VENTURE OUT AT MESA, INC.

FINANCIAL STATEMENTS
AS OF JUNE 30, 2022
AND FOR THE FISCAL YEAR THEN ENDED

(WITH SUMMARIZED COMPARATIVE TOTALS
AS OF JUNE 30, 2021 AND FOR THE
FISCAL YEAR THEN ENDED)

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VENTURE OUT AT MESA, INC.

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, 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.

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, 2022, and the results of its operations and its cash flows for the fiscal year then ended in accordance 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, 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Venture Out at Mesa, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Venture Out at Mesa, Inc.'s ability to continue as a going concern within one fiscal year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Venture Out at Mesa, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Venture Out at Mesa, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 15, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 24, 2022

VENTURE OUT AT MESA, INC.
BALANCE SHEET
JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2021)

	OPERATING FUND	RECREATION ACTIVITIES CAPITAL FUND	WEST POOL SPECIAL ASSESSMENT FUND (TEMPORARY)	48 INCH DRAIN SPECIAL ASSESSMENT FUND (TEMPORARY)	REPLACEMENT FUND	TOTALS JUNE 30, 2022	TOTALS JUNE 30, 2021
ASSETS							
Cash and Cash Equivalents	$ 1,499,721	$ 82,103	$ 1,629,565	$ 877,640	$ 1,499,358	$ 5,588,387	$ 2,154,252
Cash and Cash Equivalents - Insurance Settlement Proceeds	-	-	-	-	-	-	87,774
Accounts Receivable	17,642	-	-	-	-	17,642	12,838
Other Assets	3,149	-	-	-	-	3,149	492
Prepaid Expenses	5,168	-	-	-	-	5,168	2,384
Interfund Balances	210,314	(13,720)	-	-	(196,594)	-	-
Property and Equipment, Net of Accumulated Depreciation of $10,626,969 and $9,952,976, respectively	8,770,897	-	-	-	-	8,770,897	9,394,205
TOTAL ASSETS	$ 10,506,891	$ 68,383	$ 1,629,565	$ 877,640	$ 1,302,764	$ 14,385,243	$ 11,651,945
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	$ 709,486	$ -	$ -	$ -	$ -	$ 709,486	$ 96,887
Accrued Expenses	103,109	-	-	-	-	103,109	230,127
Accrued Paid Time Off	207,016	-	-	-	-	207,016	212,831
Owner/Guest Deposits	48,187	-	-	-	-	48,187	41,509
Prepaid Assessments	481,691	-	-	-	-	481,691	556,668
Deferred Revenue - Special Assessments	-	-	1,629,565	877,640	-	2,507,205	-
Prepaid Marketing Revenue	116,600	-	-	-	-	116,600	151,580
Insurance Settlement Proceeds	-	-	-	-	-	-	87,774
TOTAL LIABILITIES	1,666,089	-	1,629,565	877,640	-	4,173,294	1,377,376

(CONTINUED)

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
BALANCE SHEET (CONTINUED)
JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS AT JUNE 30, 2021)

	OPERATING FUND	RECREATION ACTIVITIES CAPITAL FUND	WEST POOL SPECIAL ASSESSMENT FUND (TEMPORARY)	48 INCH DRAIN SPECIAL ASSESSMENT FUND (TEMPORARY)	REPLACEMENT FUND	TOTALS JUNE 30, 2022	TOTALS JUNE 30, 2021
FUND BALANCES							
Operating Fund	8,840,802	-	-	-	-	8,840,802	9,342,029
Recreation Activities Fund	-	68,383	-	-	-	68,383	82,061
Replacement Fund	-	-	-	-	1,302,764	1,302,764	850,479
TOTAL FUND BALANCES	8,840,802	68,383	-	-	1,302,764	10,211,949	10,274,569
TOTAL LIABILITIES AND FUND BALANCES	$ 10,506,891	$ 68,383	$ 1,629,565	$ 877,640	$ 1,302,764	$ 14,385,243	$ 11,651,945

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, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)

