VENTURE OUT AT MESA, INC.

FINANCIAL STATEMENTS
AS OF JUNE 30, 2020
AND FOR THE FISCAL YEAR THEN ENDED

(WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JUNE 30, 2019 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, 2020, 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, 2020, 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, 2019, financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2019, 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
September 15, 2020

VENTURE OUT AT MESA, INC.
BALANCE SHEET
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2019)

	OPERATING FUND	RECREATION ACTIVITIES FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2020	TOTALS JUNE 30, 2019
ASSETS					
Cash and Cash Equivalents	$ 794,106	$ 113,090	$ 1,007,057	$ 1,914,253	$ 1,753,810
Accounts Receivable	2,552	-	-	2,552	3,713
Other Assets	2,031	-	-	2,031	2,790
Prepaid Expenses	5,468	-	-	5,468	14,488
Property and Equipment, Net of Accumulated Depreciation of $9,249,613 and $8,546,104, respectively	10,033,151	-	-	10,033,151	10,183,829
TOTAL ASSETS	$ 10,837,308	$ 113,090	$ 1,007,057	$ 11,957,455	$ 11,958,630
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 126,715	$ -	$ 265,924	$ 392,639	$ 152,016
Accrued Expenses	53,541	-	-	53,541	42,310
Accrued Paid Time Off	232,123	-	-	232,123	209,654
Owner/Guest Deposits	35,783	-	-	35,783	40,669
Prepaid Assessments	492,218	-	-	492,218	415,345
TOTAL LIABILITIES	940,380	-	265,924	1,206,304	859,994

(CONTINUED)

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
BALANCE SHEET (CONTINUED)
JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2019)

	OPERATING FUND	RECREATION ACTIVITIES FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2020	TOTALS JUNE 30, 2019
FUND BALANCES					
Operating Fund	9,896,928	-	-	9,896,928	9,997,345
Recreation Activities Fund	-	113,090	-	113,090	105,035
Replacement Fund	-	-	741,133	741,133	996,256
TOTAL FUND BALANCES	9,896,928	113,090	741,133	10,751,151	11,098,636
TOTAL LIABILITIES AND FUND BALANCES	$ 10,837,308	$ 113,090	$ 1,007,057	$ 11,957,455	$ 11,958,630

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2019)

	OPERATING FUND	RECREATION ACTIVITIES FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2020	TOTALS JUNE 30, 2019
REVENUES					
Assessments	$ 4,106,652	$ -	$ 699,600	$ 4,806,252	$ 4,645,344
Owner Assessed Fees	27,729	-	-	27,729	35,882
Other Service Fees	37,050	-	-	37,050	38,420
Transfer and Document Fees	41,180	-	-	41,180	44,600
RV Pull-Throughs	108,202	-	-	108,202	123,589
RV Storage	43,008	-	-	43,008	37,203
Real Estate Office Rental	51,151	-	-	51,151	54,914
Laundry Operations	18,191	-	-	18,191	17,734
Interest Income	2,263	55	3,511	5,829	5,479
Miscellaneous Retail Sales	8,959	-	-	8,959	11,104
Other Income	36,840	-	-	36,840	9,538
Social Club Contributions	10,000	8,000	-	18,000	105,000
TOTAL REVENUES	4,491,225	8,055	703,111	5,202,391	5,128,807
EXPENSES					
Association Expenses	198,031	-	-	198,031	186,065
Administration	770,673	-	-	770,673	761,751
Wireless Network Expenses	29,417	-	-	29,417	37,207
Recreation Activities	445,051	-	-	445,051	421,427
Security Services	370,825	-	-	370,825	335,187
General Maintenance	396,713	-	588,386	985,099	832,193
Landscape Maintenance	299,776	-	-	299,776	284,370
Janitorial Services	220,487	-	-	220,487	201,948
Pool Maintenance	69,515	-	-	69,515	72,374
Disposal Services	108,885	-	-	108,885	88,642
Irrigation Maintenance	22,312	-	-	22,312	35,945
Employee Insurance, Taxes and Benefits	553,486	-	-	553,486	529,856
Utilities	769,012	-	-	769,012	766,321
Laundry Operations	3,486	-	-	3,486	2,632
Promotions/Memberships	249	-	-	249	1,150
Other Expenses	64	-	-	64	50
TOTAL EXPENSES	4,257,982	-	588,386	4,846,368	4,557,118

