



**2024
ANNUAL MEETING
OF THE CORPORATION**

Wednesday, March 27, 2024 – 9:00am
West Center Auditorium / Zoom

AGENDA

- 1. Call to Order** – President Marge Garneau
- 2. Presentations**
 - A. **Election Results** – N&E Chair Beth Dingman
 - 1) Report on Quorum
 - 2) Election Results
 - B. **President’s Report** – President Garneau
 - 1) Appreciation Award for Resigned/Outgoing Directors
 - C. **2023 Audit Report** – R & A CPAs
 - D. **Year-End Review** – CEO Scott Somers
- 3. Member Comments**
- 4. Adjournment**



Green Valley Recreation, Inc.

Presentation to the Board of Directors, Year Ended December 31, 2023

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
 - One new accounting standard adopted for December 31, 2023
 - 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 five audit adjustments and six reclassifications
 - There was one passed adjustment



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
 - Emphasis of matter paragraph for new accounting standard



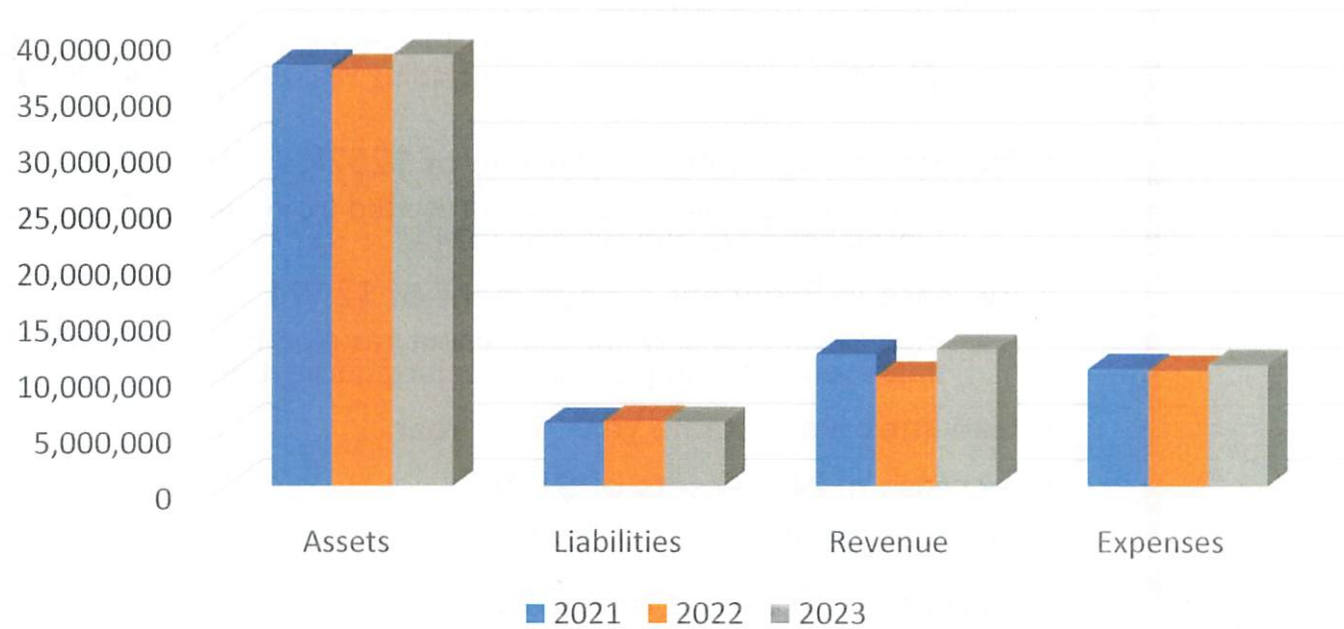
