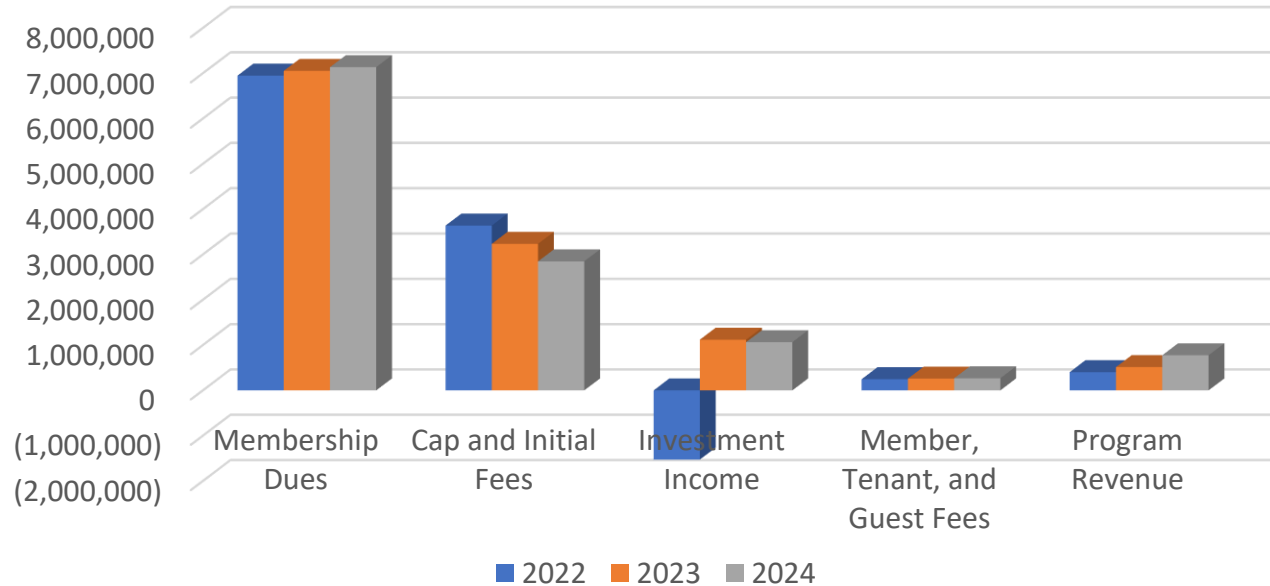
FINANCIAL STATEMENT HIGHLIGHTS

- Increase in Cash of \$349K
 - Increase is due to positive cash flows from operations of \$373K.
- Decrease in Investments of \$1.6M
 - Decrease in investments resulted from the additional funding from operating cash plus \$1.1M of investment income, including realized and unrealized gains, offset by withdrawals for capital expenses.
- Decrease in Accounts Receivable of \$56K
 - Overall accounts receivable is comparable year over year.
- Increase in Property & Equipment of \$2.3M
 - Increase in property and equipment resulted from investments in CIP, equipment, building improvements and grounds amenities during the year.
- Liabilities decreased by \$1.3M mostly due to a decrease in deferred revenue resulting from collections shifting from December 2024 to January 2025.
- Increase in Net Assets of \$1.1M
- Revenues were comparable at \$11.2M
- Increase in Expenses of \$290K



