

GREEN VALLEY RECREATION, INC.
(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2025 AND 2024

CONTENTS

Independent Auditors' Report.....	1
Statements of Financial Position as of December 31, 2025 and 2024.....	3
Statement of Activities for the Year Ended December 31, 2025	4
Statement of Activities for the Year Ended December 31, 2024	5
Statement of Functional Expenses for the Year Ended December 31, 2025	6
Statement of Functional Expenses for the Year Ended December 31, 2024	7
Statements of Cash Flows for the Years Ended December 31, 2025 and 2024.....	8
Notes to Financial Statements	9
Note A. Summary of Significant Accounting Policies.....	9
Note B. Accounts Receivable	14
Note C. Investment in Marketable Securities	14
Note D. Liquidity and Availability of Financial Assets.....	15
Note E. Operating and Finance Leases.....	16
Note F. Property and Equipment	17
Note G. Refundable Membership Change Fee Liability.....	18
Note H. Notes Payable and Deferred Lease Revenue	18
Note I. Board Designated Net Assets	19
Note J. Net Assets with Donor Restrictions.....	20
Note K. Revenue from Contracts with Customers	20
Note L. Future Major Repairs and Replacements.....	21
Note M. Retirement Plan	21
Note N. Related Party Transactions	22
Note O. Contingencies	22
Note P. Subsequent Events.....	22



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 statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years 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.

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.

The image shows a handwritten signature in black ink. The signature consists of the letters 'R' and 'A' in a large, stylized, cursive font, followed by the text 'CPAs PLLC' in a smaller, more straightforward font.

Tucson, Arizona
March 18, 2026

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS:		
<i>Cash and cash equivalents:</i>		
Held in deposit accounts	\$ 1,521,840	\$ 2,582,296
Held in investment brokerage accounts	219,590	610,768
Total cash and cash equivalents	1,741,430	3,193,064
Investment in marketable securities	14,991,333	11,822,885
Accounts receivable, net	351,767	245,850
Interest receivable	58,793	47,510
Supply and maintenance inventory	61,927	-
Prepaid expenses	276,484	380,428
Total current assets	17,481,734	15,689,737
LONG-TERM ASSETS:		
Property and equipment, net	23,334,571	22,470,374
Operating lease right-of-use assets, net of accumulated amortization of \$13,135 and \$0, respectively	13,679	-
Finance lease right-of-use assets, net of accumulated amortization of \$81,210 and \$136,430, respectively	8,470	36,447
Total long-term assets	23,356,720	22,506,821
TOTAL ASSETS	\$ 40,838,454	\$ 38,196,558
LIABILITIES AND NET ASSETS		
<i>Current liabilities:</i>		
Accounts payable	\$ 258,604	\$ 270,189
Accrued payroll and related liabilities	177,938	360,403
Refundable membership change fee liability	145,174	199,013
Other liabilities	19,190	79,651
Deferred membership dues	4,349,578	3,250,056
Deferred program and rental revenue	175,035	142,811
Deferred lease revenue - current portion	2,250	4,000
Note payable - current portion	11,000	11,000
Operating lease liabilities, current portion	5,510	-
Finance lease liabilities, current portion	10,321	33,633
Total current liabilities	5,154,600	4,350,756
<i>Long-term liabilities:</i>		
Deferred lease revenue, net of current portion	41,149	42,667
Note payable, net of current portion	44,000	55,000
Operating lease liabilities, net of current portion	8,515	-
Finance lease liabilities, net of current portion	-	10,321
Total long-term liabilities	93,664	107,988
TOTAL LIABILITIES	5,248,264	4,458,744
NET ASSETS:		
<i>Net assets without donor restrictions:</i>		
Undesignated available for operations	24,535,845	23,275,238
Board-designated reserves for emergency operations	574,790	636,832
Board-designated reserves for initiatives	1,348,199	998,549
Board-designated reserves for repairs and replacements	9,131,356	8,827,195
Total net assets without donor restrictions	35,590,190	33,737,814
TOTAL NET ASSETS	35,590,190	33,737,814
TOTAL LIABILITIES AND NET ASSETS	\$ 40,838,454	\$ 38,196,558