KEY AUDIT AREAS

- 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





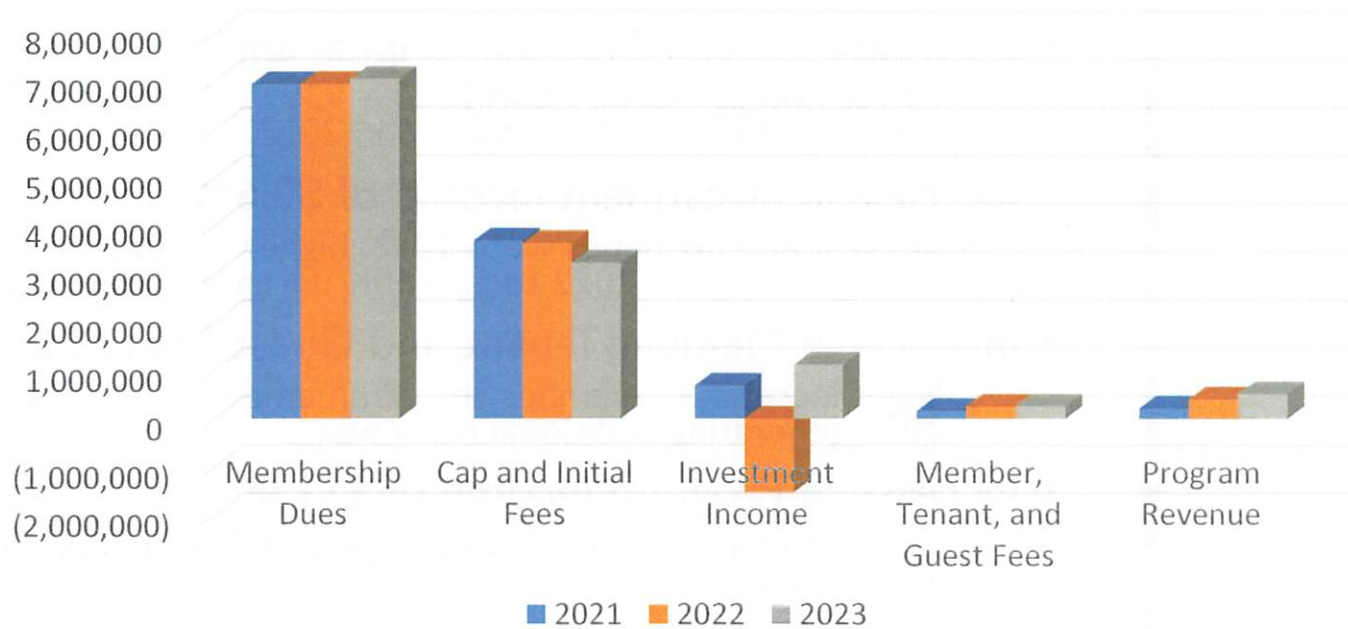
FINANCIAL STATEMENT HIGHLIGHTS

- **Decrease in Cash of \$107K**
 - Decrease is reasonable with total cash balances stable year over year.
- **Decrease in Investments of \$1M**
 - Decrease in investments resulted from the additional funding from operating cash and over \$1.2M of investment income, including realized and unrealized gains, offset by withdrawals for capital expenses.
- **Increase in Accounts Receivable of \$252K**
 - Increase in accounts receivable resulted from timing of cash collections between December 2023 and January 2024.
- **Increase in Property & Equipment of \$2.9M**
 - Increase in property and equipment resulted from investments in CIP, equipment, building improvements and grounds amenities during the year.
- **Liabilities were stable year over year**
- **Increase in Net Assets of \$1.4M**
- **Decrease in Revenues of \$191K**
- **Increase in Expenses of \$503K**



