

FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021

For fiscal year ended June 30, 2021, **net income before depreciation is \$296,362 better than plan;** \$84,401 income versus a planned *loss* of (\$211,961). The positive variance is primarily a combination of lower expenses due to less than planned staffing and lower utilities, which are somewhat offset by less than planned RV overnight revenue and guest fees.

Operating Revenue is \$40,162 or .87%, worse than plan. The \$35,939 shortfall in RV overnight space revenue is the primary factor in the revenue shortage. Real Estate Office rental income is \$10,926 (21%) above plan and the Century Link marketing contract revenue has added \$28,683 in unplanned revenue, which also offsets other COVID-19 related revenue shortfall in owner fees, water vending and retail sales.

Operating Expenses are \$336,528 or 7.0 %better than plan and are primarily related to less than planned staff expenses in Recreation and Maintenance and lower utility costs related to less than planned occupancy. Material departmental expense variances are discussed below.

Association expenses increased substantially against budget, due to the February payment of estimated income taxes of \$44,500 related to the Century Link 5-year marketing contract proceeds of \$174,900. Exclusive of the tax payments, Association expenses are \$10,464 better than plan, primarily related to a delay in the final 50% payment due on the pending Reserve Study.

Admin budget savings of \$97,212 is comprised of ~\$27,000 in telephone costs related to a switch to a VOIP based phone system and a new contract for other analog service, ~\$8,000 savings in GM discretionary, numerous other small line-item savings and ~\$73,000 related to budgeted supervisory cost allocations to the other departments (i.e., Recreation, Maintenance and Security department heads) exceeding the original budget assumptions.

Activities is approximately \$215,095 better than plan, ~\$144,000 of which is related to a staffing reduction and delays in hiring other personnel. There is an additional ~\$52,000 in savings related to contract cleaning, however some of these planned expenses were shifted to the Janitorial department.

Security is \$112,030 worse than plan due to the usage of contract security during the heightened period of criminal activity in and around the park (~\$13,700), the rental of a light system (~\$11,800) to improve security on 48th street, gross wages related to adding two additional night shifts (~\$65,000) and tax/benefits allocations (~\$22,700) primarily related to the additional staffing.

Maintenance is \$84,045 better than plan, of which ~\$50,700 is related to wage savings due to delays in hiring staff, ~\$26,800 less in general building maintenance expenses, and ~\$22,700 related to less than planned painting and other contracted services.

Landscape is \$20,776 over budget primarily related to the delay in the 2020 season palm tree trimming of which the entire seasonal cost was incurred in September, but this was somewhat offset by a smaller than expected June 2021 expenditure for the 2021 palm tree trimming season.

Utilities finished the year with a positive variance of \$90,969, of which ~\$31,000 is related to electric, ~\$3,000 in natural gas, ~\$44,200 in water savings due to lower park occupancy and ~\$10,600 in cable savings as the anticipated November rate increase did not occur.

Accounts Receivable

The Owner Accounts Receivable balance as of June 30, 2021, is \$9,646. Three owners are two or more quarters in arrears and 7 owners are one quarter in arrears. No accounts are currently with legal counsel. **The total Accounts Receivable balance represents 0.78% of the quarterly assessment, compared to .21% for the same period last year.**

Special Note Regarding Century Link Marketing Contract

In November 2020, Venture Out received \$174,900 under the terms of a five-year exclusive marketing agreement with Century Link. In addition to this one-time payment, the contract also provides for revenue sharing of 7% of the monthly gross Century Link services billed to Venture Out occupants.

The \$174,900 upfront payment is available for immediate use without restriction, however to follow applicable accounting principles, this amount is shown as a liability on the balance sheet and then each month 1/60th of the \$174,900 will be recognized as earned, or \$2,915 of revenue will be recognized per month with a corresponding reduction in the liability. If for any reason Venture Out chose not to perform under the terms of the agreement or to cancel the agreement, a *prorata* amount of these funds would be due to Century Link for any period remaining on the contract. As such, the amount that appears on the balance sheet each month would be equivalent to the '*unearned*' portion of the contract.

