

**GREEN VALLEY RECREATION, INC.
AND GVR FOUNDATION
Green Valley, Arizona**

**Combined Financial Statements
December 31, 2015 and 2014**

**Green Valley Recreation, Inc. and
GVR Foundation
December 31, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Green Valley Recreation, Inc. and GVR Foundation
Green Valley, Arizona

Report on the Financial Statements

I have audited the accompanying combined financial statements of Green Valley Recreation, Inc. (GVR) and GVR Foundation, Arizona nonprofit corporations, which comprise the combined statements of financial position as of December 31, 2015 and 2014 and the related combined statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on the combined financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of GVR and GVR Foundation as of December 31, 2015 and 2014 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Financial Statements

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental combining financial statements are presented for additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects to the financial statements as a whole.

Other Matter

As of December 31, 2015 and 2014 GVR had not obtained an updated independent study of the remaining useful lives and future replacement costs of its common interest facilities since May 2009 and has not been making planning or funding decisions based on it. Therefore, GVR has not presented a study of estimated remaining lives and future replacement costs that the American Institute of Certified Public Accountants determined is required to supplement, although not required to be a part of, the basic financial statements. However, GVR is currently in the process of having an updated study prepared upon which it plans to rely for future replacement decisions.

Scott R. Meyer, CPA, P.C.

Tucson, Arizona
February 5, 2016

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

| ASSETS | | |
|--|------------------------------------|------------------------------------|
| CURRENT ASSETS | <u>2015</u> | <u>2014</u> |
| Cash and cash equivalents-Unrestricted | \$ 4,835,120 | \$ 4,922,766 |
| Cash and cash equivalents-Board Designated | 3,504,692 | |
| Dues assessments receivable, net of allowance for bad debts of \$104,000 and \$98,000 as of December 31, 2015 and 2014, respectively | 49,460 | 80,481 |
| Prepaid expenses | 152,116 | 118,300 |
| Certificates of deposit-Unrestricted | | 1,231,108 |
| Certificates of deposit-Board designated | 3,982,808 | 4,000,000 |
| Interest receivable | 4,535 | 4,150 |
| Total Current Assets | <u>12,528,731</u> | <u>10,356,805</u> |
| LONG-TERM ASSETS | | |
| Property and equipment | <u>16,260,524</u> | <u>16,991,479</u> |
| Total long-term assets | <u>16,260,524</u> | <u>16,991,479</u> |
| Total Assets | <u><u>\$ 28,789,255</u></u> | <u><u>\$ 27,348,284</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 143,726 | \$ 121,959 |
| Accrued expenses | 130,064 | 119,989 |
| Deferred revenue | <u>4,774,129</u> | <u>4,431,573</u> |
| Total Current Liabilities | 5,047,919 | 4,673,521 |
| NET ASSETS | | |
| Unrestricted net assets | 16,253,836 | 18,674,763 |
| Board designated net assets-Reserves for operations | 789,366 | 539,366 |
| Board designated net assets-Reserves for capital replacements | 4,628,289 | 1,952,001 |
| Board designated net assets-Reserves for initiatives | <u>2,069,845</u> | <u>1,508,633</u> |
| Total Net Assets | <u>23,741,336</u> | <u>22,674,763</u> |
| Total Liabilities and Net Assets | <u><u>\$ 28,789,255</u></u> | <u><u>\$ 27,348,284</u></u> |

