



Green Valley Recreation, Inc.

Presentation to the Board of Directors, Year Ended December 31, 2022

R&A CPAs, P.C.
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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
 - Two new accounting standards adopted for December 31, 2022
 - 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 two audit adjustments and seven 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
 - We have issued comparative financial statements for 2022 and 2021, but we have audited 2022 and have made reference to HBL's opinion for 2021



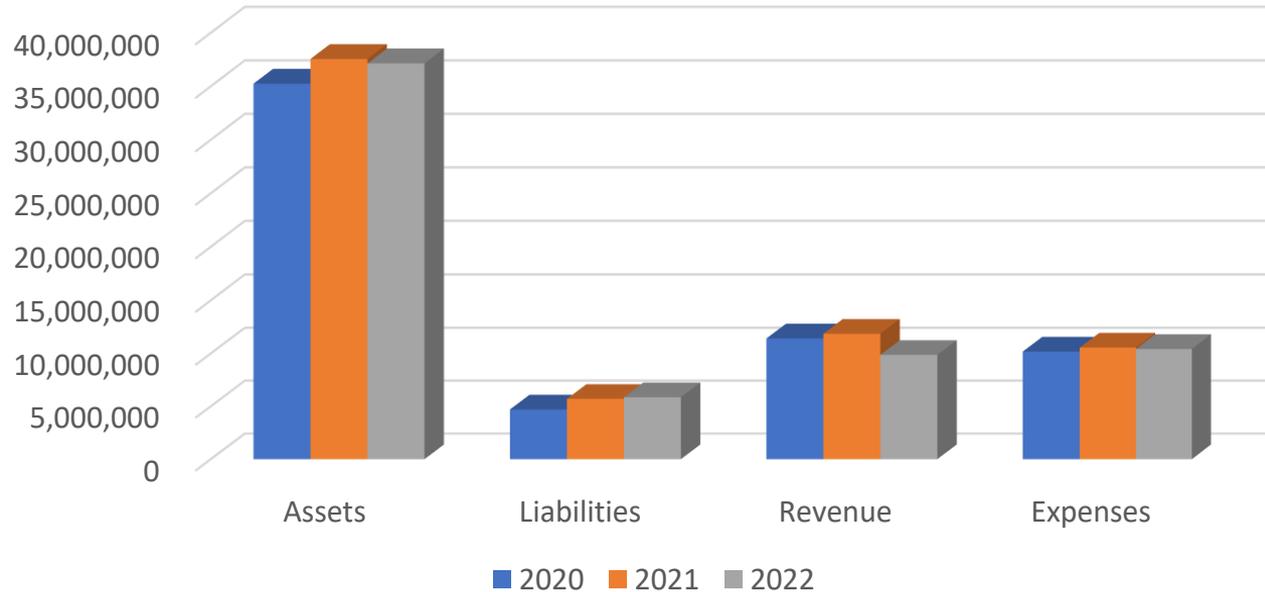
KEY AUDIT AREAS

- 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





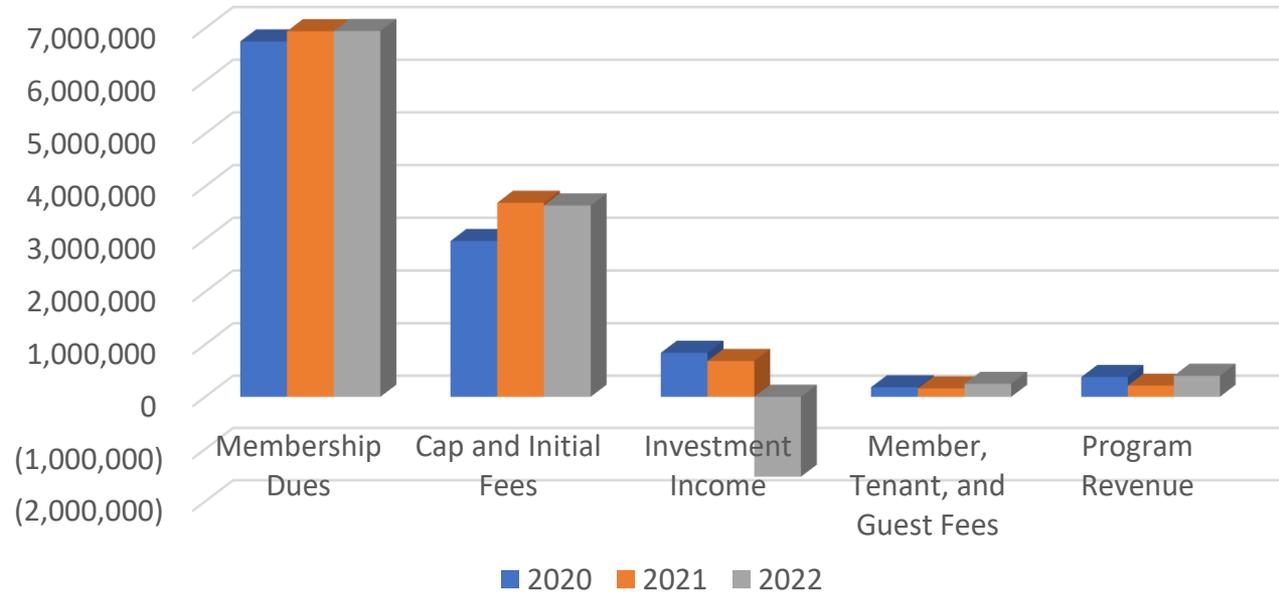
FINANCIAL STATEMENT HIGHLIGHTS

- Decrease in Cash of \$3.3M
 - Decrease in operating cash resulted from \$2.7M of investments in fixed assets and construction in process as well as an additional \$3.6M of purchased investments, net of positive cash flow from operations of \$3M.
- Increase in Investments of \$1.7M
 - Increase in investments resulted from the additional funding from operating cash and over \$300K of investment income, which was offset by realized and unrealized losses of \$1.8M.