There are income tax consequences related to these funds received. Income taxes are due on the *entire amount* received. The exact tax liability will not be known until the related federal and state income tax returns are filed in *late 2021*, however Butler Hansen (our tax and auditing firm) estimated \$44,500 will be due as a result of this transaction, compared to the previous internal estimate of \$43,725.

Special Note Regarding Insurance Settlement Proceeds Reserved for Repair Contract

In May 2021, Venture Out received \$97,489 as an insurance settlement for damages caused by a third-party vendor to one of the solar parking structures. The repair contract with Sun Renu Solar is for the same amount. As the repair contract draws are made, these payments will be applied to the liability. As of June 30, 2021, one draw in the amount of \$9,715 has been made, leaving a net liability of \$87,774 reported on the balance sheet.

Special Note Regarding the Fiscal Year Budget June 30, 2021

In March 2021, the Venture Out Board approved *supplemental Operating Fund* expenditures noted below:

	<u>Total Dollars</u>
Annex Sewer Pipe Reline	30,000
West Pool Kool Deck Repairs	15,000
NuFlow Bath House 6 Sewer Pipe Reline	43,395
Op Fund Contribution to Valley Gutter (total proj \$124,462)	50,000
Total Reserve Fund Projects paid via Operating Fund	<u>\$ 138,395</u>

For reporting purposes, as monies for these projected were spent, the total operating budget was increased by the same amount, to ensure the actual operating performance against the original approved budget is not distorted. In the month of March, \$21,698 was spent on the Nuflow Bath House 3 reline (due to a rapid deterioration of Bathhouse 3 sewer lines, the Bathhouse 6 reline budgeted expense was reallocated to Bathhouse 3), representing a 50% deposit. The balance of this work was completed in July 2021 and the related budget dollars will become part of the FYE 6/30/2022 budget. The Valley Gutter project and Annex sewer reline projects were also completed. \$50,000 was contributed to the valley gutter project as budgeted and the Annex sewer pipe reline was only \$23,595. The West Pool Kool deck is not yet completed but is expected to be substantially less than the \$15,000 allocated. The Kool Deck budget dollars will be moved to the FYE 6/30/2022, but at the lesser estimated completion cost.

Operating Fund "Excess" Cash Balances

The "Excess" Cash balance for the fiscal year ended 6/30/2021 is \$241,936, or approximately \$130,000 better than the March budget projection of \$111,414. The 111,414 was used to reduce the FYE 6/30/2022 HOA quarter assessment by approximately \$16 per lot owner. The additional \$130,000 dollars in "Excess" cash may be used to offset the FYE 6.30.2023 HOA fee increase and/or for supplemental budget purposes as may be determined and approved by the Board in accordance with the CCRs.

Operating Fund Cash @ 6/30/2021	\$ 1,241,587
Add:	
Due from Reserve and RAC Funds	67,899
Less:	
Prepaid HOA Dues	(556,668)
Accounts Payable	(96,887)
Insurance Settlement Proceeds for Repair	(87,774)
Accrued Expenses & Other Payables	(154,084)
Reservation Deposits	(41,509)
Balance of Bathhouse 3 reline contract	(23,548)
Unearned Century link marketing - net of tax:	(107,080)
Actual "Excess" Cash at 6/30/2021	<u>241,936</u>
Better than March Budget Projection	<u>130,522</u>
Budget Projection of "Excess" Cash at 6/30/2021	<u>\$ 111,414</u>

Reserve Fund

In March 2021, The Board approved a total of \$619,147 in Reserve Fund expenses for the FYE 6/30/2022, plus an additional \$174,900 in street lights funded via a special assessment. The accompanying FYE 6/30/2021 Reserve Fund Revenue and Expense statement includes FYE 6/30/2022 budgeted expenses approved by the Board to be spent in the fiscal year ended 6/30/2021, based on the below schedule. Only the \$9,200 restriping expense was not incurred prior to June 30,2021. The street light project was substantially complete by June 30, however \$60,220 remains on the Brycon lighting contact. The corresponding street light dollars will be carried forward to the FYE 6/30/2022 budget.