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

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2015 and 2014

CHANGES IN UNRESTRICTED NET ASSETS

| Revenues: | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-----------------------------|-----------------------------|
| Membership dues | \$ 6,000,905 | \$ 5,878,641 |
| Fees | 2,216,967 | 1,860,055 |
| Programs | 359,598 | 313,177 |
| Instructional | 371,014 | 364,075 |
| Investment | 28,206 | 12,186 |
| Rooms and cell tower rentals | 51,443 | 20,975 |
| Insurance claim on property | 75,000 | |
| Donations | 22,556 | |
| Other | 18,692 | 70,473 |
| Total Revenues | <u>9,144,381</u> | <u>8,519,582</u> |
| | | |
| Expenses: | | |
| Communications and technology | 137,886 | 102,865 |
| Contract services | 541,441 | 561,760 |
| Depreciation | 1,273,006 | 1,293,276 |
| Fees, taxes, and permits | 25,193 | 122,423 |
| Food | 37,161 | 30,180 |
| Insurance | 193,756 | 190,204 |
| Miscellaneous | 80,719 | 66,600 |
| Personnel/volunteer costs | 3,815,965 | 3,487,861 |
| Postage and printing | 82,846 | 78,396 |
| Professional services | 121,555 | 65,949 |
| Repairs and maintenance | 501,501 | 542,488 |
| Small equipment and furnishings | 119,808 | 55,721 |
| Supplies | 271,221 | 235,464 |
| Utilities and waste management | 875,750 | 875,183 |
| Total Expenses | <u>8,077,808</u> | <u>7,708,370</u> |
| | | |
| Net Changes in Net Assets | 1,066,573 | 811,212 |
| | | |
| NET ASSETS, BEGINNING OF YEAR | <u>22,674,763</u> | <u>21,863,551</u> |
| | | |
| NET ASSETS, END OF YEAR | <u><u>\$ 23,741,336</u></u> | <u><u>\$ 22,674,763</u></u> |

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

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| Increase in net assets | \$ 1,066,573 | \$ 811,212 |
| Adjustments to reconcile the change in net assets to net cash provided by (used for) operating activities: | | |
| Depreciation | 1,273,006 | 1,293,276 |
| Allowance for doubtful accounts | 6,000 | 24,000 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in dues assessments receivables | 25,021 | (22,150) |
| (Increase) in interest receivables | (385) | (1,004) |
| (Increase) in prepaid expenses | (33,816) | (7,428) |
| Increase in accounts payable | 21,767 | 42,941 |
| (Decrease) increase in accrued expenses | 10,075 | (122,666) |
| Increase in deferred revenue | 342,556 | 1,018,823 |
| Net Cash Provided By Operating Activities | <u>2,710,797</u> | <u>3,037,004</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (542,051) | (656,678) |
| Purchases of certificates of deposit | (3,982,808) | (5,231,108) |
| Proceeds from sales of certificates of deposit | 5,231,108 | 4,729,858 |
| Net Cash (Used For) Provided By Investing Activities | <u>706,249</u> | <u>(1,157,928)</u> |
| Net Increase in Cash and Cash Equivalents | 3,417,046 | 1,879,076 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR | <u>4,922,766</u> | <u>3,043,690</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 8,339,812</u> | <u>\$ 4,922,766</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes paid | <u>\$ -</u> | <u>\$ -</u> |

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

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINED STATEMENTS OF CHANGES IN NET ASSETS
Years Ended December 31, 2015 and 2014

| | <u>Unrestricted</u> | <u>Reserves for Operations</u> | <u>Reserves for Capital Replacements</u> | <u>Reserves for Initiatives</u> | <u>Totals</u> |
|--------------------------------------|---------------------|------------------------------------|--|-------------------------------------|---------------------|
| NET ASSETS, December 31, 2013 | \$19,372,184 | \$539,366 | \$1,952,001 | | \$21,863,551 |
| Net change in net assets | 811,212 | | | | 811,212 |
| Allocated to reserves: | | | | | |
| Assessments | (1,508,633) | | | \$ 1,508,633 | |
| NET ASSETS, December 31, 2014 | 18,674,763 | 539,366 | 1,952,001 | 1,508,633 | 22,674,763 |
| Net change in net assets | 1,066,573 | | | | 1,066,573 |
| Allocated to reserves: | | | | | |
| Assessments | (3,412,500) | 250,000 | 2,601,288 | 561,212 | |
| Insurance claim settlement | (75,000) | | 75,000 | | |
| NET ASSETS, December 31, 2015 | <u>\$16,253,836</u> | <u>\$789,366</u> | <u>\$4,628,289</u> | <u>\$2,069,845</u> | <u>\$23,741,336</u> |