FINANCIAL STATEMENT HIGHLIGHTS

Revenue Segmentation 3 Year Trends





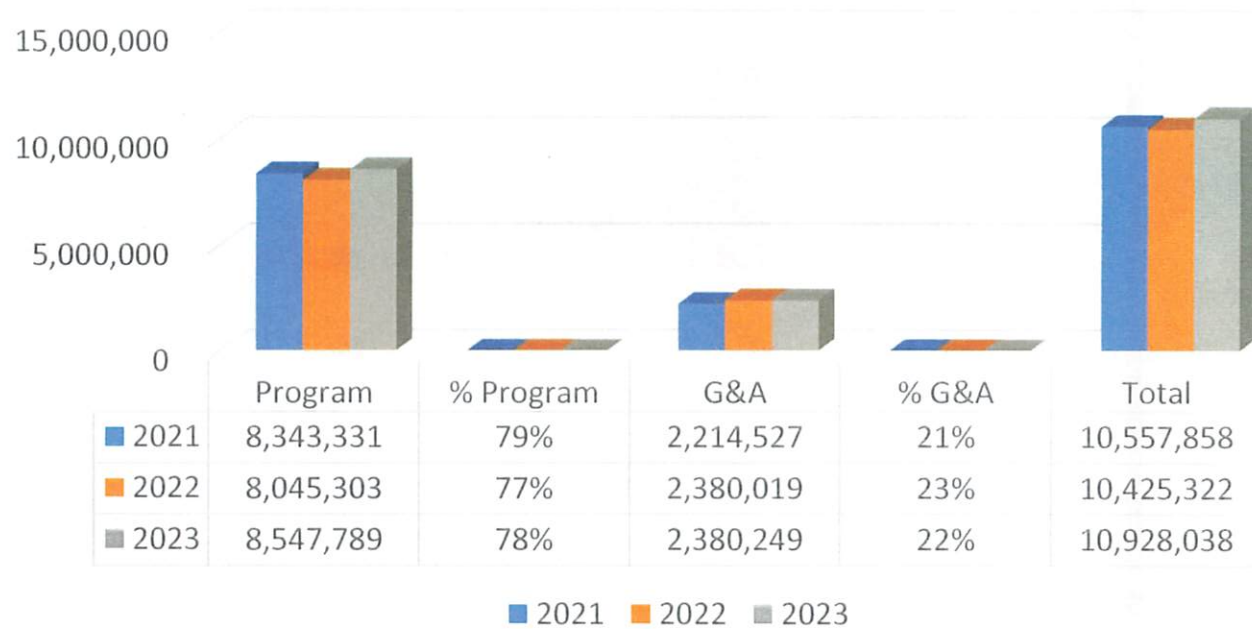
FINANCIAL STATEMENT HIGHLIGHTS

- **Membership Dues increased \$105K**
 - 27 new members in 2023 and annual dues in 2023 increased to \$510.
- **Decrease in New Member Capital and Initial Fees of \$403K**
 - Fewer homes were sold in 2023 – 939 vs. 1,042 in 2022 – offset by increased fee of \$2,900 in 2023 vs. \$2,816 in 2022.
- **Increase in investment income of \$2.6M**
 - Interest and dividends were \$84K higher in 2023, and GVR went from a \$1.8M unrealized loss in 2022 to a \$740K unrealized gain in 2023.
- **Increase in Member, Tenant, and Guest Fees of \$12K**
 - Slight increase in member and nonmember season passes in 2023 compared to 2022 generating additional revenue.
- **Increase in Program Income of \$113K**
 - Increased participation in events held in 2023 compared to 2022 generating additional revenue.