Venture Out at Mesa, Inc. FY 2022 Reserve Fund Spending

Street Lights: Qty = 25; Brycon as GC with subcontractors	\$	178,000
Asphalt Repaving: 6,022 sq yards - Ace Asphalt		142,771
Valley Gutter Replacement+catch basin repair: Cactus Asphalt		74,462 *
Soil stabilization contingency		20,000
PMA Consulting Fees re Streets/Valley Gutter		20,000
Restriping - Cactus Asphalt		9,200
Valley Gutter Contingency @ 3% per PMA Consulting		3,734
FY 2022 Approved Expenses to be completed in FY 2021	\$	448,167

Overall, the Reserve Fund spent \$82,614 less than budgeted, as summarized below:

Interest income	\$	2,292
Unspent contingency funds		29,882
Street consulting & project management fees		1,400
Pavement projects		24,720
Valley gutter project		5,234
Street lights		(15,349)
West Pool Replacement		34,435
Total Better Than Budget	\$	82,614

Venture Out at Mesa Inc.
Consolidated Balance Sheet by Fund

	06/30/2021			
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Recreation Activities Fund</u>	<u>Total Funds</u>
<u>Assets</u>				
Cash	1,241,587	904,186	96,253	2, 242, 026
Owner HOA Dues Receivables	9,647			9, 647
Prepaid Expenses & Other	6,067			6, 067
Interfund Due From / (To)	67,899	(53,707)	(14,192)	
Fixed Assets - Net	10,033,151			10, 033, 151
<u>Total Assets</u>	<u>11,358,351</u>	<u>850,479</u>	<u>82,061.00</u>	<u>12,290,891.00</u>
<u>Liabilities</u>				
Accounts Payable - Net Total	96,887			96, 887
Prepaid Assessments	556,668			556, 668
RV Overnight & Storage Reservation Deposits	41,509			41, 509
Unearned Marketing Revenue	151,580			151, 580
Insurance Settlement Proceeds Reserved for Repair Contr	87,774			87, 774
Other Payables	8,070			8, 070
Accrued Expenses	146,014			146, 014
Wages Payable	76,043			76, 043
Accrued Vacation & PTO	212,831			212, 831
<u>Total Liabilities</u>	<u>1,377,376</u>	<u>0</u>	<u>0.00</u>	<u>1,377,376.00</u>
<u>Fund Balance</u>				
Net Income	84,406	109,346	(31,030)	162, 722
Fund Balances	9,896,569	741,133	113,091	10, 750, 793
<u>Total Fund Balances</u>	<u>9,980,975</u>	<u>850,479</u>	<u>82,061.00</u>	<u>10,913,515.00</u>

Venture Out at Mesa Inc.
Consolidated Balance Sheet by Fund

	06/30/2021			
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Recreation Activities Fund</u>	<u>Total Funds</u>
<u>Total Liabilities and Fund Balances</u>	<u>11,358,351</u>	<u>850,479</u>	<u>82,061.00</u>	<u>12,290,891.00</u>

Venture Out at Mesa Inc.