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2025

	Without donor restrictions	With donor restrictions	Total
STATEMENT OF ACTIVITIES, 2025			
PUBLIC SUPPORT AND REVENUES:			
Membership dues	\$ 7,366,506	\$ -	\$ 7,366,506
New member capital and initial fees	3,323,971	-	3,323,971
Member, tenant, and guest fees	271,261	-	271,261
Program revenue	868,793	-	868,793
Lease income	53,851	-	53,851
Late fees	107,597	-	107,597
Facility rent revenue	17,028	-	17,028
Total public support and revenues	12,009,007	-	12,009,007
EXPENSES:			
Program services	8,924,819	-	8,924,819
General and administrative	2,445,309	-	2,445,309
Total expenses	11,370,128	-	11,370,128
OTHER INCOME (EXPENSE):			
Investment income (loss)	1,194,012	-	1,194,012
Loss on sale of property and equipment	(12,375)	-	(12,375)
Other income	31,860	-	31,860
Total other income (expense)	1,213,497	-	1,213,497
CHANGE IN NET ASSETS	1,852,376	-	1,852,376
Net assets, beginning of year	33,737,814	-	33,737,814
NET ASSETS, END OF YEAR	\$ 35,590,190	\$ -	\$ 35,590,190

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2024

	Without donor restrictions	With donor restrictions	Total
STATEMENT OF ACTIVITIES, 2024			
<i>PUBLIC SUPPORT AND REVENUES:</i>			
Membership dues	\$ 7,134,340	\$ -	\$ 7,134,340
New member capital and initial fees	2,847,626	-	2,847,626
Member, tenant, and guest fees	266,249	-	266,249
Program revenue	774,073	-	774,073
Lease income	53,004	-	53,004
Late fees	87,479	-	87,479
Facility rent revenue	26,825	-	26,825
<i>Total public support and revenues</i>	11,189,596	-	11,189,596
<i>EXPENSES:</i>			
Program services	8,837,316	-	8,837,316
General and administrative	2,380,505	-	2,380,505
<i>Total expenses</i>	11,217,821	-	11,217,821
<i>OTHER INCOME (EXPENSE):</i>			
Investment income (loss)	1,062,969	-	1,062,969
Other revenue	20,929	-	20,929
<i>Total other income (expense)</i>	1,083,898	-	1,083,898
<i>CHANGE IN NET ASSETS</i>	1,055,673	-	1,055,673
Net assets, beginning of year	32,682,141	-	32,682,141
<i>NET ASSETS, END OF YEAR</i>	\$ 33,737,814	\$ -	\$ 33,737,814

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2025

	Program services	General and administrative	Totals
FUNCTIONAL EXPENSES, 2025			
Salaries and wages	\$ 3,530,962	\$ 915,387	\$ 4,446,349
Employee related expenses	930,715	330,589	1,261,304
Total employee-related expenses	4,461,677	1,245,976	5,707,653
Depreciation	1,232,588	132,438	1,365,026
Utilities	980,539	-	980,539
Recreation contracts	627,458	-	627,458
Supplies	456,763	31,392	488,155
Insurance	-	431,503	431,503
Facility maintenance	409,693	4,313	414,006
Uncapitalized equipment	118,137	131,468	249,605
Professional services	116,972	96,092	213,064
Repairs and maintenance	205,950	595	206,545
Computer expense	-	119,516	119,516
Postage and printing	100,518	18,251	118,769
Communication	8,012	98,670	106,682
Vehicles	95,678	-	95,678
Investment fees	-	80,549	80,549
Bank and credit card fees	-	49,991	49,991
Fees and taxes	395	45,013	45,408
Catering	30,352	529	30,881
Amortization	27,977	-	27,977
Dues and subscriptions	-	27,363	27,363
Signage	19,022	115	19,137
Advertising	13,512	-	13,512
Travel	1,322	8,512	9,834
Rental expense	9,145	-	9,145
Employee training	5,229	3,284	8,513
Interest	3,880	-	3,880
Miscellaneous	-	288	288
Total expenses	8,924,819	2,525,858	11,450,677
Less investment fees netted against revenues	-	(80,549)	(80,549)
TOTAL EXPENSES, NET	\$ 8,924,819	\$ 2,445,309	\$ 11,370,128