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

Green Valley Recreation, Inc. and GVR Foundation
Notes to Combined Financial Statements
December 31, 2015 and 2014

NOTE 1 – NATURE OF ACTIVITIES

Nature of Activities

Green Valley Recreation, Inc. (GVR) was incorporated as a nonprofit 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 promote the common good and general welfare of its 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. Regular membership in GVR is required by all property owners within certain geographic boundaries as defined by GVR's bylaws. Members' properties are encumbered by deed restrictions requiring perpetual membership and payment of annual dues and assessments, including a capital investment fee upon each property's transfer. There were 13,461 and 13,385 member properties as of December 31, 2015 and 2014, respectively.

GVR's recreational facilities were built by area developers who donated them to GVR upon their completion with GVR assuming all responsibility for operation, maintenance and upkeep thereafter.

In 2014 GVR formed a 501c(3) entity, GVR Foundation, to enhance donation opportunities and support GVR's member assistance program whereby eligible financially struggling members can potentially have their annual assessments paid for them. It is also the GVR Foundations' plan in 2016 to commence the administration of GVR's Senior Games.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GVR prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities, which includes preparing the financial statements on the accrual basis of accounting, whereby revenues are recorded as earned rather than when received and expenses are recorded as incurred rather than when paid. The significant accounting and reporting policies used by GVR are described subsequently to enhance the usefulness and understandability of the financial statements.

Presentation of Combined Financial Statements The GVR Foundation currently relies on GVR economically for many of its otherwise incurred overhead costs and GVR's CEO also serves on the Board of the GVR Foundation. As a result, it has been determined that the GVR Foundation is an entity considered to be under common control in accordance with generally accepted accounting principles promulgated by U.S. GAAP for not-for-profit entities. Accordingly, the financial statements are presented on a combined basis with inter-entity balances eliminated in combination.

Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, GVR's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. GVR's management believes that the estimates and assumptions are reasonable in the circumstances however, the actual results could differ from those estimates.

Green Valley Recreation, Inc. and GVR Foundation
Notes to Combined Financial Statements
December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents For purposes of the statement of cash flows, GVR considers all liquid investments available for use with an initial maturity of three months or less to be cash equivalents.

Membership Income, Receivables, and Deferred Revenues Annual membership dues were \$450 and \$440 in 2015 and 2014, respectively. It is GVR's policy to bill its members for annual dues in advance of the January 1st due date, and recognize the income ratably over the following twelve months. New member capital fees and transfer fees are fully recognized as income at the time of a property sale.

GVR's receivables are substantially from its members, secured by lien as necessary against the members' properties. Receivables are considered as past due more than 30 days from the billing date. Non-member receivables are on an uncollateralized basis. An allowance for doubtful accounts is recorded based upon management's estimates of ultimate collectability. In some cases properties are sold in foreclosures or as short sales for less than the amount of the recorded first lien holder's position, resulting in a potential loss of uncollected dues to GVR.

The deferred revenues on the accompanying Combined Statement of Financial Position are a result of collections of dues from its members in advance of the January 1st due date and recognize its membership revenue over the next year's twelve months and from the collections of various program and instructional revenues in advance of the program event or the class.

Certificates of Deposit Investments in certificates of deposit are carried at purchased cost, as it is the intent of GVR to hold them to maturity.

