VENTURE OUT AT MESA, INC.

FINANCIAL STATEMENTS
AS OF JUNE 30, 2019
AND FOR THE FISCAL YEAR THEN ENDED

(WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JUNE 30, 2018 AND FOR THE
FISCAL YEAR THEN ENDED)

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VENTURE OUT AT MESA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Venture Out at Mesa, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Venture Out at Mesa, Inc. (an Arizona Corporation), which comprise the balance sheet as of June 30, 2019, and the related statements of revenues, expenses and changes in fund balances and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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

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

An audit involves 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 fraud or error. 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 for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Venture Out at Mesa, Inc. as of June 30, 2019, and the results of its operations and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Venture Out at Mesa, Inc.'s June 30, 2018, financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on page 16, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Butler Hansen, PLC

Gilbert, Arizona
October 14, 2019

VENTURE OUT AT MESA, INC.
BALANCE SHEET
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2018)

	OPERATING FUND	SPORTS-PLEX FUND	JOINT PROJECTS FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2019	TOTALS JUNE 30, 2018
ASSETS						
Cash and Cash Equivalents	$ 556,223	$ -	$ 105,035	$ 1,092,552	$ 1,753,810	$ 1,670,705
Accounts Receivable	3,713	-	-	-	3,713	5,334
Other Assets	2,790	-	-	-	2,790	1,875
Due From Replacement Fund	-	-	-	-	-	6,227
Prepaid Expenses	14,488	-	-	-	14,488	69,330
Property and Equipment, Net of Accumulated Depreciation of $8,546,104 and $7,841,413, respectively	10,183,829	-	-	-	10,183,829	10,373,162
TOTAL ASSETS	$ 10,761,043	$ -	$ 105,035	$ 1,092,552	$ 11,958,630	$ 12,126,633
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	$ 55,720	$ -	$ -	$ 96,296	$ 152,016	$ 165,710
Accrued Expenses	42,310	-	-	-	42,310	36,586
Accrued Paid Time Off	209,654	-	-	-	209,654	203,523
Due to Operating Fund	-	-	-	-	-	6,227
Owner/Guest Deposits	40,669	-	-	-	40,669	39,658
Prepaid Assessments	415,345	-	-	-	415,345	434,749
TOTAL LIABILITIES	763,698	-	-	96,296	859,994	886,453

(CONTINUED)

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2018)

	OPERATING FUND	SPORTS-PLEX FUND	JOINT PROJECTS FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2019	TOTALS JUNE 30, 2018
FUND BALANCES						
Operating Fund	9,997,345	-	-	-	9,997,345	10,071,881
Sports-Plex Fund	-	-	-	-	-	11,880
Joint Projects Fund	-	-	105,035	-	105,035	-
Replacement Fund	-	-	-	996,256	996,256	1,156,419
TOTAL FUND BALANCES	9,997,345	-	105,035	996,256	11,098,636	11,240,180
TOTAL LIABILITIES AND FUND BALANCES	$ 10,761,043	$ -	$ 105,035	$ 1,092,552	$ 11,958,630	$ 12,126,633

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)

	OPERATING FUND	SPORTS-PLEX FUND	JOINT PROJECTS FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2019	TOTALS JUNE 30, 2018
REVENUES						
Assessments	$ 3,978,275	$ -	$ -	$ 667,069	$ 4,645,344	$ 4,540,404
Owner Assessed Fees	35,882	-	-	-	35,882	32,057
Other Service Fees	38,420	-	-	-	38,420	40,779
Transfer and Document Fees	44,600	-	-	-	44,600	37,900
RV Pull-Throughs	123,589	-	-	-	123,589	119,615
RV Storage	37,203	-	-	-	37,203	34,861
Real Estate Office Rental	54,914	-	-	-	54,914	84,902
Laundry Operations	17,734	-	-	-	17,734	17,699
Interest Income	1,646	5	35	3,793	5,479	2,000
Miscellaneous Retail Sales	11,104	-	-	-	11,104	9,773
Other Income	9,538	-	-	-	9,538	16,162
Social Club Contributions	-	-	105,000	-	105,000	39,810
TOTAL REVENUES	4,352,905	5	105,035	670,862	5,128,807	4,975,962
EXPENSES						
Association Expenses	186,065	-	-	-	186,065	190,285
Administration	761,751	-	-	-	761,751	803,095
Wireless Network Expenses	37,207	-	-	-	37,207	24,531
Recreation Activities	421,427	-	-	-	421,427	416,512
Security Services	335,187	-	-	-	335,187	323,372
General Maintenance	402,947	-	-	429,246	832,193	588,758
Landscape Maintenance	284,370	-	-	-	284,370	273,540
Janitorial Services	201,948	-	-	-	201,948	178,616
Pool Maintenance	72,374	-	-	-	72,374	69,986
Disposal Services	88,642	-	-	-	88,642	101,298
Irrigation Maintenance	35,945	-	-	-	35,945	42,877
Employee Insurance, Taxes and Benefits	529,856	-	-	-	529,856	481,906
Utilities	766,321	-	-	-	766,321	826,469
Laundry Operations	2,632	-	-	-	2,632	3,753
Promotions/Memberships	1,150	-	-	-	1,150	17,884
Other Expenses	50	-	-	-	50	544
TOTAL EXPENSES	4,127,872	-	-	429,246	4,557,118	4,343,426