FINANCIAL STATEMENT HIGHLIGHTS

Revenue Segmentation 3 Year Trends





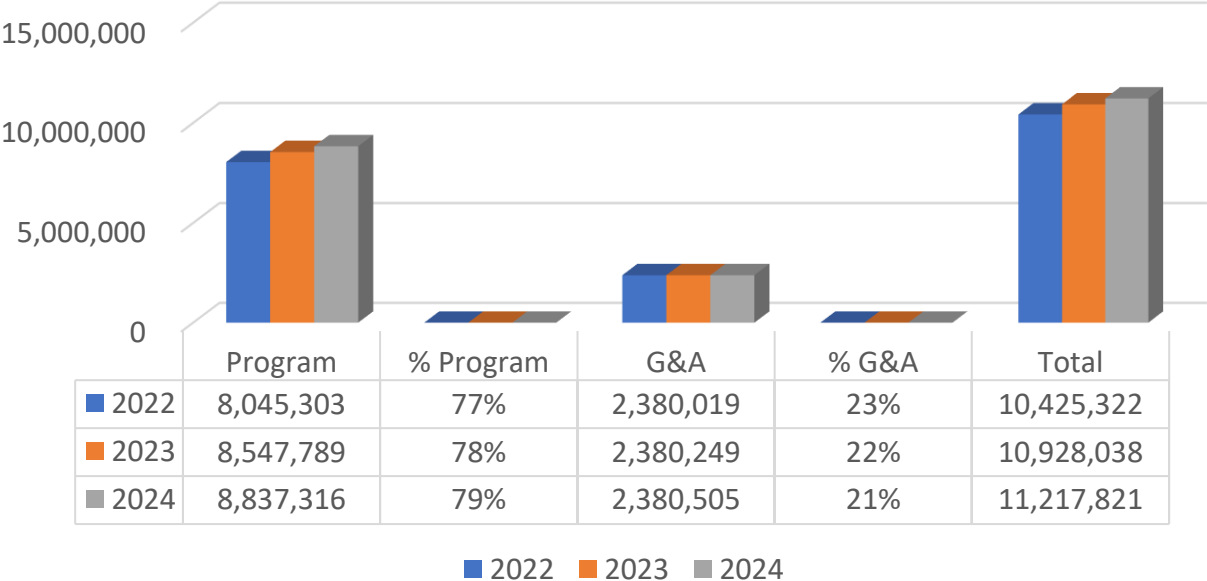
FINANCIAL STATEMENT HIGHLIGHTS

- Membership Dues increased \$82K
 - 22 new members in 2024 and annual dues in 2024 increased to \$515.
- Decrease in New Member Capital and Initial Fees of \$387K
 - Fewer homes were sold in 2024 – 803 vs. 939 in 2023 – offset by increased fee of \$3,000 in 2024 vs. \$2,900 in 2023.
- Decrease in investment income of \$100K
 - Overall, interest and dividends, and realized and unrealized gains were comparable year over year.
- Increase in Member, Tenant, and Guest Fees of \$7K
 - Overall, revenue was comparable year over year.
- Increase in Program Income of \$260K
 - Increased program fees to make events cover costs associated with running them and higher attendance in 2024.