(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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2019)

	OPERATING FUND	RECREATION ACTIVITIES FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2020	TOTALS JUNE 30, 2019
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	233,243	8,055	114,725	356,023	571,689
Depreciation	(703,508)	-	-	(703,508)	(713,233)
EXCESS REVENUES (EXPENSES)	(470,265)	8,055	114,725	(347,485)	(141,544)
BEGINNING FUND BALANCES	9,997,345	105,035	996,256	11,098,636	11,240,180
TRANSFERS BETWEEN FUNDS					
Capitalized Fixed Asset Transfers	369,848	-	(369,848)	-	-
TOTAL TRANSFERS BETWEEN FUNDS	369,848	-	(369,848)	-	-
ENDING FUND BALANCES	$ 9,896,928	$ 113,090	$ 741,133	$ 10,751,151	$ 11,098,636

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2019)

	OPERATING FUND	RECREATION ACTIVITIES FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2020	TOTALS JUNE 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess Revenues (Expenses)	$ (470,265)	$ 8,055	$ 114,725	$ (347,485)	$ (141,544)
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities					
Depreciation Expense	703,508	-	-	703,508	713,233
(Increase)/Decrease In					
Accounts Receivable	1,161	-	-	1,161	1,621
Other Assets	759	-	-	759	(915)
Prepaid Expenses	9,020	-	-	9,020	54,842
Increase/(Decrease) In					
Accounts Payable	70,995	-	169,628	240,623	(13,694)
Accrued Expenses	11,231	-	-	11,231	5,724
Accrued Paid Time Off	22,469	-	-	22,469	6,131
Owner/Guest Deposits	(4,886)	-	-	(4,886)	1,011
Prepaid Assessments	76,873	-	-	76,873	(19,404)
Net Cash Provided (Used) by Operating Activities	420,865	8,055	284,353	713,273	607,005
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property and Equipment	(552,830)	-	-	(552,830)	(523,900)
Net Cash Provided (Used) by Investing Activities	(552,830)	-	-	(552,830)	(523,900)

(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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2019)

	OPERATING FUND	RECREATION ACTIVITIES FUND	REPLACEMENT FUND	TOTALS JUNE 30, 2020	TOTALS JUNE 30, 2019
CASH FLOWS FROM FINANCING ACTIVITIES					
Capitalized Fixed Asset Transfers	369,848	-	(369,848)	-	-
Change in Due From Replacement Fund	-	-	-	-	6,227
Change in Due To Operating Fund	-	-	-	-	(6,227)
Net Cash Provided (Used) by Financing Activities	369,848	-	(369,848)	-	-
NET INCREASE (DECREASE) IN CASH	237,883	8,055	(85,495)	160,443	83,105
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	556,223	105,035	1,092,552	1,753,810	1,670,705
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 794,106	$ 113,090	$ 1,007,057	$ 1,914,253	$ 1,753,810
SUPPLEMENTARY INFORMATION					
Income Taxes Paid	$ 64				$ 50
Interest Expense	$ -				$ -

See accompanying notes to the financial statements.

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 purpose 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.

Recreation Activities Fund
The Recreation Activities 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, 2020, 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 and are classified as Prepaid Assessments. Revenue from assessments, allocated to either the operating or reserve fund, is recognized as the performance obligation to maintain the community and to provide ongoing services is considered completed, generally on a monthly basis.

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 September 15, 2020, which is the date the financial statements were available to be issued.

NOTE 3 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance, as ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* ASU 2015-14, *Revenue from Contracts with Customers (Topic 606); Deferral of the Effective Date*, and ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* that created Topic 606, *Revenue from Contracts with Customers,* in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services that satisfy the performance obligation are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

NOTE 3 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (CONTINUED)

The Association adopted the requirements of this new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

However, adoption of the new guidance did not result in changes as to how revenue for the Association is reported. Because the adoption of the new revenue recognition guidance did not result in retrospective treatment of the financial statements, no related disclosures are being reported.

