



**VENTURE OUT AT MESA, INC.**

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**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2021  
AND FOR THE FISCAL YEAR THEN ENDED**

**(WITH SUMMARIZED COMPARATIVE TOTALS  
AS OF JUNE 30, 2020 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, 2021, 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, 2021, 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, 2020, financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2020, 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 13, 2021

**VENTURE OUT AT MESA, INC.**  
**BALANCE SHEET**  
**JUNE 30, 2021**  
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2020)

	<u>OPERATING FUND</u>	<u>RECREATION ACTIVITIES CAPITAL FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTALS</u>	
				<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,153,813	\$ 96,253	\$ 904,186	\$ 2,154,252	\$ 1,914,253
Cash and Cash Equivalents - Insurance Settlement Proceeds	87,774	-	-	87,774	-
Accounts Receivable	12,838	-	-	12,838	2,552
Other Assets	492	-	-	492	2,031
Prepaid Expenses	2,384	-	-	2,384	5,468
Interfund Balances	67,899	(14,192)	(53,707)	-	-
Property and Equipment, Net of Accumulated Depreciation of \$9,952,976 and \$9,249,613, respectively	9,394,205	-	-	9,394,205	10,033,151
<b>TOTAL ASSETS</b>	<u>\$ 10,719,405</u>	<u>\$ 82,061</u>	<u>\$ 850,479</u>	<u>\$ 11,651,945</u>	<u>\$ 11,957,455</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 96,887	\$ -	\$ -	\$ 96,887	\$ 392,639
Accrued Expenses	230,127	-	-	230,127	53,541
Accrued Paid Time Off	212,831	-	-	212,831	232,123
Owner/Guest Deposits	41,509	-	-	41,509	35,783
Prepaid Assessments	556,668	-	-	556,668	492,218
Prepaid Marketing Revenue	151,580	-	-	151,580	-
Insurance Settlement Proceeds	87,774	-	-	87,774	-
<b>TOTAL LIABILITIES</b>	<u>1,377,376</u>	<u>-</u>	<u>-</u>	<u>1,377,376</u>	<u>1,206,304</u>

(CONTINUED)

See accompanying notes to the financial statements.

**VENTURE OUT AT MESA, INC.**  
**BALANCE SHEET (CONTINUED)**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2020)**

	<b>OPERATING FUND</b>	<b>RECREATION ACTIVITIES CAPITAL FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTALS</b>	
				<b>JUNE 30, 2021</b>	<b>JUNE 30, 2020</b>
<b><u>FUND BALANCES</u></b>					
Operating Fund	9,342,029	-	-	9,342,029	9,896,928
Recreation Activities Fund	-	82,061	-	82,061	113,090
Replacement Fund	-	-	850,479	850,479	741,133
	<u>9,342,029</u>	<u>82,061</u>	<u>850,479</u>	<u>10,274,569</u>	<u>10,751,151</u>
TOTAL FUND BALANCES					
	<u>9,342,029</u>	<u>82,061</u>	<u>850,479</u>	<u>10,274,569</u>	<u>10,751,151</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,719,405</u>	<u>\$ 82,061</u>	<u>\$ 850,479</u>	<u>\$ 11,651,945</u>	<u>\$ 11,957,455</u>