Property and Equipment Purchased property and equipment are recorded at cost and donated assets are recorded at their fair market value at the date of the donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Estimated useful lives range from five to ten years on furniture and equipment, five to ten years on vehicles, and ten to forty years on buildings and improvements. The cost of assets sold, retired, or otherwise disposed of and the related allowances for depreciation are eliminated from the accounts and any resulting gain or loss is included in operations. Expenditures for maintenance and repairs are charged against operations as incurred. Renewals and betterments that materially extend the life of an asset are capitalized. Generally, purchases under \$5,000 are expensed.

Net Assets Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets and Board Designated Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of GVR and GVR Foundation, the environment in which they operate, the purposes specified in their corporate documents and their tax-exempt status, and any limits resulting from agreements with donors and others entered into in the course of their operations. GVR's Board has internally designated certain otherwise unrestricted net assets for operating reserve, capital replacement, and initiatives and innovation reserves.

Green Valley Recreation, Inc. and GVR Foundation
Notes to Combined Financial Statements
December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. As of December 31, 2015 and 2014, respectively, there were no such assets held by GVR and GVR Foundation.

Permanently Restricted Net Assets

Permanently restricted net assets include contributed net assets that require by donor restriction that the corpus be invested in perpetuity, and only the income be made available for program operations. GVR and GVR Foundation had no such assets as of December 31, 2015 and 2014.

Accounting For Gifts- In-Kind Contributions GVR and GVR Foundation periodically receive contributions in a form other than cash or investments. If they receive a contribution such as property or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets their capitalization policy. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed.

GVR and GVR Foundation benefits from personal services provided by a number of volunteers that have donated significant amounts of time and services in GVR's program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if the donated services create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. There were no such services recorded during the periods ended December 31, 2015 and 2014, respectively.

Advertising Advertising costs are expensed as incurred.

Income Taxes – GVR and GVR Foundation are exempt from federal and state income taxes as to their exempt function activities under Internal Revenue Code Section 501(c)(4) and 501(c)(3), respectively, and are not classified as private foundations. Their management believes that all of the various tax positions that have been taken would be sustained under an audit by any taxing jurisdiction. The statute of limitations for being subject to audits is generally four years.

NOTE 3 – CONCENTRATIONS OF MARKET AND CREDIT RISK

Cash balances of \$3,419,811 and \$2,827,816 at a financial institution were federally uninsured as of December 31, 2015 and 2014, respectively. The uninsured balances resulted from large dues collections at the end of the years and the excess balances were reinvested early in 2016 and 2015. GVR has market risk for its receivables as they mostly relate to residents and others all located in the Southern Arizona area.

Green Valley Recreation, Inc. and GVR Foundation
Notes to Combined Financial Statements
December 31, 2015 and 2014

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2015:

| | <u>Contributed</u> | <u>Purchased</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|
| Land and improvements | \$ 4,166,276 | \$ 1,599,235 | \$ 5,765,511 |
| Buildings and improvements | 12,429,122 | 7,876,253 | 20,305,375 |
| Tennis, shuffleboard and sports courts | 324,958 | 1,289,815 | 1,614,773 |
| Pools, spas and equipment | 412,588 | 1,482,167 | 1,894,755 |
| Recreational equipment | 230,841 | 660,599 | 891,440 |
| Vehicles | | 335,466 | 335,466 |
| Furnishings and equipment | 30,000 | 1,600,426 | 1,600,426 |
| Projects in progress | | 141,572 | 141,572 |
| | <u>17,593,785</u> | <u>14,985,533</u> | <u>32,579,318</u> |
| Less accumulated depreciation | <u>(8,484,963)</u> | <u>(7,833,831)</u> | <u>(16,318,794)</u> |
| | <u>\$ 9,108,822</u> | <u>\$ 7,151,702</u> | <u>\$ 16,260,524</u> |