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2024

	Program services	General and administrative	Totals
FUNCTIONAL EXPENSES, 2024			
Salaries and wages	\$ 3,466,335	\$ 950,704	\$ 4,417,039
Employee related expenses	851,897	315,085	1,166,982
Total employee-related expenses	4,318,232	1,265,789	5,584,021
Depreciation	1,175,317	116,289	1,291,606
Utilities	1,105,703	-	1,105,703
Recreation contracts	516,714	-	516,714
Supplies	440,574	35,204	475,778
Repairs and maintenance	381,552	57	381,609
Insurance	-	380,115	380,115
Facility maintenance	319,690	2,443	322,133
Uncapitalized equipment	175,082	69,294	244,376
Professional services	31,150	158,871	190,021
Communication	15,079	99,782	114,861
Postage and printing	94,475	16,962	111,437
Computer expense	10,385	95,978	106,363
Vehicles	90,343	-	90,343
Bank and credit card fees	-	77,903	77,903
Investment fees	-	75,554	75,554
Fees and taxes	175	47,897	48,072
Catering	47,818	-	47,818
Amortization	36,036	-	36,036
Advertising	29,031	-	29,031
Dues and subscriptions	9,083	7,535	16,618
Rental expense	13,798	-	13,798
Employee training	8,185	3,053	11,238
Interest	8,876	-	8,876
Signage	7,601	-	7,601
Travel	2,275	3,176	5,451
Miscellaneous	142	157	299
Total expenses	8,837,316	2,456,059	11,293,375
Less investment fees netted against revenues	-	(75,554)	(75,554)
TOTAL EXPENSES, NET	\$ 8,837,316	\$ 2,380,505	\$ 11,217,821

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

CASH FLOWS FROM OPERATING ACTIVITIES	2025	2024
CHANGE IN NET ASSETS	\$ 1,852,376	\$ 1,055,673
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:		
Depreciation	1,365,026	1,291,606
Realized and unrealized (gains) losses on investments in marketable securities	(705,261)	(712,022)
Loss on disposal of property and equipment	12,375	-
Amortization of finance lease right-of-use assets	27,977	36,036
In-kind lease income	(3,268)	(4,000)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable, net	(105,917)	55,755
Interest receivable	(11,283)	12,111
Supply and maintenance inventory	(61,927)	22,003
Prepaid expenses	103,944	(101,294)
Operating lease right-of-use assets, net	(13,679)	-
Accounts payable	(11,585)	(215,948)
Accrued payroll and related liabilities	(182,465)	112,450
Refundable membership change fee liability	(53,839)	(13,813)
Other liabilities	(60,461)	(24,416)
Deferred membership dues	1,099,522	(1,107,201)
Deferred program and rental revenue	32,224	(33,688)
Operating lease liabilities	14,025	-
Net cash flows provided by (used in) operating activities	3,297,784	373,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,278,598)	(2,318,469)
Proceeds from sale of property and equipment	37,000	-
Proceeds from sale of investment in marketable securities	9,311,062	9,207,849
Purchases of investment in marketable securities	(11,774,249)	(6,862,183)
Net cash flows provided by (used in) provided by investing activities	(4,704,785)	27,197
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(11,000)	(11,000)
Payments on finance leases	(33,633)	(40,307)
Net cash flows provided by (used in) financing activities	(44,633)	(51,307)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,451,634)	349,142
Cash and cash equivalents, beginning of year	3,193,064	2,843,922
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,741,430	\$ 3,193,064

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 15 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 13,902 and 13,872 members as of December 31, 2025 and 2024, 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, 2025 and 2024 was \$1,269,015 and \$2,691,114, respectively. GVR mitigates this risk by banking with financial institutions that are rated as stable by the major rating agencies.

ACCOUNTS RECEIVABLE

Accounts receivable are uncollateralized and consist of unpaid membership dues and facility rentals established under contractual agreements. GVR records receivables with an offsetting allowance for credit losses for amounts estimated to be uncollectible over the life of the asset. The allowance for credit losses is estimated using a loss-rate method that considers historical collection experience, the age of the accounts receivable balances, the credit quality and risk of its members, any specific collection issues, current economic conditions, and other micro or macro-economic factors that may impact ability to pay. GVR also considers reasonable and supportable forecasts of future economic conditions and the expected impact on collections. At the time a receivable is determined to be uncollectible, the balance is written off against the allowance for credit losses.