FINANCIAL STATEMENT HIGHLIGHTS

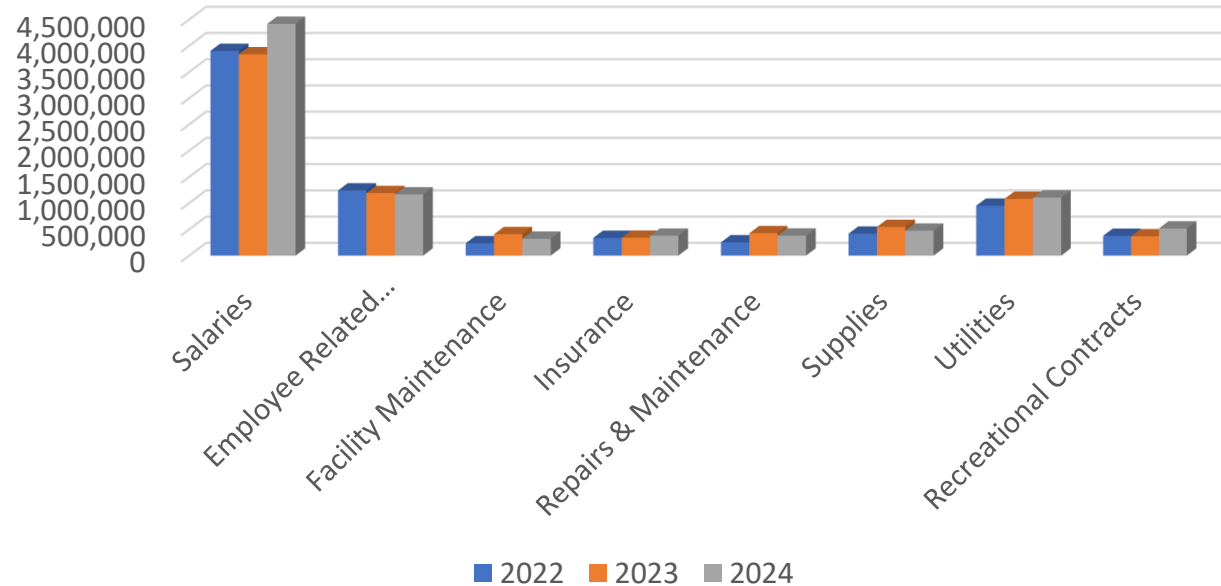
Expense Trends by Major Group





FINANCIAL STATEMENT HIGHLIGHTS

Expense Segmentation 3 Year Trends





FINANCIAL STATEMENT HIGHLIGHTS

- Increase in Salaries and Wages of \$579K
 - Primarily related to the retention of maintenance employees in lieu of continuing with the outside company providing services, including pool maintenance for the first time. Also, includes raises of 4% increase on average over 2023.
- Decrease in Employee Related Expenses of \$25K
 - Primarily related to \$127K decrease in medical insurance costs from fewer participants in 2024, partially offset by higher payroll taxes and 401K contributions.
- Decrease in Facility Maintenance of \$86K
 - Primarily related to \$110K decrease from cancelling the maintenance contract for outside company to perform maintenance and repairs, offset by \$24K increase in general maintenance costs.
- Increase in Insurance of \$40K
 - Overall insurance was comparable with a rate increase year over year.
- Decrease in Repairs and Maintenance of \$45K
 - Resulted from less spending in 2024 for contract labor compared to 2023.



FINANCIAL STATEMENT HIGHLIGHTS

- Decrease in Supplies of \$71K
 - Resulted from less consumption of hardware supplies in 2024 compared to 2023.
- Increase in Utilities of \$24K
 - Overall utilities is comparable year over year with a 2% increase.
- Increase in Recreational Contracts of \$148K
 - Resulted from more shows and entertainers engaged in 2024 compared to 2023.



FINANCIAL STATEMENT HIGHLIGHTS

- Statement of Cash Flows –
 - Cash provided by operating activities decreased \$1.4M
 - Decreased operating cash flows resulted primarily from the shifting of member receipts from 2024 to 2025, coupled with payment of payables close to year end.
 - Cash used by investing activities increased \$1.8M
 - Increased from investments fully funding the property investments in 2024.
 - Cash used by financing activities is comparable year over year



FINANCIAL STATEMENT HIGHLIGHTS

- Notes to the Financial Statements –
 - Note A – New Accounting Pronouncement
 - Note C – Investment in Marketable Securities
 - Note E – Operating and Finance Leases
 - Note G – Refundable Membership Change Fee Liability
 - Note L – Future Major Repairs and Replacements



MANAGEMENT LETTER COMMENTS

- We are pleased to report that R&A did not issue a Management Letter in 2024
 - We did not identify any matters that required communication to management.



INDUSTRY UPDATES

- Homeowners' associations have experienced annual industry revenue growth of 0.0% over the last five years, which includes 0.9% growth in 2024. This does not include inflation.
- Over the next five years, industry revenue will rise at an annual growth rate of 1.9%. This does not include inflation.
- Despite a slight decline in the homeownership rate over the next five years, the industry will experience expanding membership from rising disposable incomes.
- Investors in Arizona properties for renting prefer housing structured as an association.
- One of the drivers for these communities is the market evidence for rising demand for offerings such as social clubs, holiday celebrations, and recreational activities.



INDUSTRY UPDATES

- Counties and municipalities are mandating more responsibility to residential developers, leading them to establish homeowners' associations for infrastructure and community service tasks.
- Senior living communities will continue to be a key element to industry revenue – at least for the next 10 years.
- Housing starts are a key external driver in the industry. New housing permits softened through December 2024 and rose in January 2025 and rose again in February 2025 in the Tucson Metro area, which includes Green Valley.
- While the CPI came in lower than expectations signaling that inflation is moving back toward normal, the Federal Reserve is taking a wait and see approach to the effects of the tariffs imposed by the current administration on consumer prices.
- With three rate cuts between September and December 2024, the Federal Reserve is clearly looking to cut rates.



INDUSTRY UPDATES

- Real estate statistics indicate the median sale price of homes in Green Valley decreased 2.2% from February 2024 to February 2025.
- Housing inventory up 37% with 502 homes listed as of February 2025 compared to February 2024.
- Days on the market rose from 72 days in February 2024 to 90 days in February 2025. Sale to list price ratio is between 97% and 98%.
- The Arizona Association of Realtors anticipates increased transaction activity in 2025 as buyers who were on the sidelines due to interest rate fluctuations re-engage with the market.
- Some forecasts suggest that highly desirable rural markets may continue to be somewhat resilient due to strong demand.



UPCOMING ACCOUNTING STANDARDS AFFECTING GVR

- No New Significant Accounting Standards for 2025



THANK YOU

R&A's partners and staff thank the Chief Financial Officer, management, and staff of Green Valley Recreation, Inc. for their cooperation throughout the audit.

We also thank the Board of Directors for the opportunity to serve Green Valley Recreation, Inc.



QUESTIONS