FINANCIAL STATEMENT HIGHLIGHTS

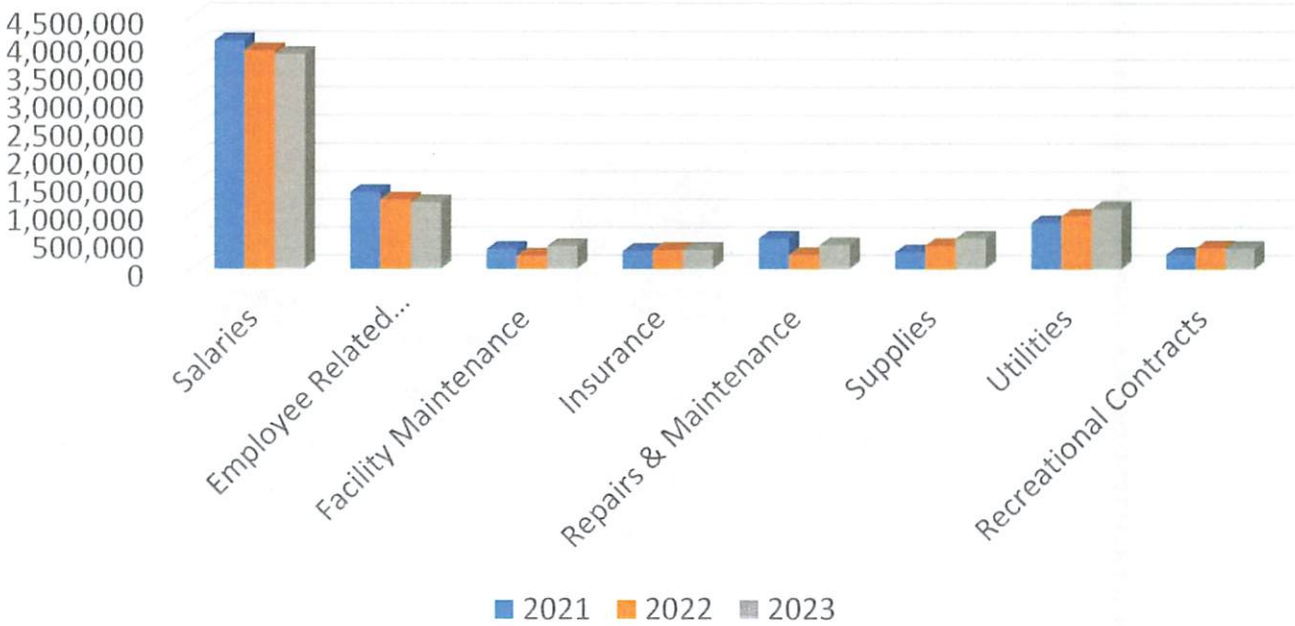
Expense Trends by Major Group





FINANCIAL STATEMENT HIGHLIGHTS

Expense Segmentation 3 Year Trends





FINANCIAL STATEMENT HIGHLIGHTS

- **Decrease in Salaries and Wages of \$80K**
 - Primarily related to the end of maintenance employees in favor of an outside company providing services, offset by 4% increase for raises over 2022.
- **Decrease in Employee Related Expenses of \$109K**
 - Primarily related to less medical insurance costs, payroll taxes, and 401K contributions.
- **Increase in Facility Maintenance of \$173K**
 - Primarily related to maintenance contract for outside company to perform maintenance and repairs.
- **Insurance was stable year over year**
- **Increase in Repairs and Maintenance of \$174K**
 - Resulted from higher spending in 2023 for contract labor for ongoing projects in 2023 compared to 2022.



FINANCIAL STATEMENT HIGHLIGHTS

- Increase in Supplies of \$128K
 - Resulted from high consumption of hardware supplies in 2023 compared to 2022.
- Increase in Utilities of \$130K
 - Primarily related to more natural gas consumption, but all areas are up slightly. Partly due to additional heating costs for the new pool on the property.
- Recreational Contracts were stable year over year



FINANCIAL STATEMENT HIGHLIGHTS

- Statement of Cash Flows –
 - Cash provided by operating activities decreased \$1.2M
 - Decreased operating cash flows resulted primarily from the decreased revenue and increased expenses compared to 2022.
 - Cash used by investing activities decreased \$4.5M
 - Decreased from fewer investments in marketable securities.
 - Cash used by financing activities is comparable year over year