	OPERATING FUND	RECREATION ACTIVITIES CAPITAL FUND	WEST POOL SPECIAL ASSESSMENT FUND (TEMPORARY)	48 INCH DRAIN SPECIAL ASSESSMENT FUND (TEMPORARY)	REPLACEMENT FUND	TOTALS JUNE 30, 2022	TOTALS JUNE 30, 2021
REVENUES							
Assessments	$ 4,197,600	$ -	$ -	$ -	$ 944,460	$ 5,142,060	$ 4,967,160
West Pool Special Assessment	-	-	390,575	-	-	390,575	-
48 Inch Drain Special Assessment	-	-	-	6,171	-	6,171	-
Owner Fees	49,910	-	-	-	-	49,910	12,150
Other Service Fees	114,360	-	-	-	-	114,360	50,760
Transfer and Document Fees	33,293	-	-	-	-	33,293	23,152
RV Overnight Space Rentals	139,761	-	-	-	-	139,761	89,019
Vehicle Storage	42,666	-	-	-	-	42,666	42,533
Real Estate Office Rental	106,534	-	-	-	-	106,534	61,916
Century Link Marketing Program	40,989	-	-	-	-	40,989	28,683
Laundry Operations	16,279	-	-	-	-	16,279	9,009
Water Vending Machines	12,795	-	-	-	-	12,795	7,940
Other Income	23,364	-	-	-	-	23,364	14,663
Miscellaneous Retail Sales	6,969	-	-	-	-	6,969	4,782
Interest Income	2,437	42	-	-	3,786	6,265	4,251
TOTAL REVENUES	4,786,957	42	390,575	6,171	948,246	6,131,991	5,316,018
EXPENSES							
Association Expenses	260,434	-	-	-	-	260,434	318,486
Administration	728,908	-	-	-	-	728,908	690,079
Activities	654,805	-	-	-	-	654,805	514,261
Security Services	682,251	-	-	-	-	682,251	679,400
General Maintenance	476,802	-	-	-	-	476,802	587,732
Landscape Maintenance	245,657	-	-	-	-	245,657	432,369
Janitorial Services	262,280	-	-	-	-	262,280	300,914
Pool Maintenance	99,799	-	-	-	-	99,799	90,561
Disposal Services	153,606	-	-	-	-	153,606	91,992
Irrigation Maintenance	67,305	-	-	-	-	67,305	19,336
Utilities	784,635	-	-	-	-	784,635	705,048
Laundry Operations	4,509	-	-	-	-	4,509	448
Other Expenses	193,200	-	-	-	-	193,200	-
Recreation Activities Fund Expenses	-	13,720	-	-	-	13,720	31,085
West Pool Special Assessment Fund Expenses	-	-	390,575	-	-	390,575	-
48 Inch Drain Special Assessment Fund Expenses	-	-	-	6,171	-	6,171	-
Replacement Fund Expenses	-	-	-	-	495,961	495,961	627,526
TOTAL EXPENSES	4,614,191	13,720	390,575	6,171	495,961	5,520,618	5,089,237

(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, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)

	OPERATING FUND	RECREATION ACTIVITIES CAPITAL FUND	WEST POOL SPECIAL ASSESSMENT FUND (TEMPORARY)	48 INCH DRAIN SPECIAL ASSESSMENT FUND (TEMPORARY)	REPLACEMENT FUND	TOTALS JUNE 30, 2022	TOTALS JUNE 30, 2021
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	172,766	(13,678)	-	-	452,285	611,373	226,781
Depreciation	(673,993)	-	-	-	-	(673,993)	(703,363)
EXCESS REVENUES (EXPENSES)	(501,227)	(13,678)	-	-	452,285	(62,620)	(476,582)
BEGINNING FUND BALANCES	9,342,029	82,061	-	-	850,479	10,274,569	10,751,151
ENDING FUND BALANCES	$ 8,840,802	$ 68,383	$ -	$ -	$ 1,302,764	$ 10,211,949	$ 10,274,569

See accompanying notes to the financial statements.

VENTURE OUT AT MESA, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2021)