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, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	OPERATING FUND	RECREATION ACTIVITIES CAPITAL FUND	REPLACEMENT FUND	TOTALS	
				JUNE 30, 2021	JUNE 30, 2020
<b>REVENUES</b>					
Assessments	\$ 4,232,580	\$ -	\$ 734,580	\$ 4,967,160	\$ 4,806,252
Owner Fees	12,150	-	-	12,150	27,729
Other Service Fees	50,760	-	-	50,760	37,050
Transfer and Document Fees	23,152	-	-	23,152	41,180
RV Overnight Space Rentals	89,019	-	-	89,019	108,202
Vehicle Storage	42,533	-	-	42,533	43,008
Real Estate Office Rental	61,916	-	-	61,916	51,151
Century Link Marketing Program	28,683	-	-	28,683	-
Laundry Operations	9,009	-	-	9,009	18,191
Water Vending Machines	7,940	-	-	7,940	-
Other Income	14,663	-	-	14,663	36,840
Miscellaneous Retail Sales	4,782	-	-	4,782	8,959
Interest Income	1,903	56	2,292	4,251	5,829
Social Club Contributions	-	-	-	-	18,000
<b>TOTAL REVENUES</b>	<b>4,579,090</b>	<b>56</b>	<b>736,872</b>	<b>5,316,018</b>	<b>5,202,391</b>
<b>EXPENSES</b>					
Association Expenses	318,486	-	-	318,486	198,031
Administration	683,002	-	-	683,002	770,673
Wireless Network Expenses	-	-	-	-	29,417
Activities	514,261	-	-	514,261	445,051
Security Services	679,400	-	-	679,400	370,825
General Maintenance	587,732	-	-	587,732	985,099
Landscape Maintenance	432,369	-	-	432,369	299,776
Janitorial Services	300,914	-	-	300,914	220,487
Pool Maintenance	90,561	-	-	90,561	69,515
Disposal Services	91,992	-	-	91,992	108,885
Irrigation Maintenance	19,336	-	-	19,336	22,312

(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, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	<b>OPERATING FUND</b>	<b>RECREATION ACTIVITIES CAPITAL FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTALS</b>	
				<b>JUNE 30, 2021</b>	<b>JUNE 30, 2020</b>
<b>EXPENSES (CONTINUED)</b>					
Payroll Taxes, Insurance & Other Benefits	7,077	-	-	7,077	553,486
Utilities	705,048	-	-	705,048	769,012
Laundry Operations	448	-	-	448	3,486
Promotions/Memberships	-	-	-	-	249
Other Expenses	-	-	-	-	64
Recreation Activities Fund Expenses	-	31,085	-	31,085	-
Replacement Fund Expenses	-	-	627,526	627,526	-
<b>TOTAL EXPENSES</b>	<b>4,430,626</b>	<b>31,085</b>	<b>627,526</b>	<b>5,089,237</b>	<b>4,846,368</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE DEPRECIATION</b>	<b>148,464</b>	<b>(31,029)</b>	<b>109,346</b>	<b>226,781</b>	<b>356,023</b>
Depreciation	(703,363)	-	-	(703,363)	(703,508)
<b>EXCESS REVENUES (EXPENSES)</b>	<b>(554,899)</b>	<b>(31,029)</b>	<b>109,346</b>	<b>(476,582)</b>	<b>(347,485)</b>
<b>BEGINNING FUND BALANCES</b>	<b>9,896,928</b>	<b>113,090</b>	<b>741,133</b>	<b>10,751,151</b>	<b>11,098,636</b>
<b>ENDING FUND BALANCES</b>	<b>\$ 9,342,029</b>	<b>\$ 82,061</b>	<b>\$ 850,479</b>	<b>\$ 10,274,569</b>	<b>\$ 10,751,151</b>

See accompanying notes to the financial statements.



**VENTURE OUT AT MESA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	<u>OPERATING FUND</u>	<u>RECREATION ACTIVITIES CAPITAL FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTALS</u>	
				<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Excess Revenues (Expenses)	\$ (554,899)	\$ (31,029)	\$ 109,346	\$ (476,582)	\$ (347,485)
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities					
Depreciation Expense	703,363	-	-	703,363	703,508
(Increase)/Decrease In					
Accounts Receivable	(10,286)	-	-	(10,286)	1,161
Other Assets	1,539	-	-	1,539	759
Prepaid Expenses	3,084	-	-	3,084	9,020
Increase/(Decrease) In					
Accounts Payable	(29,828)	-	(265,924)	(295,752)	240,623
Accrued Expenses	176,586	-	-	176,586	11,231
Accrued Paid Time Off	(19,292)	-	-	(19,292)	22,469
Owner/Guest Deposits	5,726	-	-	5,726	(4,886)
Prepaid Assessments	64,450	-	-	64,450	76,873
Prepaid Marketing Revenue	151,580	-	-	151,580	-
Insurance Settlement Proceeds	87,774	-	-	87,774	-
Net Cash Provided (Used) by Operating Activities	<u>579,797</u>	<u>(31,029)</u>	<u>(156,578)</u>	<u>392,190</u>	<u>713,273</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Purchase of Property and Equipment	(64,417)	-	-	(64,417)	(552,830)
Net Cash Provided (Used) by Investing Activities	<u>(64,417)</u>	<u>-</u>	<u>-</u>	<u>(64,417)</u>	<u>(552,830)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>					
Change in Interfund Balances	(67,899)	14,192	53,707	-	-
Net Cash Provided (Used) by Financing Activities	<u>(67,899)</u>	<u>14,192</u>	<u>53,707</u>	<u>-</u>	<u>-</u>