NOTE 4 – CONCENTRATIONS

The Association's primary source of revenue is member assessments, which are earned on assessable lots or parcels located within a small geographic area. Member assessments and related receivables are subject to significant concentration of credit risk, given that they are primarily from a small geographical area, which can be impacted by similar economic conditions. Member assessments may be secured by liens upon a member's property or legal judgements. The Association monitors the collectability of these receivables and pursues collection as needed. Should the Association's collection efforts be unsuccessful, the Association could incur losses up to the full amount due. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts.

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.

NOTE 5 – 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, 2020. 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, 2020. Federal and state income taxes disbursed in the current fiscal year for the prior fiscal year were $0 and $50, respectively.

NOTE 6 – 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, 2020.

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, 2020.

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 2017, or by Arizona state tax authorities for years before 2016.

NOTE 7 – 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.

Operating Fund receivables at June 30, 2020 and 2019, represent assessments and other fees levied by the Association. At June 30, 2020 and 2019, the Association had gross receivables of $2,552 and $3,713, 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, 2020 and 2019, was $1,536 and $2,191, respectively, due from lot owners. For the fiscal years ended June 30, 2020 and 2019, an allowance for doubtful accounts had not been established.

NOTE 8 – 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, 2020 and 2019, the Association contributed $19,581 and $24,213, respectively, into the plan and paid $4,480 and $2,670, respectively, for administration expenses for the plan.

NOTE 9 – 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 10 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	Totals	
	2020	2019
Land	$ 183,684	$ 183,684
Land Improvements	3,354,676	3,280,919
Buildings	10,641,647	10,319,398
Office Furniture and Equipment	143,249	142,069
Computer Equipment and Software	88,770	71,345
Operating Equipment	590,884	514,741
Laundry Equipment	44,960	44,960
Installed Facilities	4,049,038	3,894,758
	19,096,908	18,451,874
Accumuluated Depreciation	(9,249,613)	(8,546,104)
	9,847,295	9,905,770
Construction-in-Process	185,856	278,059
Total	$ 10,033,151	$ 10,183,829

Depreciation expense for the fiscal years ended June 30, 2020 and 2019 was $703,508 and $713,233, respectively.

NOTE 11 – MEMBER ASSESSMENTS

Association members are subject to annual assessments, billed on a periodic basis, to provide funds for the Association's operating expenses and major repairs and replacements. For the fiscal years ended June 30, 2020 and 2019, the combined annual assessments were $2,748 and $2,656 per lot, payable in quarterly installments of $687 and $664, respectively. Assessment revenue allocated to the operating and reserve funds is recognized as the related performance obligation is satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its annual assessments billed on a periodic basis is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from homeowners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. There is no maximum annual assessment defined in the Association’s governing documents.

At December 31, 2019, the Association had delinquent accounts of $2,552. It is the opinion of the Board of Directors that the Association will ultimately prevail against the majority of the homeowners with delinquent assessments.

NOTE 11 – MEMBER ASSESSMENTS (CONTINUED)

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are $3,713 and $2,552, respectively.

NOTE 12 – 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 $6,060 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,		
2021	$	69,289
2022		65,754
2023		65,754
2024		65,754
2025		65,754
Thereafter		509,594
Total Future Minimum Payments	$	841,899

NOTE 13 – COVID-19 PANDEMIC

During the fiscal year-ended June 30, 2020, a pandemic caused by the coronavirus (COVID-19) has had a significant detrimental impact on the United States economy. As a result, economic uncertainties have arisen which could negatively impact revenue for the Association. Other financial impacts such as bad debt losses, contract modifications, inadequate reserve funding, or other unforeseen circumstances could occur.

NOTE 14 – RELATED PARTY TRANSACTIONS

On January 29, 2020, 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”).

NOTE 14 – RELATED PARTY TRANSACTIONS

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, 2020 and 2019, were $18,000 and $105,000, respectively. Additionally, the Club made payments to the Association for reimbursement of various supplies and administrative costs for the fiscal years ended June 30, 2020 and 2019, in the amounts of $2,715 and $2,299, respectively.

Total payments made to the Club for reimbursement of office supplies for the fiscal years ended June 30, 2020 and 2019, were $18,559 and $12,943, respectively.

NOTE 15 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association accumulates funds for future major repairs and replacements. At June 30, 2020, funds accumulated for this purpose are $741,133 and are held in separate accounts and are generally not available for operating purposes.

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, 2020

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, 2020
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		-	741,133
		$ 13,659,400	$ 741,133

See independent auditor's report.