	OPERATING FUND	RECREATION ACTIVITIES CAPITAL FUND	WEST POOL SPECIAL ASSESSMENT FUND (TEMPORARY)	48 INCH DRAIN SPECIAL ASSESSMENT FUND (TEMPORARY)	REPLACEMENT FUND	TOTALS JUNE 30, 2022	TOTALS JUNE 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Excess Revenues (Expenses)	$ (501,227)	$ (13,678)	$ -	$ -	$ 452,285	$ (62,620)	$ (476,582)
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities							
Depreciation Expense	673,993	-	-	-	-	673,993	703,363
(Increase)/Decrease In							
Accounts Receivable	(4,804)	-	-	-	-	(4,804)	(10,286)
Other Assets	(2,657)	-	-	-	-	(2,657)	1,539
Prepaid Expenses	(2,784)	-	-	-	-	(2,784)	3,084
Increase/(Decrease) In							
Accounts Payable	612,598	-	-	-	-	612,598	(295,752)
Accrued Expenses	(127,018)	-	-	-	-	(127,018)	176,586
Accrued Paid Time Off	(5,815)	-	-	-	-	(5,815)	(19,292)
Owner/Guest Deposits	6,678	-	-	-	-	6,678	5,726
Prepaid Assessments	(74,977)	-	-	-	-	(74,977)	64,450
Deferred Revenue - Special Assessments	-	-	1,629,565	877,640	-	2,507,205	-
Prepaid Marketing Revenue	(34,980)	-	-	-	-	(34,980)	151,580
Insurance Settlement Proceeds	(87,774)	-	-	-	-	(87,774)	87,774
Net Cash Provided (Used) by Operating Activities	451,233	(13,678)	1,629,565	877,640	452,285	3,397,045	392,190
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Property and Equipment	(50,684)	-	-	-	-	(50,684)	(64,417)
Net Cash Provided (Used) by Investing Activities	(50,684)	-	-	-	-	(50,684)	(64,417)
CASH FLOWS FROM FINANCING ACTIVITIES							
Change in Interfund Balances	(142,415)	(472)	-	-	142,887	-	-
Net Cash Provided (Used) by Financing Activities	(142,415)	(472)	-	-	142,887	-	-
NET INCREASE (DECREASE) IN CASH	258,134	(14,150)	1,629,565	877,640	595,172	3,346,361	327,773
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,241,587	96,253	-	-	904,186	2,242,026	1,914,253
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,499,721	$ 82,103	$ 1,629,565	$ 877,640	$ 1,499,358	$ 5,588,387	$ 2,242,026

SUPPLEMENTARY INFORMATION

	OPERATING FUND	TOTALS JUNE 30, 2022	TOTALS JUNE 30, 2021
Income Taxes Paid	$ 961	$ 961	$ 44,550
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 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.

West Pool Special Assessment Fund (Temporary)
The West Pool Special Assessment Fund is used to account for the accumulation and use of funds related to the West Pool remodel project.

48 Inch Drain Special Assessment Fund (Temporary)
The 48 Inch Drain Special Assessment Fund is used to account for the accumulation and use of funds related to the 48 Inch Drain improvement project.

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, 2022, 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

The Association capitalizes all personal property it acquires at a 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 replacement funds in proportion to the interest-bearing deposits of each fund.

Date of Management's Review

Subsequent events have been evaluated through October 24, 2022, 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.

NOTE 4 – INSURNACE SETTLEMENT PROCEEDS AND DESIGNATED CASH

During the fiscal 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 that existed at June 30, 2021 were used and as of June 30, 2022, the designated funds were $0.

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, 2022. 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, 2022. Federal and state income taxes disbursed in the current fiscal year for the prior fiscal year were $407 and $554, 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, 2022.

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, 2022.

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 2019, or by Arizona state tax authorities for years before 2018.

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.

NOTE 7 – ACCOUNTS RECEIVABLE (CONTINUED)

Operating Fund receivables at June 30, 2022 and 2021, represent assessments and other fees levied by the Association. At June 30, 2022 and 2021, the Association had gross receivables of $17,642 and $12,838, 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, 2022 and 2021, was $9,729 and $7,851, respectively, due from lot owners. For the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Association contributed $19,727 and $19,626, respectively, into the plan and paid $2,685 and $3,577, 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	
	2022	2021
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	93,972	88,770
Operating Equipment	700,784	655,301
Laundry Equipment	44,960	44,960
Installed Facilities	4,234,894	4,234,894
	19,397,866	19,347,181
Accumuluated Depreciation	(10,626,969)	(9,952,976)
Total	$ 8,770,897	$ 9,394,205

Depreciation expense for the fiscal years ended June 30, 2022 and 2021 was $673,993 and $703,363, 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, 2022 and 2021, the combined annual assessments were $2,940 and $2,840 per lot, payable in quarterly installments of $735 and $710, respectively. The Association has allocated $540 of the combined annual assessments per lot for the fiscal year ended June 30, 2022, 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, 2022, the Association had delinquent accounts of $17,642. 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 $12,838 and $17,642, respectively.

NOTE 12 – OPERATING LEASE OBLIGATIONS

During the fiscal year ended June 30, 2021, the Association entered into a 60 month operating lease for copier equipment, which expires in February 2026. The Association paid a total of $5,570 for minimum monthly lease payments in the current and 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:

Fiscal Years Ending June 30,	
2023	$ 71,324
2024	71,324
2025	71,324
2026	69,468
2027	65,754
Thereafter	378,086
Total Future Minimum Payments	$ 727,280

NOTE 13 – COVID-19 PANDEMIC

During the fiscal year ended June 30, 2022, 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 – SPECIAL ASSESSMENTS

The Association approved two special assessments during the fiscal year ended June 30, 2022.