FINANCIAL STATEMENT HIGHLIGHTS

- Notes to the Financial Statements –
 - Note A – Accounts Receivable and New Accounting Pronouncement
 - Note C – Investment in Marketable Securities
 - Note L – Future Major Repairs and Replacements



MANAGEMENT LETTER COMMENTS

- Material weaknesses
 - We identified no material weaknesses
- Significant deficiencies
 - We identified one significant deficiency
- Other Matters
 - We noted no other matters for management consideration



INDUSTRY UPDATES

- Homeowners' associations have experienced annual industry revenue growth of 0.4% over the last five years, which includes a 1.2% decline in 2023 alone. This does not include inflation.
- Over the next five years, industry revenue will rise at an annual growth rate of 1.7%. This does not include inflation.
- The industry will be negatively impacted by a slight decline in the homeownership rate over the next five years. However, GVR has a slightly different market - retirees.
- Baby Boomers were born from 1946 to 1964, which means the last of these will be retiring over the next decade. Research indicates that since the COVID-19 Pandemic, more Americans are fleeing cities to live in more rural and warmer climates, particularly the Southwest.



INDUSTRY UPDATES

- Retirees generally have lower credit requirements and pay for homes either completely in cash or a very high percentage of the closing in cash. Thus, they are generally not as sensitive to rising interest rates.
- 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. As of February 2024, new housing permits are up on average 65% compared to one year ago in the Tucson Metro area, which includes Green Valley.
- Lenders are still cautious but have backed off their wait and see approach to the effects of the rising interest rates with construction projects.
- The Swiss Bank was the first to cut interest rates last week and the Federal Reserve is planning three rate cuts this year in 2024.



UPCOMING ACCOUNTING STANDARDS AFFECTING GVR

- No New Accounting Standards for 2024



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



Providing excellent facilities and services that create opportunities for recreation, social activities, and leisure education to enhance the quality of our members' lives.



GVR

2023

YEAR IN

REVIEW

Annual Meeting

2024

13,667

Member Households

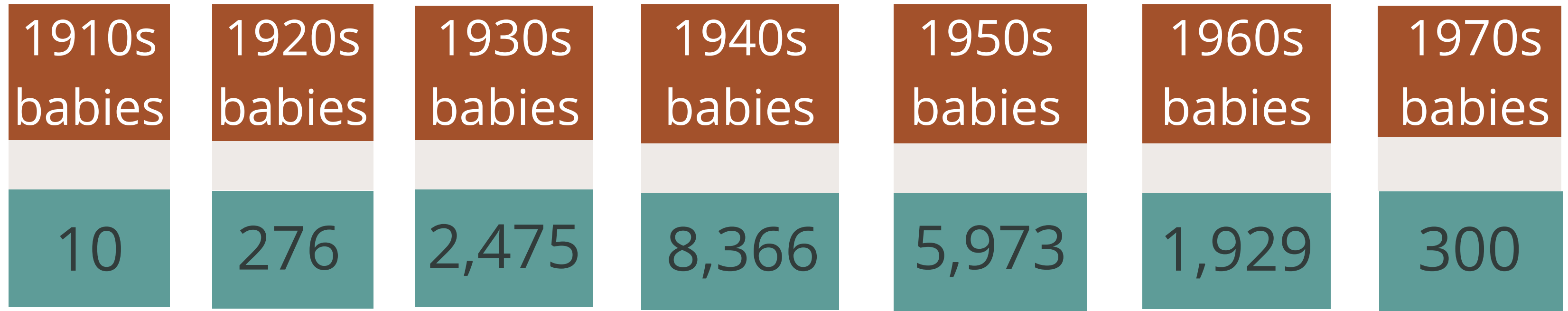
Increase of 27 households over 2022

22,342

Individual Members

Increase of 19 over 2022

By the Decade



Most popular birth year: 1947

Members listed on deeds whose birth dates are known



1,457

Guest Passes Issued

Increase of 17 over 2022

1,356

Tenant Passes Issued

Increase of 106 over 2022

90

Life Care Member Passes Issued

Increase of 16 over 2022



When I wrapped up last year's
annual review presentation...