GVR assesses late fees on past due balances.

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. Inventory costs totaled \$61,927 and \$0 for the year ended December 31, 2025 and 2024, respectively.

INVESTMENT IN MARKETABLE SECURITIES

Investments consist of marketable securities in debt and equity securities and mutual funds held by 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, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. 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 *Investment in Marketable Securities* note. The organization's policies with respect to valuing the various categories of investment are as follows:

Mutual funds - Valued at the net asset value as reported by the fund manager at the close of business which is a readily determinable fair value in accordance with GAAP.

Common stock and exchange traded funds - Valued at the closing prices at the close of business as reported on nationally recognized stock exchanges which represents fair value.

Corporate and government bonds - Reported at the closing trade price on nationally recognized exchanges.

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.

	<u>Years</u>
Land improvements	10 - 30
Buildings and building improvements	10 - 40
Furniture and equipment	5 - 20
Recreation courts	5 - 20
Vehicles	5 - 10
Computers	5 - 10

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 MEMBERSHIP CHANGE FEE LIABILITY

Each time a home is purchased within the boundaries of GVR, a Membership Change Fee (“MCF”) is charged to the buyer to fund future capital improvements and maintenance of GVR’s recreational infrastructure. The Membership Change Fee 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 GVR’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 GVR 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 assets, to not recognize ROU assets and lease liabilities for short-term leases that 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 does 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, 2025 and 2024, 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, 2025 or 2024 for prior year membership dues. Outstanding performance obligations at December 31, 2025 and 2024 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.

Programs and instructional - Revenue generated 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. Expenses are allocated based on time, effort or square footage, as applicable. 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.

Accounting principles generally accepted in the United States of America clarify the accounting for uncertainty in income taxes by creating a framework to recognize, measure, present, and disclose in financial statements uncertain tax positions that have been taken or are expected to be taken in a tax return. GVR's management believes that there are no material uncertain tax positions for which it is reasonably possible that reported amounts could significantly differ from amounts that may be determined upon examination by taxing authorities. 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 \$13,512 and \$29,031 for the years ended December 31, 2025 and 2024, 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.

NOTE B. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31:

	2025	2024
Accounts receivable	\$ 470,094	\$ 393,464
Less allowances	(118,327)	(147,614)
Net accounts receivable	\$ 351,767	\$ 245,850

Changes in allowance for credit losses consisted of the following during the year ended December 31, 2025:

Allowance for credit losses, beginning of year	\$ 147,614
Less write offs charged against allowance	(29,287)
Allowance for credit losses, end of year	\$ 118,327

NOTE C. INVESTMENT IN MARKETABLE SECURITIES

GVR records its investments in marketable securities at December 31, 2025 and 2024 at fair value in accordance with the fair value hierarchy Level 1 inputs.

The fair values and cost basis of investments, including aggregated unrealized gains and losses, at December 31, 2025 were as follows:

	Fair value	Cost	Unrealized gains	Unrealized losses
Corporate bonds	\$ 6,057,337	\$ 6,007,194	\$ 50,143	\$ -
Mutual funds	2,605,102	2,605,100	2	-
Common stock	3,115,675	2,090,112	1,025,563	-
Government bonds	925,393	921,323	4,070	-
Exchange traded funds	2,287,826	1,930,209	357,617	-
Totals	\$ 14,991,333	\$ 13,553,938	\$ 1,437,395	\$ -

The fair values and cost basis of investments, including aggregated unrealized gains and losses, at December 31, 2024 were as follows:

	Fair value	Cost	Unrealized gains	Unrealized losses
Corporate bonds	\$ 5,928,565	\$ 5,547,471	\$ 381,094	\$ -
Mutual funds	1,334,199	1,594,398	-	(260,199)
Common stock	3,215,854	2,030,507	1,185,347	-
Government bonds	423,977	416,432	7,545	-
Exchange traded funds	920,290	832,864	87,426	-
Totals	\$ 11,822,885	\$ 10,421,672	\$ 1,661,412	\$ (260,199)

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

	2025	2024
Interest and dividends	\$ 457,320	\$ 426,501
Realized and unrealized gain (loss)	817,241	712,022
Less investment fees	<u>(80,549)</u>	<u>(75,554)</u>
Net investment income (loss)	<u>\$ 1,194,012</u>	<u>\$ 1,062,969</u>