(CONTINUED)

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)

	OPERATING FUND	SPORTS-PLEX FUND	JOINT PROJECTS FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2019	TOTALS JUNE 30, 2018
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE GAIN/(LOSS) ON ABANDONMENT OF FIXED ASSETS AND DEPRECIATION	225,033	5	105,035	241,616	571,689	632,536
Depreciation	(713,233)	-	-	-	(713,233)	(702,085)
EXCESS REVENUES (EXPENSES)	(488,200)	5	105,035	241,616	(141,544)	(69,549)
BEGINNING FUND BALANCES	10,071,881	11,880	-	1,156,419	11,240,180	11,309,729
TRANSFERS BETWEEN FUNDS						
Capitalized Fixed Asset Transfers	413,664	(5,732)	-	(407,932)	-	-
Return Excess Funds to Replacement Fund	-	(6,153)	-	6,153	-	-
TOTAL TRANSFERS BETWEEN FUNDS	413,664	(11,885)	-	(401,779)	-	-
ENDING FUND BALANCES	$ 9,997,345	$ -	$ 105,035	$ 996,256	$ 11,098,636	$ 11,240,180

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)

	OPERATING FUND	SPORTS-PLEX FUND	JOINT PROJECTS FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2019	TOTALS JUNE 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess Revenues (Expenses)	$ (488,200)	$ 5	$ 105,035	$ 241,616	$ (141,544)	$ (69,549)
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities						
Depreciation Expense	713,233	-	-	-	713,233	702,085
(Increase)/Decrease In						
Accounts Receivable	1,621	-	-	-	1,621	351,964
Other Assets	(915)	-	-	-	(915)	1,431
Prepaid Expenses	54,842	-	-	-	54,842	(36,766)
Increase/(Decrease) In						
Accounts Payable	(105,920)	-	-	92,226	(13,694)	(126,118)
Accrued Expenses	5,724	-	-	-	5,724	253
Accrued Paid Time Off	6,131	-	-	-	6,131	(2,040)
Owner/Guest Deposits	1,011	-	-	-	1,011	5,569
Prepaid Assessments	(19,404)	-	-	-	(19,404)	32,504
Net Cash Provided (Used) by Operating Activities	168,123	5	105,035	333,842	607,005	859,333
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of Property and Equipment	(523,900)	-	-	-	(523,900)	(978,113)
Net Cash Provided (Used) by Investing Activities	(523,900)	-	-	-	(523,900)	(978,113)

(CONTINUED)

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018)

	OPERATING FUND	SPORTS-PLEX FUND	JOINT PROJECTS FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2019	TOTALS JUNE 30, 2018
CASH FLOWS FROM FINANCING ACTIVITIES						
Capitalized Fixed Asset Transfers	413,664	(5,732)	-	(407,932)	-	-
Return Excess Funds to Replacement Fund	-	(6,153)	-	6,153	-	-
Change in Due From Replacement Fund	6,227	-	-	-	6,227	3,332
Change in Due From Operating Fund	-	-	-	-	-	31,592
Change in Due From Sports-Plex Fund	-	-	-	-	-	2,237
Change in Due To Sports-Plex Fund	-	-	-	-	-	(31,592)
Change in Due To Operating Fund	-	-	-	(6,227)	(6,227)	(5,569)
Net Cash Provided (Used) by Financing Activities	419,891	(11,885)	-	(408,006)	-	-
NET INCREASE (DECREASE) IN CASH	64,114	(11,880)	105,035	(74,164)	83,105	(118,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	492,109	11,880	-	1,166,716	1,670,705	1,789,485
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 556,223	$ -	$ 105,035	$ 1,092,552	$ 1,753,810	$ 1,670,705