- Increase in Property & Equipment of \$2.7M
 - Increase in property and equipment resulted from investments in building improvements and grounds amenities during the year.
- Liabilities were stable year over year
- Decrease in Net Assets of \$562K
- Decrease in Revenues of \$2M
- Decrease in Expenses of \$133K



FINANCIAL STATEMENT HIGHLIGHTS

Revenue Segmentation 3 Year Trends





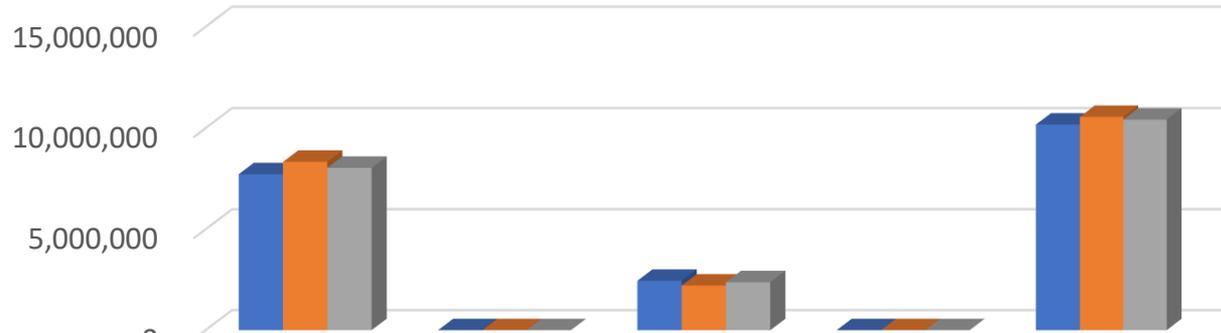
FINANCIAL STATEMENT HIGHLIGHTS

- Membership Dues were stable year over year
 - 51 new members in 2022 and annual dues in 2022 were the same as 2021 at \$505.
- Decrease in New Member Capital and Initial Fees of \$51K
 - Fewer homes were sold in 2022.
- Decrease in investment income of \$2.2M
 - Interest and dividends were \$79K higher in 2022, but GVR went from a \$413K unrealized gain in 2021 to a \$1.8M unrealized loss in 2022.
- Increase in Member, Tenant, and Guest Fees of \$88K
 - More sales of member and nonmember season passes in 2022 compared to 2021 generating additional revenue.
- Increase in Program Income of \$45K
 - More community events held in 2022 compared to 2021 generating additional revenue.