Property and equipment consisted of the following at December 31, 2014:

| | <u>Contributed</u> | <u>Purchased</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|
| Land and improvements | \$ 4,166,276 | \$ 1,599,235 | \$ 5,765,511 |
| Buildings and improvements | 12,429,122 | 7,827,289 | 20,256,411 |
| Tennis, shuffleboard and sports courts | 324,958 | 1,285,656 | 1,610,614 |
| Pools, spas and equipment | 412,588 | 1,407,272 | 1,819,860 |
| Recreational equipment | 230,841 | 632,244 | 863,085 |
| Vehicles | | 283,876 | 283,876 |
| Furnishings and equipment | 30,000 | 1,441,646 | 1,471,646 |
| | <u>17,593,785</u> | <u>14,477,218</u> | <u>32,071,003</u> |
| Less accumulated depreciation | <u>(8,050,173)</u> | <u>(7,029,351)</u> | <u>(15,079,524)</u> |
| | <u>\$ 9,543,612</u> | <u>\$ 7,447,867</u> | <u>\$ 16,991,479</u> |

Depreciation expense was \$1,273,006 and \$1,293,276 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 – DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|---------------------|---------------------|
| Dues received in advance | \$ 4,487,688 | \$ 4,194,281 |
| Other- future events and classes | <u>286,441</u> | <u>237,292</u> |
| | <u>\$ 4,774,129</u> | <u>\$ 4,431,573</u> |

Green Valley Recreation, Inc. and GVR Foundation
Notes to Combined Financial Statements
December 31, 2015 and 2014

NOTE 6 – LEASE COMMITMENTS

GVR has entered into several office equipment operating lease agreements that currently require minimum monthly lease payments of \$2,542 plus monthly copying charges and have the following minimum lease payments required for each of the years ended December 31 as follows:

| | |
|------|------------------|
| 2016 | \$ 30,243 |
| 2017 | 33,291 |
| 2018 | 13,201 |
| 2019 | 10,897 |
| 2020 | <u>2,280</u> |
| | <u>\$ 89,912</u> |

Total equipment lease expense was \$49,661 and \$48,615 for the years ended December 31, 2015 and 2014, respectively.

In 2016 GVR entered into an agreement with Verizon Wireless that allowed them to construct and operate a cell tower on a small portion of GVR common property. The agreement requires payments from Verizon of \$2,042 monthly for the first year, and then 2% annual increases for each of the next four years of the agreement.

NOTE 7- RETIREMENT PLAN

All GVR employees that have attained at least the age of 20.5 and 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 \$89,819 and \$65,955 for the years ended December 31, 2015 and 2014, respectively.

NOTE 8- RELATED PARTY ACTIVITIES

Many of GVR’s members also belong to special interest clubs that utilize meeting space in the recreational facility buildings at no charge. GVR also provides these clubs with minor administrative support services at no charge. Also, several of GVR’s employees are GVR members.

NOTE 9- FUNCTIONAL EXPENSE ALLOCATION

Expenses as summarized by category in the accompanying Combined Statements of Activities are classified by major functional activity as follows for the years ended December 31, 2015 and 2014, respectively:

| | <u>2015</u> | <u>2014</u> |
|------------------------|---------------------|---------------------|
| Program services | \$5,161,316 | \$5,242,793 |
| Fundraising | 29,165 | |
| Management and general | <u>2,887,327</u> | <u>2,465,577</u> |
| | <u>\$ 8,077,808</u> | <u>\$ 7,708,370</u> |

All depreciation expense has been recorded as a management and general expense since a specific allocation has not been determined.

Green Valley Recreation, Inc. and GVR Foundation
Notes to Combined Financial Statements
December 31, 2015 and 2014

NOTE 10- FUTURE MAJOR REPAIRS AND REPLACEMENTS

GVR's governing documents require funds to be accumulated for future major repairs and replacements. The capital replacement reserves aggregated \$4,628,289 and \$1,952,001 as of December 31, 2015 and 2014, respectively.