SUPPLEMENTARY INFORMATION						
Income Taxes Paid	$ 50					$ 104
Interest Expense	$ -					$ -

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 – NATURE OF THE ORGANIZATION

Venture Out at Mesa, Inc. (the "Association"), a statutory condominium association, was incorporated on December 30, 1969, under the general non-profit laws of the State of Arizona. The Association was established for the purposes of operating and maintaining condominium common property. The Association is an active 55+ retirement community where residents own their lots and units. The Association is the governing body of 1,749 condominium units located in Mesa, Arizona. There is a Board of Directors elected by the member condominium unit owners and the Association is self-managed.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting
The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes using the following funds established according to their nature and purpose:

Operating Fund
The Operating Fund is used to account for financial resources available for general operations of the Association.

Sports-Plex Fund
The Sports-Plex Fund is used to account for the accumulation of funds for the Sports-Plex project.

Joint Projects Fund
The Joint Projects Fund is used to account for the accumulation of funds received from Venture Out Social Club, Inc., which are to be used for the improvement of common elements within the Association.

Replacement Fund
The Replacement Fund is used to account for the accumulation of funds for future major repairs and replacements.

Cash and Cash Equivalents
For statement of cash flows purposes, the Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, with original maturities of three months or less, as cash and cash equivalents.

Accounts Receivable
The annual budget and member assessments are approved by the Board of Directors. Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and future replacements. Assessments receivable at June 30, 2019, represent fees due from unit owners. The Association accounts for receivables on the cost basis. Receivables are considered delinquent after 30 days, at which time the Association pursues collection. Receivables are reviewed regularly and the Association establishes an allowance for doubtful accounts on receivables based on an estimate of accounts which will not be fully collected. Accounts are written-off when a homeowner enters bankruptcy or foreclosure. Any excess assessments at year end are retained by the Association for use in the succeeding year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Assessments and Revenue Recognition

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes all personal property it acquires at cost exceeding $2,000. Purchased property and equipment is recorded at cost and depreciated utilizing various acceptable methods over the useful lives of the property and equipment, generally ranging from 3 to 39 years.

Interest Income

Interest income is allocated to the operating and replacements funds in proportion to the interest-bearing deposits of each fund.

Date of Management's Review

Subsequent events have been evaluated through October 14, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATIONS

The Association places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. At various times, deposits with these financial institutions, designated as cash, cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), or other types of insurance programs.

The financial instruments that potentially subject the Association to credit risk consist principally of assessments receivable, the majority of which contain provisions for recovery by placing liens on units and through legal judgments. The Association's annual assessment revenue and related receivables are subject to significant concentrations of credit risk, given that the revenue is received primarily from members located within a small geographic area that can be adversely impacted by similar economic conditions. In the event that owners do not comply with the terms of the Covenants, Conditions and Restrictions, and collection efforts by the Association are unsuccessful; the Association could incur a loss equal to the amount due.

NOTE 4 – INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the fiscal year ended June 30, 2019. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

For federal and state income tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120, which has a tax rate of 21% applied to net taxable income. The state tax rate that is applied to net taxable income is 4.9%. The Association had a federal and state tax liability of $0 and $50, respectively, for the fiscal year ended June 30, 2019. Federal and state income taxes disbursed in the current fiscal year for the prior fiscal year were $0 and $50, respectively.

NOTE 5 – UNCERTAIN TAX POSITIONS

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon examination by taxing authorities. Management believes that it has no uncertain tax position for the fiscal year ending June 30, 2019.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition, net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at June 30, 2019.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2016, or by Arizona state tax authorities for years before 2015.

NOTE 6 – ACCOUNTS RECEIVABLE

The Association’s assessments receivable are secured via the real property assessed and every reasonable effort is applied in attempting to collect receivables. The Association may bring legal action against owners obligated to pay, as it deems necessary, to collect delinquent assessments receivable. The Association’s policy is to make every attempt to collect delinquent assessments through the use of late fees, legal counsel, and liens on the properties of members whose assessments are delinquent.