<u>West Pool Special Assessment</u>
The Association charged a special assessment for the construction of a new pool and facility on the west side of the complex. The special assessment totaled $2,064 per lot. Association residents could elect to pay the entire special assessment due on April 1, 2022, or in four installments of $516 payable on April 1, 2022, July 1, 2022, October 1, 2022, and January 1, 2023. In accordance with FASB ASC 606, the Association recognizes Special Assessment revenue as the related performance obligations are satisfied, which in this case is the construction of the new pool and facility on the west side of the complex. Deferred revenue (special assessments received in advance) is recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations related to the special assessment. For the fiscal year ended June 30, 2022, the Association recorded $390,575 in revenue for the West Pool project. The balances of the Special Assessment deferred revenue for the West Pool Construction Special Assessment received in advance, as of the beginning and end of the year ended June 20, 2022, are $0, and $1,629,565, respectively.

<u>48 Inch Drain Special Assessment</u>
The Association charged a special assessment to pay for a 48-inch drainpipe installation on the Association property. The special assessment totaled $903 per lot. Association residents could elect to pay the entire special assessment due on April 1, 2022, or in four installments of $225.75 payable on April 1, 2022, July 1, 2022, October 1, 2022, and January 1, 2023. In accordance with FASB ASC 606, the Association recognizes Special Assessment revenue as the related performance obligations are satisfied, which in this case is the construction of a 48-inch drainpipe. Deferred revenue (special assessments received in advance) is recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations related to the special assessment. For the fiscal year ended June 30, 2022, the Association recorded $6,171 in revenue for the 48-inch drainpipe project. The balances of the Special Assessment deferred revenue for the 48-inch drainpipe Special Assessment received in advance, as of the beginning and end of the year ended June 20, 2022, are $0, and $877,640, respectively.

NOTE 15 – 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, 2022, the Association recorded $40,989 of revenue from CenturyLink. The Association has also recorded $116,600 of prepaid marketing revenue at June 30, 2022.

NOTE 16 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association accumulates funds for future major repairs and replacements. At June 30, 2022, funds accumulated for this purpose are $1,302,764 and are held in separate accounts and are generally not available for operating purposes.

In 2022, 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 April 22, 2022. 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 17 – 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:

<u>Duties of the Association</u>
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.

<u>Duties of the Club</u>
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 30th. 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.

There were no payments received from the Club pursuant to the updated agreement, for the fiscal years ended June 30, 2022 and 2021. The Association recorded $13,720 of Recreation Activities Capital Fund expenses for the fiscal year ended June 30, 2022.

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, credit card reimbursements and administrative costs for the fiscal years ended June 30, 2022 and 2021, in the amounts of $13,561 and $329, respectively. Total payments made to the Club for reimbursement of office supplies and other charges for the fiscal years ended June 30, 2022 and 2021, were $8,432 and $3,700, respectively.

VENTURE OUT AT MESA, INC.

SUPPLEMENTARY INFORMATION

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VENTURE OUT AT MESA, INC.
REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
JUNE 30, 2022

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 April 22, 2022. 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.

According to the independent study, $26,810,781 is the estimated fully funded reserve balance for the current fiscal year; the Association's June 30, 2022, reserve replacement fund balance of $1,302,764 approximates greater than 4.9% of that recommendation.

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, 2022
Main Entry	0 to 29	$ 183,400	$ -
Security Department	1 to 9	37,500	-
Pavement	0 to 38	5,391,500	-
RV Overnights	19	338,600	-
Common Area	0 to 51	19,539,300	-
West Pool	0 to 46	4,125,800	-
EPC - Pool	0 to 38	3,937,900	-
EPC - Clubhouse	2 to 43	900,000	-
Community Center - Exterior	1 to 35	718,100	-
Community Center - HVAC	0 to 11	343,700	-
Community Center - Interior	0 to 25	1,160,200	-
Community Center - Kitchen	0 to 10	117,800	-
Community Center - Annex	0 to 28	534,700	-
Administration Building	0 to 10	3,187,100	-
Laundry Building	0 to 18	288,900	-
Satellite Bathhouses	0 to 48	1,407,600	-
Southeast RV Storage	0 to 32	359,400	-
Hobby Center	0 to 28	4,657,100	-
Northeast Area Components	0 to 36	2,004,600	-
Unallocated		-	1,302,764
		$ 49,233,200	$ 1,302,764

See independent auditor's report.