(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, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2020)**

	<u>OPERATING FUND</u>	<u>RECREATION ACTIVITIES CAPITAL FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTALS</u>	
				<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	447,481	(16,837)	(102,871)	327,773	160,443
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>794,106</u>	<u>113,090</u>	<u>1,007,057</u>	<u>1,914,253</u>	<u>1,753,810</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,241,587</u>	<u>\$ 96,253</u>	<u>\$ 904,186</u>	<u>\$ 2,242,026</u>	<u>\$ 1,914,253</u>
<b><u>SUPPLEMENTARY INFORMATION</u></b>					
Income Taxes Paid	\$ 44,550			\$	64
Interest Expense	\$ -			\$	-

See accompanying notes to the financial statements.

**VENTURE OUT AT MESA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**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 Capital Fund

The Recreation Activities Capital 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, 2021, 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.

**VENTURE OUT AT MESA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**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 \$2,500. 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 13, 2021, which is the date the financial statements were available to be issued.

**NOTE 3 – 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.

**VENTURE OUT AT MESA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 4 – INSURANCE SETTLEMENT PROCEEDS AND DESIGNATED CASH**

During the year ended June 30, 2021, the Association received insurance claim proceeds after a vehicle damaged an Association owned structure. The remaining amount of insurance claim proceeds to be used for reconstruction of the damaged structure at June 30, 2021, was \$87,774. The related designated cash funds are not available to be used in general operations.

**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, 2021. 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 \$36,507 and \$8,954, respectively, for the fiscal year ended June 30, 2021. 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, 2021.

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, 2021.

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 2018, or by Arizona state tax authorities for years before 2017.

**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.

**VENTURE OUT AT MESA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**NOTE 7 – ACCOUNTS RECEIVABLE (CONTINUED)**

Operating Fund receivables at June 30, 2021 and 2020, represent assessments and other fees levied by the Association. At June 30, 2021 and 2020, the Association had gross receivables of \$12,838 and \$2,552, 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, 2021 and 2020, was \$7,851 and \$1,536, respectively, due from lot owners. For the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Association contributed \$19,626 and \$19,581, respectively, into the plan and paid \$3,577 and \$4,480, 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	
	2021	2020
Land	\$ 183,684	\$ 183,684
Land Improvements	3,354,676	3,354,676
Buildings	10,641,647	10,641,647
Office Furniture and Equipment	143,249	143,249
Computer Equipment and Software	88,770	88,770
Operating Equipment	655,301	590,884
Laundry Equipment	44,960	44,960
Installed Facilities	4,234,894	4,049,038
	19,347,181	19,096,908
Accumulated Depreciation	(9,952,976)	(9,249,613)
	9,394,205	9,847,295
Construction-in-Process	-	185,856
Total	<u>\$ 9,394,205</u>	<u>\$ 10,033,151</u>

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 was \$703,363 and \$703,508, respectively.

**VENTURE OUT AT MESA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2020)**

**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, 2021 and 2020, the combined annual assessments were \$2,840 and \$2,748 per lot, payable in quarterly installments of \$710 and \$687, respectively. The Association has allocated \$420 of the combined annual assessments per lot, for major repairs and replacements. 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 June 30, 2021, the Association had delinquent accounts of \$12,838. It is the opinion of the Board of Directors that the Association will ultimately prevail against the majority of the homeowners with delinquent assessments.