NOTE 6 – ACCOUNTS RECEIVABLE (CONTINUED)

Operating Fund

Operating Fund receivables at June 30, 2019 and 2018, represent assessments and other fees levied by the Association. At June 30, 2019 and 2018, the Association had gross receivables of $3,713 and $5,334, respectively, due from lot owners for operating fund assessments and related fees. The gross accounts receivable outstanding for 90 or more days, at June 30, 2019 and 2018, was $2,191 and $3,825, respectively, due from lot owners. For the fiscal years ended June 30, 2019 and 2018, an allowance for doubtful accounts had not been established.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	Totals	
	2019	2018
Land	$ 183,684	$ 183,684
Land Improvements	3,280,919	3,182,692
Buildings	10,319,398	10,216,793
Office Furniture and Equipment	142,069	138,268
Computer Equipment and Software	71,345	71,345
Operating Equipment	514,741	483,485
Laundry Equipment	44,960	42,649
Installed Facilities	3,894,758	3,848,523
	18,451,874	18,167,439
Accumuluated Depreciation	(8,546,104)	(7,841,413)
	9,905,770	10,326,026
Construction-in-Process	278,059	47,136
Total	$ 10,183,829	$ 10,373,162

Depreciation expense for the fiscal years ended June 30, 2019 and 2018 was $713,233 and $702,085, respectively.

NOTE 8 – ASSESSMENTS

Lot owners are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and future major repairs and replacements. For the fiscal years ended June 30, 2019 and 2018, the combined annual assessments were $2,274.60 and $2,205.40 per lot, payable in quarterly installments of $568.65 and $551.35, respectively.

NOTE 8 – ASSESSMENTS (CONTINUED)

Lot owners were also assessed an annual reserve fund assessment of $381.40 and $390.60 per lot, payable in quarterly installments of $95.35 and $97.65, for the fiscal years ended June 30, 2019 and 2018, respectively. Assessments receivable at the balance sheet date represent fees due from lot owners. No amounts are considered uncollectible. The Association's policy is to retain legal counsel for those lot owners who are delinquent for over a specified period of time. Any excess quarterly assessments are used to reduce the subsequent year's quarterly assessments.

NOTE 9 – 401(k) RETIREMENT PLAN

The Association makes available a retirement plan for all eligible employees. The Association may, at its sole discretion, make matching contributions into the plan, which are allocated to each eligible participant's account according to the terms of the plan. For the fiscal years ended June 30, 2019 and 2018, the Association contributed $24,213 and $26,603, respectively, into the plan and paid $2,670 and $3,478, respectively, for administration expenses for the plan.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The Association enters into various contracts for management, landscape and other services. Generally all contracts are for one year terms and can be canceled by either party with 30 to 90 day notifications.

NOTE 11 – OPERATING LEASE OBLIGATIONS

During the fiscal year ended June 30, 2016, the Association entered into a 60 month operating lease for copier equipment, which expires in January 2021. The Association paid a total of $6,060 for minimum monthly lease payments in the current fiscal year for the copier lease, and $5,955 in the prior fiscal year. Future minimum lease payments are $505 on a monthly basis.

During the fiscal year ended June 30, 2013, the Association entered into a 240 month operating lease for solar panel equipment, expiring in April 2033. The Association paid $65,754 of minimum monthly lease payments in the current fiscal year and $65,754 in the prior fiscal year. Minimum lease payments are $5,479.51 on a monthly basis for solar equipment.

Total future minimum lease payments for the copier and solar panel equipment are as follows:

Fiscal Years Ending June 30,	
2020	$ 71,814
2021	69,289
2022	65,754
2023	65,754
2024	65,754
Thereafter	575,349
Total Future Minimum Payments	$ 913,714

NOTE 12 – RELATED PARTY TRANSACTIONS

On March 8, 2012, the Association entered into an amended and restated agreement (the "Agreement") for use of recreational facilities in Venture Out at Mesa, Inc., with Venture Out Social Club, Inc. (the "Club"). The duties of each organization are as follows:

Duties of the Association
The Association shall provide recreational facilities and meeting rooms, provide publicity in publications, provide the staff to administer the affairs of the Club, maintain fire and extended casualty insurance coverage for all equipment and personal property owned by the Club, maintain directors' and officers' insurance covering the directors and officers of the Club and provide for line item contributions from the Club toward the improvement of common elements mutually agreeable to both the Association and the Club. The agreement also stipulates that the Association assigns to the Club all revenues generated by organized social, recreational, and educational activities operating under the Club, and all commissions or other amounts paid by instructors or other vendors of merchandise and services using the recreational facilities and meeting rooms of the Association.