Assets held in the brokerage accounts, by type of asset and board designation, were as follows at December 31, 2025:

	Cash and cash equivalents	Investments	Accrued interest	Brokerage account total
Board designated net assets:				
Emergency	\$ 8,719	\$ 564,525	\$ 1,546	\$ 574,790
Initiatives	58,893	1,280,968	8,337	1,348,198
Repairs and replacements	<u>151,978</u>	<u>8,930,886</u>	<u>48,492</u>	<u>9,131,356</u>
Total board designated assets	219,590	10,776,379	58,375	11,054,344
Undesignated - operations	<u>-</u>	<u>4,214,954</u>	<u>418</u>	<u>4,215,372</u>
Total assets held	<u>\$ 219,590</u>	<u>\$ 14,991,333</u>	<u>\$ 58,793</u>	<u>\$ 15,269,716</u>

Assets held in the brokerage accounts, by type of assets and board designation, were as follows at December 31, 2024:

	Cash and cash equivalents	Investments	Accrued interest	Brokerage account total
Board designated net assets:				
Emergency	\$ 14,793	\$ 620,676	\$ 1,363	\$ 636,832
Initiatives	219,041	774,665	4,843	998,549
Repairs and replacements	<u>371,988</u>	<u>8,415,444</u>	<u>39,763</u>	<u>8,827,195</u>
Total board designated	605,822	9,810,785	45,969	10,462,576
Undesignated - operations	<u>4,946</u>	<u>2,012,100</u>	<u>1,541</u>	<u>2,018,587</u>
Total assets held	<u>\$ 610,768</u>	<u>\$ 11,822,885</u>	<u>\$ 47,510</u>	<u>\$ 12,481,163</u>

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 has a target minimum cash balance of 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 vote of the members present at a regular or special meeting.

The following reflects GVR's financial assets, and limitations on those assets, as of December 31, 2025 and 2024, available for use for general expenditures within one year of the date of the statement of financial position:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 1,741,430	\$ 3,193,064
Accounts receivable, net	351,767	245,850
Interest receivable	58,793	47,510
Investment in marketable securities	14,991,333	11,822,885
Total financial assets	17,143,323	15,309,309
Less board designated amounts:		
Emergency operations	574,790	636,832
Initiatives	1,348,199	998,549
Repairs and replacements	9,131,356	8,827,195
Total board designated amounts	11,054,345	10,462,576
 Net financial assets available to meet cash needs for general expenditures within one year	 \$ 6,088,978	 \$ 4,846,733

NOTE E. OPERATING AND FINANCE LEASES

GVR leases a portion of space within the Del Sol Clubhouse to a third party. The lease calls for no annual base rent for a term of three years, effective September 2024. The lease includes two options to renew each for a three-year term. During the year ended December 31, 2025, the lease was terminated.

OPERATING LEASES

GVR leased a postage meter and a folder machine under agreements that required monthly payments of \$189 and \$309, respectively. Both operating leases will expire in 2029 and 2028, respectively. For the years ended December 31, 2025 and 2024, total operating lease costs were \$5,702 and \$5,683, respectively.

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

2026	\$ 5,976
2027	5,976
2028	2,268
2029	567
Total undiscounted lease payments	14,787
Less imputed interest	(762)
Total operating lease liabilities	14,025
Less current portion	(5,510)
Operating lease liabilities, long-term portion	\$ 8,515

As of December 31, 2025, the weighted average remaining lease term is 2.65 years for operating leases and the weighted average discount rate is 4.16%.

FINANCE LEASES

GVR leases office equipment under a non-cancelable lease expiring in 2026 and requiring monthly payments cumulatively totaling \$2,147. The economic substance of this lease is financing the acquisition of the asset through the lease and, accordingly, it has been recorded as finance lease obligation in the accompanying financial statements.

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

2026	\$ 10,735
Total undiscounted lease payments	10,735
Less interest	(414)
Total finance lease liabilities	10,321
Less current portion	(10,321)
Finance lease liabilities, long-term portion	<u>\$ -</u>

As of December 31, 2025, the weighted average remaining lease term is 0.47 years for finance leases and the weighted average discount rate is 15.89%.