Revenues and Expenses Statement - Operating Fund

From 06/01/2021 to 06/30/2021

	Actual Current Period	Budget Current Period	Variance Real of the Period to its Budget in \$	Actual Current Year	YTD Budget	Variance YTD Budget to YTD Real\$
<u>Revenues</u>						
Assessments	352,715	352,715		4,232,580	4,232,580	
Owner Fees	111	145	(34)	12,150	33,005	(20,855)
Transfer & Disclosure Fees	4,680	1,300	3,380	50,760	41,680	9,080
Other Service Fees	391	618	(227)	23,152	41,163	(18,011)
RV Overnight Space Rentals	5,908	2,352	3,556	89,019	124,958	(35,939)
Vehicle Storage	2,138	1,400	738	42,533	39,825	2,708
Real Estate Office Rental	3,113	2,438	675	61,916	50,990	10,926
Century Link Marketing Program	3,486		3,486	28,683		28,683
Laundry Operations	516	400	116	9,009	19,902	(10,893)
Water Vending Machines	185	200	(15)	7,940	13,700	(5,760)
Other Income	140		140	14,313	11,043	3,270
Interest Income	183	100	83	1,904	2,072	(168)
Retail Sales	228	69	159	4,782	8,335	(3,553)
Gain / (Loss) on Asset Disposal				350		350
Total Revenue	373,794	361,737	12,057	4,579,091	4,619,253	(40,162)

Expenses

Association	9,242	10,385	1,144	228,710	194,674	(34,036)
Administration	63,267	62,898	(369)	683,002	780,214	97,212
Activities	35,669	51,561	15,892	518,722	733,817	215,095
Security	65,394	43,161	(22,233)	691,480	579,450	(112,030)
Maintenance	36,449	42,939	6,490	507,374	591,419	84,045

Venture Out at Mesa Inc.

Revenues and Expenses Statement - Operating Fund

From 06/01/2021 to 06/30/2021

	Actual Current Period	Budget Current Period	Variance Real of the Period to its Budget in \$	Actual Current Year	YTD Budget	Variance YTD Budget to YTD Real\$
Landscaping	156,875	177,190	20,317	432,369	411,592	(20,776)
Janitorial	16,652	18,534	1,882	305,014	276,080	(28,934)
Pool	11,043	7,036	(4,006)	90,566	91,690	1,125
Waste Disposal	8,242	9,407	1,165	120,475	160,248	39,773
Irrigation	3,450	562	(2,888)	19,336	27,100	7,764
Laundry Operations		250	250	448	3,600	3,152
Payroll Taxes, Insurance & Other Benefits	7,080		(7,079)	7,077		(7,076)
Utilities	56,184	54,374	(1,810)	705,048	796,037	90,989
Common Element Capital Purchases \$90,000 limit				89,776	90,000	224
Concrete: Valley Gutters - OP	50,000	50,000		50,000	50,000	
Community Center Annex - Reline Sewer pipes - OP				23,595	23,595	
Bathhouse 3 Repipe/Relining - Op Fund				21,698	21,698	1
Total Expense	519,547	528,297	8,755	4,494,690	4,831,214	336,528
Net Income	(145,753)	(166,560)	20,807	84,401	(211,961)	296,362

Venture Out at Mesa Inc.

Revenues and Expenses Statement - Reserve Fund

From 06/01/2021 to 06/30/2021

	Actual Current Period	Budget Current Period	Variance Real of the Period to its Budget in \$	Actual Current Year	YTD Budget	Variance YTD Budget to YTD Real\$
Revenues						
Assessments						
Reserve Assessment Income	61,215	61,215		734,580	734,580	
TOTAL Assessments	<u>61,215</u>	<u>61,215</u>		<u>734,580</u>	<u>734,580</u>	
Interest Income						
Interest Income - Reserve Fund	180		180	2,292		2,292
TOTAL Interest Income	<u>180</u>		<u>180</u>	<u>2,292</u>		<u>2,292</u>
Total Revenue	61,395	61,215	180	736,872	734,580	2,292

Expenses

Unspent Reserve Contingency Expenses					29,882	29,882
Consulting Fees - Streets	15,400	20,000	4,600	18,600	20,000	1,400
Pavement-Asphalt						
Street Contract Contingencies		20,000	20,000		20,000	20,000
Pavement-Main: Grumman	44,635	52,445	7,810	48,055	52,445	4,390
Pavement-Main: Ercourpe	3,902	3,902		3,902	3,902	
Pavement-Secondary: Navion	91,449	93,639	2,190	91,449	93,639	2,190
Pavement: Crack Seal/Repair	2,075	2,075		2,075	2,075	
Pavement - Stripiing	710	710		13,876	12,016	(1,860)
TOTAL Pavement-Asphalt	<u>142,771</u>	<u>172,771</u>	<u>30,000</u>	<u>159,357</u>	<u>184,077</u>	<u>24,720</u>

Venture Out at Mesa Inc.