GVR is to fund 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 reserve study by an outside consulting company was obtained in 2009 to determine this information. The company's May 1, 2009 conclusion was that an optimal fully funded reserve balance would be \$5,663,605 at that time, subsequently increased to \$6,666,353 and \$6,554,540 as of December 31, 2015 and 2014, respectively, of which GVR had funded \$4,628,289 and \$1,952,001 or 69.4% and 30.5% as of December 31, 2015 and 2014, respectively. Since 2009 GVR purchased an integrated capital project planning and funding software program to significantly enhance and improve these processes internally with the intention to rely on its internally generated data to make funding and planning decisions. A long term capital improvement plan is utilized by management and the Board in making annual budget decisions, however to date it has not been formally accepted or adopted by the Board.

Actual expenditures may vary from the estimated amounts and variations 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, special assessments, or to delay major repairs and replacements until funds are available.

GVR has contracted to obtain an updated formal reserve study in 2016 as well as for a 10-year facility master plan.

NOTE 11 – SUBSEQUENT EVENTS REVIEW

Subsequent events were evaluated through February 5, 2016, the date audit fieldwork was completed. Events occurring after that date have not been evaluated to determine whether a change to the financial statements would be required.

These notes are an integral part of the combined financial statements.

SUPPLEMENTAL FINANCIAL STATEMENTS

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINING STATEMENTS OF FINANCIAL POSITION
December 31, 2015

| | ASSETS | | |
|---|--|---------------------------|-----------------------------|
| | Green Valley Recreation, Inc. | GVR Foundation | Combined Totals |
| CURRENT ASSETS | | | |
| Cash and cash equivalents-Unrestricted | \$ 4,800,690 | \$ 34,430 | \$ 4,835,120 |
| Cash and cash equivalents-Board Designated | 3,504,692 | | 3,504,692 |
| Dues assessments and miscellaneous receivables, net of allowance for bad debts of \$104,000 and \$98,000 as of December 31, 2015 and 2014, respectively | 49,460 | | 49,460 |
| Inter-entity receivable (payable) | 17,500 | (17,500) | |
| Prepaid expenses | 152,116 | | 152,116 |
| Certificates of deposit-Unrestricted | | | |
| Certificates of deposit-Board designated | 3,982,808 | | 3,982,808 |
| Interest receivable | 4,535 | | 4,535 |
| Total Current Assets | <u>12,511,801</u> | <u>16,930</u> | <u>12,528,731</u> |
| LONG-TERM ASSETS | | | |
| Property and equipment | 16,260,524 | | 16,260,524 |
| Total long-term assets | <u>16,260,524</u> | | <u>16,260,524</u> |
| Total Assets | <u>\$ 28,772,325</u> | <u>\$ 16,930</u> | <u>\$ 28,789,255</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 143,726 | | \$ 143,726 |
| Accrued expenses | 130,064 | | 130,064 |
| Deferred revenue | 4,774,129 | | 4,774,129 |
| Total Current Liabilities | 5,047,919 | | 5,047,919 |
| NET ASSETS | | | |
| Unrestricted net assets | 16,236,906 | \$ 16,930 | 16,253,836 |
| Board designated net assets-Reserves for operations | 789,366 | | 789,366 |
| Board designated net assets-Reserves for capital replacements | 4,628,289 | | 4,628,289 |
| Board designated net assets-Reserves for initiatives | 2,069,845 | | 2,069,845 |
| Total Net Assets | <u>23,724,406</u> | <u>16,930</u> | <u>23,741,336</u> |
| Total Liabilities and Net Assets | <u>\$ 28,772,325</u> | <u>\$ 16,930</u> | <u>\$ 28,789,255</u> |

See independent auditor's report.