NOTE F. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2025 consisted of the following:

	Contributed	Purchased	Total
Land and improvements	\$ 4,166,276	\$ 2,410,981	\$ 6,577,257
Buildings and improvement	12,852,422	20,679,422	33,531,844
Tennis, shuffleboard, and sports courts	324,958	2,068,593	2,393,551
Pools, spas, and equipment	412,588	3,240,302	3,652,890
Recreational equipment	230,841	1,529,432	1,760,273
Vehicles	-	1,011,253	1,011,253
Furniture	30,000	3,170,640	3,200,640
Total property and equipment	18,017,085	34,110,623	52,127,708
Less accumulated depreciation	(11,617,157)	(18,468,392)	(30,085,549)
Construction-in-progress	-	1,292,412	1,292,412
Property and equipment, net	<u>\$ 6,399,928</u>	<u>\$ 16,934,643</u>	<u>\$ 23,334,571</u>

Property and equipment at December 31, 2024 consisted of the following:

	Contributed	Purchased	Total
Land and improvements	\$ 4,166,276	\$ 2,114,525	\$ 6,280,801
Buildings and improvement	12,852,422	20,195,013	33,047,435
Tennis, shuffleboard, and sports courts	324,958	2,068,593	2,393,551
Pools, spas, and equipment	412,588	3,050,386	3,462,974
Recreational equipment	230,841	1,505,473	1,736,314
Vehicles	-	1,039,291	1,039,291
Furniture	30,000	2,886,152	2,916,152
Total property and equipment	18,017,085	32,859,433	50,876,518
Less accumulated depreciation	(11,308,644)	(17,447,400)	(28,756,044)
Construction-in-progress	-	349,900	349,900
Property and equipment, net	\$ 6,708,441	\$ 15,761,933	\$ 22,470,374

NOTE G. REFUNDABLE MEMBERSHIP CHANGE FEE LIABILITY

For the years ended December 31, 2025 and 2024, MCF revenue recognized, net of the change in the estimated obligation for fees to be refunded, and actual refunds pursuant to waivers were as follows:

	2025	2024
Membership change fees collected	\$ 2,722,306	\$ 2,375,776
Change in estimated obligation for refundable fees	54,000	16,700
MCF revenue recognized, included in new member capital and initial fees on the statement of activities	\$ 2,776,306	\$ 2,392,476
Actual MCF refunds	\$ 261,100	\$ 294,000

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 an 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. In August of 2025 the lease was amended to reduce the square footage of the office space provided, which reduced the value to \$2,250 per year and extended the lease till 2045. During the years ended December 31, 2025 and 2024, GVR recognized \$3,268 and \$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, 2025:

	Note payable	Deferred lease revenue	Total
Payable to GVR Foundation	\$ 55,000	\$ 43,399	\$ 98,399
Less current portion	(11,000)	(2,250)	(13,250)
Long-term portion	\$ 44,000	\$ 41,149	\$ 85,149

Liabilities related to the property acquisition were as follows at December 31, 2024:

	Note payable	Deferred lease revenue	Total
Payable to GVR Foundation	\$ 66,000	\$ 46,667	\$ 112,667
Less current portion	(11,000)	(4,000)	(15,000)
Long-term portion	\$ 55,000	\$ 42,667	\$ 97,667

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, 2025:

	Note payable	Deferred lease revenue	Total
2026	\$ 11,000	\$ 2,250	\$ 13,250
2027	11,000	2,250	13,250
2028	11,000	2,250	13,250
2029	11,000	2,250	13,250
2030	11,000	2,250	13,250
Thereafter	-	32,149	32,149
Total minimum future payments	\$ 55,000	\$ 43,399	\$ 98,399

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, 2025:

	Emergency	Initiatives	Repairs and replacements	Total
Beginning balance	\$ 636,832	\$ 998,549	\$ 8,827,195	\$ 10,462,576
Board designations:				
Capital fees	-	509,186	-	509,186
Other designations	(135,469)	135,469	1,620,460	1,620,460
Expended for projects	-	(355,098)	(2,170,341)	(2,525,439)
Investment income	73,244	56,599	847,861	977,704
Change in accrued interest	183	3,494	6,181	9,858
Total board designated net assets	\$ 574,790	\$ 1,348,199	\$ 9,131,356	\$ 11,054,345