I said we would ...



Build a Glass Arts Studio



Launch a New Website



Commence final clubhouse
Improvements



Plan expansion of Ceramics,
Woodshop, and Metal



GVR
2023



Improve Center Security



Evaluate expansion of LC & SRS
fitness centers



Book new classes and a fresh
approach to trips & tours

2023 Projects Status

Underway

Complete



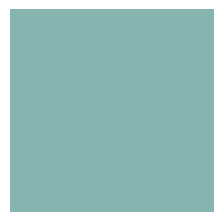
Desert Hills Fitness Center & studio



Glass Arts Studio



Canoa Hills Renovation



Del Sol Clubhouse

2023 Projects Status

Underway



Complete



A new website



Revitalization/ Expansion: Fitness programming



Revitalization/ Expansion: Leisure Education program



West Center clubs enhancement plans

2023 Survey Said...

Top Three Member Priorities

1 Pursue greater operational efficiency

2 Complete capital projects and facility improvements

3 Continue to improve Board functionality, professionalism and productivity

2023 Efficiency Initiatives

Underway

Complete



Reorganized field and customer services



Consolidated recreation catalog
Saving 8% despite rising costs of paper and a 9% increase in demand



Ongoing transition to LED lighting



Trial of outsourcing custodial services



1.5% reduction in 2024 operating budget



GVR RECREATION

2023 Fitness Program Improvements



33

Events

were supported by

92

A&E Volunteers

We provided popular new
options...



- Complimentary yoga
- Increased comedy (from 2 to 5 this season)
- St. Paddy's Day pop-up poolside concert, eclipse viewing, etc.
- "Paint and sip"





A SUCCESS STORY:

*Revitalizing the Leisure
Education Program*

599

Courses offered

210 more than offered in 2022

7,038

Enrollments

Increase of 1,875 over 2022

171

Courses full

Increase of 101 over 2022

94

Courses with wait lists

Increase of 51 over 2022



59

Clubs

One new (Italian), three disbanded (Colorado and two small bridge groups)

9,526

Club Members

413 more than 2022



GVR's Most Popular Clubs

1 Pickleball: 983 Members

Increase of 34 members over 2022



#2 Computer: 853 Members

Increase of 38 members over 2022



#3 Photography: 651 Members

Increase of 38 members over 2022



#4 Woodworking: 468 Members

Decrease of 100 members over 2022



#5 Amigas: 424 Members

Decrease of 65 members over 2022



6 Forum : 378 Members

7 Hiking : 353 Members

8 Tennis : 325 Members

9 Clay : 321 Members

10 Meditation : 306 Members

14

Sports Clubs

2,526 members 132 fewer than 2022

12

Arts and Crafts Clubs

1,952 members 338 more than 2022

10

Social Clubs

1,322 members 90 more than 2022

15

Cards and Games Clubs

1,001 members

61 fewer than 2022

7

Special Interest Clubs

2,465 members

571 more than 2022

Greatest Club

Membership Increases

1. Meditation +116
2. Canine +76
3. Lapidary and Silversmithing +75
4. SRAL +57
5. Monday informal duplicate bridge +45

Greatest Club Membership Reductions

1. Tennis Club -114
2. Woodworkers -100
3. Amigas -65
4. Michigan -50
5. Hearts -19



Making it All Happen

GVR



14 People served on the
Board of Directors

36 Members served on
Board committees





82 Full Time Staff

22 Part Time Staff

Looking Forward...

2024



Kiln room enhancement
for the ceramics club






Complete clubhouse renovation



West Center club space
enhancements

Looking Forward... 2024

-  Member outreach regarding the Desert Hills locker room renovation
-  Member outreach re: Canoa Hills gymnasium conversion (April 4, 8am)
-  New facility use policies to improve efficiency and member access to rooms

Thank you!