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2015

| CHANGES IN UNRESTRICTED NET ASSETS | <u>Green Valley Recreation, Inc.</u> | <u>GVR Foundation</u> | <u>Combined Totals</u> |
|---|---|----------------------------------|-----------------------------------|
| Revenues: | | | |
| Membership dues | \$ 6,000,905 | | 6,000,905 |
| Fees | 2,216,967 | | |
| Programs | 359,598 | | |
| Instructional | 371,014 | | 371,014 |
| Investment | 28,206 | | 28,206 |
| Rooms and cell tower rentals | 51,443 | | 51,443 |
| Insurance claim on property | 75,000 | | 75,000 |
| Donations | | \$ 22,556 | 22,556 |
| Other | 18,692 | | 18,692 |
| Total Unrestricted Revenues | <u>9,121,825</u> | <u>22,556</u> | <u>9,144,381</u> |
| Expenses: | | | |
| Communications and technology | 137,886 | | 137,886 |
| Contract services | 541,441 | | 541,441 |
| Depreciation | 1,273,006 | | 1,273,006 |
| Fees, taxes, and permits | 24,966 | 227 | 25,193 |
| Food | 37,051 | 110 | 37,161 |
| Insurance | 192,806 | 950 | 193,756 |
| Miscellaneous | 80,629 | 90 | 80,719 |
| Personnel/volunteer costs | 3,813,465 | 2,500 | 3,815,965 |
| Postage and printing | 82,396 | 450 | 82,846 |
| Professional services | 120,355 | 1,200 | 121,555 |
| Repairs and maintenance | 501,501 | | 501,501 |
| Small equipment and furnishings | 119,808 | | 119,808 |
| Supplies | 271,122 | 99 | 271,221 |
| Utilities and waste management | 875,750 | | 875,750 |
| Total Expenses | <u>8,072,182</u> | <u>5,626</u> | <u>8,077,808</u> |
| Net changes in Net Assets | 1,049,643 | 16,930 | 1,066,573 |
| NET ASSETS, BEGINNING OF YEAR | <u>22,674,763</u> | | <u>22,674,763</u> |
| NET ASSETS, END OF YEAR | <u>\$ 23,724,406</u> | <u>\$ 16,930</u> | <u>\$ 23,741,336</u> |

See independent auditor's report.

GREEN VALLEY RECREATION, INC. AND GVR FOUNDATION
COMBINING STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2015

| | Green Valley | GVR | Combined |
|---|--------------------------------|--------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | <u>Recreation, Inc.</u> | <u>Foundation</u> | <u>Totals</u> |
| Increase in net assets | \$ 1,049,643 | \$ 16,930 | \$ 1,066,573 |
| Adjustments to reconcile the change in net assets to net cash provided by (used for) operating activities: | | | |
| Depreciation | 1,273,006 | | 1,273,006 |
| Allowance for doubtful accounts | 6,000 | | 6,000 |
| Changes in operating assets and liabilities: | | | - |
| (Increase) decrease in dues assessments receivables | 7,521 | 17,500 | 25,021 |
| (Increase) in interest receivables | (385) | | (385) |
| (Increase) in prepaid expenses | (33,816) | | (33,816) |
| Increase in accounts payable | 21,767 | | 21,767 |
| (Decrease) increase in accrued expenses | 10,075 | | 10,075 |
| Increase in deferred revenue | 342,556 | | 342,556 |
| Net Cash Provided By Operating Activities | <u>2,676,367</u> | <u>34,430</u> | <u>2,710,797</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | (542,051) | | (542,051) |
| Purchases of certificates of deposit | (3,982,808) | | (3,982,808) |
| Proceeds from sales of certificates of deposit | 5,231,108 | | 5,231,108 |
| Net Cash (Used For) Provided By Investing Activities | <u>706,249</u> | <u></u> | <u>706,249</u> |
| Net Increase in Cash and Cash Equivalents | 3,382,616 | 34,430 | 3,417,046 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR | <u>4,922,766</u> | <u></u> | <u>4,922,766</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 8,305,382</u> | <u>\$ 34,430</u> | <u>\$ 8,339,812</u> |
| SUPPLEMENTAL DISCLOSURES | | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Income taxes paid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See independent auditor's report.