Activity in board designated net assets was as follows for the year ended December 31, 2024:

	Emergency	Initiatives	Repairs and replacements	Total
Beginning balance	\$ 561,557	\$ 1,760,779	\$ 8,034,635	\$ 10,356,971
Board designations:				
Capital fees	-	579,316	-	579,316
Other designations	-	-	1,519,695	1,519,695
Expended for projects	-	(1,389,293)	(1,365,731)	(2,755,024)
Investment income	75,275	53,626	643,102	772,003
Change in accrued interest	-	(5,879)	(4,506)	(10,385)
Total board designated net assets	\$ 636,832	\$ 998,549	\$ 8,827,195	\$ 10,462,576

NOTE J. NET ASSETS WITH DONOR RESTRICTIONS

There was no activity in net assets with donor restrictions as of and for the years ended December 31, 2025 and 2024.

NOTE K. REVENUE FROM CONTRACTS WITH CUSTOMERS

During the years ended December 31, 2025 and 2024, GVR recognized \$3,392,867 and \$4,533,756, respectively, in previously deferred revenue for member dues, program revenue, and access card fees.

GVR had no contract assets at either December 31, 2025 or 2024. 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 \$145,174 and \$199,013 at December 31, 2025 and 2024, respectively.

Disaggregated revenue from contracts with customers and allocated performance obligations as of and for the year ended December 31, 2025 was as follows:

Revenue recognition method	Revenue recognized	Outstanding performance obligation
Point in time:		
New member capital and initial fees	\$ 3,323,971	\$ -
Late fees	107,597	-
Over time:		
Membership dues	7,366,506	4,349,578
Member, tenant and guest fees	271,261	-
Facility rental	17,028	-
Lease income	53,851	-
Performance activity:		
Program revenue	868,793	175,035
Total revenue	\$ 12,009,007	\$ 4,524,613

Disaggregated revenue from contracts with customers and allocated performance obligations as of and for the year ended December 31, 2024 was as follows:

Revenue recognition method	Revenue recognized	Outstanding performance obligation
<i>Point in time:</i>		
New member capital and initial fees	\$ 2,847,626	\$ -
Late fees	87,479	-
<i>Over time:</i>		
Membership dues	7,134,340	3,250,056
Member, tenant and guest fees	266,249	-
Facility rental	26,825	-
Lease income	53,004	-
<i>Performance activity:</i>		
Program revenue	774,073	142,811
<i>Total revenue</i>	<u><u>\$ 11,189,596</u></u>	<u><u>\$ 3,392,867</u></u>

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 \$7,427,911 and \$7,622,605 as of December 31, 2025 and 2024. 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 reserve study by an outside consultant was obtained in September 2024 and was updated in February 2026. The study excludes GVR's thirteen pools, spas, some paving, and minor equipment. The most recent study concluded that the total cash reserves necessary to repair, replace, restore or maintain such major components during and at the end of their remaining useful life would be \$12,838,681. The study estimates that GVR will have funded as of the fiscal year ending December 31, 2025, \$6,469,879, or 50.4% of the fully funded amount. The reserve study is based on a recommended annual contribution of \$1,400,102 for 2026 to the replacement reserve, to be increased annually at a rate of 7.7% for 2026 through 2027 and is gradually reduced to 3.1% by 2033, inclusive of an assumed inflation factor of 2.5% on the costs of replacement items.

The pools and spas replacement reserves aggregated \$1,703,445 and \$1,204,590 as of December 31, 2025 and 2024. GVR funds such major repairs and replacements over the estimated useful lives of the components based on management's estimates of current replacement costs and the consideration of amounts previously accumulated.

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 vote of the members present at a regular or special meeting.

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 \$135,829 and \$126,592 for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, GVR received no in-kind revenue subject to recognition.

During the years ended December 31, 2025 and 2024, the Foundation's Member Assistance Program provided \$25,000 and \$25,000, respectively, to GVR on behalf of specific members for membership dues. The Foundation was an entity under common control until 2020. Amounts collected on behalf of the Foundation are included in other liabilities in the accompanying statements of financial position.

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 March 18, 2026, which represents the date the accompanying financial statements were available to be issued.