FINANCIAL STATEMENT HIGHLIGHTS

Expense Trends by Major Group



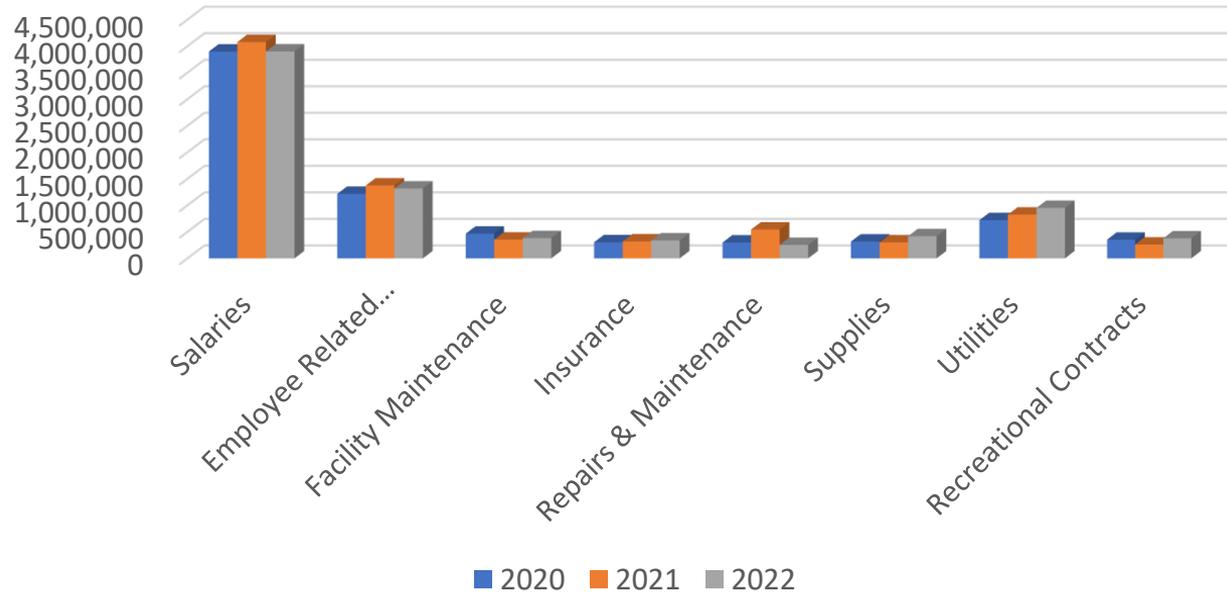
	Program	% Program	G&A	% G&A	Total
■ 2020	7,731,115	76%	2,449,608	24%	10,180,723
■ 2021	8,343,331	79%	2,214,527	21%	10,557,858
■ 2022	8,045,303	77%	2,380,019	23%	10,425,322

■ 2020 ■ 2021 ■ 2022



FINANCIAL STATEMENT HIGHLIGHTS

Expense Segmentation 3 Year Trends





FINANCIAL STATEMENT HIGHLIGHTS

- Decrease in Salaries and Wages of \$160K
 - Primarily related to the end of a compensation payout agreement that ended in 2021.
- Decrease in Employee Related Expenses of \$75K
 - Primarily related to less medical insurance costs and payroll taxes.
- Increase in Facility Maintenance of \$35K
 - Primarily related to equipment repairs and maintenance.
- Increase in Insurance of \$19K
 - Relatively stable year over year, increase from higher premiums.
- Decrease in Repairs and Maintenance of \$291K
 - Resulted from higher spending in 2021 for parking lot resurfacings and other projects completed in 2021. The year 2022 was more comparable with 2020 spending.



FINANCIAL STATEMENT HIGHLIGHTS

- Increase in Supplies of \$117K
 - Resulted from high consumption of hardware supplies in 2022 compounded by rising costs due to inflation over the last year.
- Increase in Utilities of \$126K
 - Primarily related to more natural gas consumption, but all areas are up slightly. Partly due to a colder season in 2022 and the fact that the new property has been the responsibility of GVR for a full year in 2022.
- Increase in Recreational Contracts of \$115K
 - More events held in 2022 compared to 2021, thus costs to retain instructors and performers has increased.



FINANCIAL STATEMENT HIGHLIGHTS

- Statement of Cash Flows –
 - Cash provided by operating activities decreased \$334K
 - Decreased operating cash flows resulted primarily from the decreased revenue compared to 2021.
 - Cash used by investing activities increased \$3.6M
 - Increased from more investments in marketable securities and property and equipment.
 - Cash used by financing activities is comparable year over year



FINANCIAL STATEMENT HIGHLIGHTS

- Notes to the Financial Statements –
 - Note D - Liquidity and Availability of Financial Assets
 - Note E – Operating and Capital Leases
 - 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 identified two areas for management consideration



INDUSTRY UPDATES

- Homeowners' associations have experienced annual industry revenue growth of 1.4% 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 0.9%. This does not include inflation.
- The industry will be negatively impacted by the stagnancy in homeownership rates resulting from 2022. 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.
- Housing starts are a key external driver in the industry. Over the last six months, new housing permits are down on average 48% compared to one year ago in the Tucson Metro area, which includes Green Valley.
- Lenders have started to see some softening in their lending practices with construction projects and they are not seeing much if any movement on new projects in Green Valley.



UPCOMING ACCOUNTING STANDARDS AFFECTING GVR

- Accounting Standard Update (ASU) No. 2016-13 “*Financial Instruments – Credit Losses (Topic 326)*” which will be effective for the year ended December 31, 2023.
 - This ASU will require management to reconsider its model for assessing credit losses in relation to accounts receivable. The new model will require “expected credit losses” to be recorded at the time the receivable is recognized, not when management has reason to believe it may be uncollectible because of an event.



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