Revenues and Expenses Statement - Reserve Fund

From 06/01/2021 to 06/30/2021

	Actual Current Period	Budget Current Period	Variance Real of the Period to its Budget in \$	Actual Current Year	YTD Budget	Variance YTD Budget to YTD Real\$
Concrete Gutters, Sidewalks & Drives						
Concrete: Valley Gutters	72,962	78,196	5,234	72,962	78,196	5,234
TOTAL Concrete Gutters, Sidewalks & Drives	<u>72,962</u>	<u>78,196</u>	<u>5,234</u>	<u>72,962</u>	<u>78,196</u>	<u>5,234</u>
Common Area						
Common Area Pole Lights - Large	286,380	292,680	6,300	308,029	292,680	(15,349)
TOTAL Common Area	<u>286,380</u>	<u>292,680</u>	<u>6,300</u>	<u>308,029</u>	<u>292,680</u>	<u>(15,349)</u>
West Pool						
West Pool Heaters				3,343	3,343	
West Pool Replacement				25,565	60,000	34,435
TOTAL West Pool				<u>28,908</u>	<u>63,343</u>	<u>34,435</u>
EPC Clubhouse						
EPC Water Heaters				7,275	7,275	
TOTAL EPC Clubhouse				<u>7,275</u>	<u>7,275</u>	
Community Center						
Community Cntr Walkway Deck				17,100	17,100	
Community Cntr HVAC				4,900	4,900	
TOTAL Community Center				<u>22,000</u>	<u>22,000</u>	
Bathhouse 5						
Bathhouse 5 HVAC		4,600	4,600	4,600	4,600	
TOTAL Bathhouse 5		<u>4,600</u>	<u>4,600</u>	<u>4,600</u>	<u>4,600</u>	

Venture Out at Mesa Inc.

Revenues and Expenses Statement - Reserve Fund

From 06/01/2021 to 06/30/2021

	Actual Current Period	Budget Current Period	Variance Real of the Period to its Budget in \$	Actual Current Year	YTD Budget	Variance YTD Budget to YTD Real\$
TOTAL Bathhouses		4,600	4,600	4,600	4,600	
Oasis Building						
Oasis Bldg Flooring				5,795	5,795	
TOTAL Oasis Building				5,795	5,795	
Total Expense	517,513	568,247	50,734	627,526	707,848	80,322
Net Income	(456,118)	(507,032)	50,914	109,346	26,732	82,614

Venture Out at Mesa Inc.

Revenues and Expenses Statement - Recreation Activities Fund

From 05/01/2021 to 05/31/2021

	Actual Current Period	Budget Current Period	Variance Real of the Period to its Budget in \$	Actual Current Year	YTD Budget	Variance YTD Budget to YTD Real\$
<u>Revenues</u>						
Interest Income						
Interest Income - RAC Fund	4		4	42		42
Interest Income - Operating Fund				9		9
TOTAL Interest Income	<u>4</u>		<u>4</u>	<u>51</u>		<u>51</u>
Total Revenue	4	0	4	51	0	51
<u>Expenses</u>						
Maintenance	2,700		(2,700)	2,700		(2,700)
Pickleball Lights	14,193		(14,193)	28,385		(28,385)
Total Expense	16,893	0	(16,893)	31,085	0	(31,085)
Net Income	(16,889)	0	(16,889)	(31,034)	0	(31,034)