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 accounts receivable as of the beginning and end of the year are \$7,851 and \$3,713, 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 expired in the current fiscal year. A new 60 month operating lease for copier equipment was entered into, which expires in August 2026. The Association paid a total of \$5,555 for minimum monthly lease payments in the current fiscal year for the old and new copier leases, and \$6,060 in the prior fiscal year. Future minimum lease payments are \$464 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:

<u>Fiscal Years Ending June 30,</u>	
2022	\$ 71,324
2023	71,324
2024	71,324
2025	71,324
2026	69,468
Thereafter	<u>443,840</u>
Total Future Minimum Payments	<u>\$ 798,604</u>

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**NOTE 13 – COVID-19 PANDEMIC**

During the fiscal year-ended June 30, 2021, 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 27, 2021, the Association entered into a second 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 for use by the Club and will provide the staff to administer the affairs of the Club (the “Recreation Department”). 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 be responsible for the recreational activities with support from the Recreation Department, utilize funds generated by the Club and Recreation Department to conduct the recreational activities, have an annual audit performed of the financial statements, maintain the insurance policies defined in paragraph e Section 2 of the Agreement, update the Club’s list of furniture fixtures and equipment according to Section 5 of the Agreement and prepare an annual budget according to Section 6 of the agreement . The Club is also responsible for transferring Unallocated Funds, which are defined in Section 7 of the Agreement, to the Recreational Activities Capital Fund, which is defined in Section 9 of the Agreement, following the provisions described in paragraph d of Section 2. Unallocated Funds will be calculated from each fiscal year ending on June 30<sup>th</sup>.

Stipulations and protocols applicable to both organizations for conducting work sessions, executive team meetings, Association and Club presidents meetings, budget preparation and communication, dispute resolution and duties and responsibilities to administer the Recreation Activities Capital Fund, are described throughout the agreement and in the appendices attached to the Agreement.

Total payments received from the Club pursuant to the updated agreement, and the prior agreements in effect, for the fiscal years ended June 30, 2021 and 2020, were \$0 and \$18,000, respectively.

In addition to the agreement, both organizations provide reimbursements to the other for various supplies and costs, as needed. The Club made payments to the Association for reimbursement of various supplies and administrative costs for the fiscal years ended June 30, 2021 and 2020, in the amounts of \$329 and \$2,715, respectively. Total payments made to the Club for reimbursement of office supplies for the fiscal years ended June 30, 2021 and 2020, were \$3,700 and \$18,559, respectively.



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**NOTE 15 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association accumulates funds for future major repairs and replacements. At June 30, 2021, funds accumulated for this purpose are \$850,479 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.

**NOTE 16 – CENTURYLINK MARKETING PROGRAM**

The Association has entered into a Marketing Agreement with CenturyLink. As part of the agreement, the Association has agreed to endorse CenturyLink and promote its services by providing exclusive marketing of such services to the Association residents, and CenturyLink has agreed to compensate the Association based on a 7% commission payable on service revenue it receives from members of the Association. The Association also received a Prepaid Marketing Fee in the amount of \$174,900, in exchange for the marketing rights granted to Century Link during the term of the agreement, which is five years beginning November 2020. If the agreement is terminated by either party before the term ends, a portion the Prepaid Marketing Fee will be refundable in an amount that is based on the remaining number of months left in the term. For the fiscal year ended June 30, 2021, the Association recorded \$28,683 of revenue from CenturyLink. The Association has also recorded \$151,580 of prepaid marketing revenue at June 30, 2021.



**VENTURE OUT AT MESA, INC.**



**SUPPLEMENTARY INFORMATION**



**VENTURE OUT AT MESA, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**JUNE 30, 2021**

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.

<u>Component</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Cost</u>	<u>Replacement Fund Balance at June 30, 2021</u>
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		-	850,479
		<u>\$ 13,659,400</u>	<u>\$ 850,479</u>

See independent auditor's report.