Duties of the Club
The Club shall receive the funds assigned and/or generated by the Club for the purpose of purchasing office supplies, recreational supplies and equipment, have an annual audit performed of the financial statements, transfer to the Association any Excess Funds of the Club remaining after provision for operating Cash Flow Needs and payment of all Club expenditures, prepare an annual budget, complete a schedule that reflects the useful life and estimated costs of replacement or repair of Club equipment, submit an annual budget to the Association's Board of Directors for approval and to make Club financial statements available for inspection. Excess Funds are defined as funds collected from Club activities that are not expended to support Club activities and responsibilities. Cash Flow Needs are defined as the amount of money equal to expenditures prior to the influx of revenues generated during the peak season (January to April) of each year. Transfer of excess funds to the Association must occur by December 31st.

Total payments received from the Club for line item contributions toward the improvement of common elements for the fiscal years ended June 30, 2019 and 2018, were $105,000 and $39,810, respectively. Additionally, the Club made payments to the Association for reimbursement of various supplies and administrative costs for the fiscal year ended June 30, 2019, in the amount of $2,299.

Total payments made to the Club for reimbursement of office supplies for the fiscal years ended June 30, 2019 and 2018, were $12,943 and $10,117, respectively.

NOTE 13 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association accumulates funds for future major repairs and replacements. At June 30, 2019, funds accumulated for this purpose are $996,256 and are held in separate accounts and are generally not available for operating purposes.

NOTE 13 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

In 2016, the Association's Board of Directors engaged an independent firm to conduct a reserve study to estimate the remaining useful lives and replacement costs of the common property components. The reserve study was completed on August 14, 2016. The Association is funding future major repairs and replacements based on the study's estimates of current replacement costs. Funding considerations include amounts previously designated for future major repairs and replacements. Actual expenditures, when incurred, may vary from the estimated amounts and the variations may be material. Accordingly, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments up to the maximum annual assessment, levy special assessments subject to member approval, or may delay major repairs and replacements until funds are available.

VENTURE OUT AT MESA, INC.

SUPPLEMENTARY INFORMATION

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VENTURE OUT AT MESA, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2019

The Association's Board of Directors contracted an independent party to prepare a full reserve study to estimate the replacement costs for certain common property components for the Association. The study was dated August 14, 2016. The purpose of the reserve study was to estimate the remaining useful lives and replacement costs of the components of common property. Estimated current replacement costs were based on the estimated costs to repair and replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following tables are based on the study and present significant information about the components of common property.

Component	Estimated Remaining Useful Life	Estimated Current Replacement Cost	Replacement Fund Balance at June 30, 2019
Main Entry	1 to 27	$ 135,550	$ -
Security Department	0	21,600	-
Pavement	0 to 21	4,288,200	-
RV Overnights	24	279,500	-
Common Area	0 to 24	1,184,300	-
Sports Amenities	0 to 26	650,500	-
West Pool	0 to 35	707,850	-
EPC - Pool	2 to 43	490,150	-
EPC - Clubhouse	6 to 38	554,500	-
Community Center - Exterior	0 to 15	259,850	-
Community Center - HVAC	0 to 11	241,950	-
Community Center - Interior	0 to 30	803,800	-
Community Center - Kitchen	3 to 9	84,150	-
Community Center - Annex	0 to 18	311,300	-
Administration Building	5 to 28	779,250	-
Laundry Building	0 to 20	173,000	-
Satellite Bathhouses	0 to 15	1,214,300	-
Northeast RV Storage	0 to 28	165,050	-
Southeast RV Storage	4 to 11	144,400	-
Glass Arts Building	12 to 37	89,750	-
Hobby Center	1 to 22	1,080,450	-
Unallocated		-	996,256
		$ 13,659,400	$ 996,256

See independent auditor's report.