

RECREATION CENTERS OF SUN CITY WEST



Arizona's Premier Active Adult Golf Community

FINANCIAL REPORT

**August 2019 and the Two Months Ended
8/31/19**

Recreation Centers of Sun City West, Inc.
Summary of All Revenues & Expenses
August 2019 and the Two Months Ended August 31, 2019

Current Month					Year-to-Date					
Actual	Budget	Variance Favorable / (Unfavorable)	P/Y Act	Variance Favorable / (Unfavorable)		Actual	Budget	Variance Favorable / (Unfavorable)	P/Y Act	Variance Favorable / (Unfavorable)
Operating Revenues						Operating Revenues				
1,161,179	1,161,762	(582)	1,121,336	39,843	Membership	2,340,154	2,328,485	11,669	2,246,649	93,506
8,767	9,323	(557)	7,112	1,655	Recreation	14,975	19,178	(4,203)	13,720	1,255
218,085	221,969	(3,884)	215,449	2,636	Golf Fees	446,723	457,582	(10,859)	438,791	7,932
18,139	13,046	5,093	14,863	3,276	Sports Pavilion	41,583	32,785	8,798	35,332	6,251
3,391	395	2,996	3,150	241	Special Events	4,124	894	3,230	3,380	744
52,316	38,900	13,416	32,247	20,069	Ancillary Revenue	88,364	67,533	20,832	60,695	27,670
7,169	5,287	1,882	7,680	(511)	Merchandise Sales (net)	15,549	10,697	4,852	14,412	1,137
8,217	7,219	997	6,259	1,957	Food and Beverage (net)	19,505	16,057	3,448	18,775	730
-	-	-	-	-	Interest Income - Operating	-	-	-	-	-
208	667	(459)	2,706	(2,498)	Other Income	411	1,333	(923)	2,997	(2,587)
1,477,471	1,458,569	18,902	1,410,802	66,669	Operating Revenues Total	2,971,389	2,934,544	36,844	2,834,750	136,638
Operating Expenses						Operating Expenses				
1,107,701	1,179,705	72,005	1,116,347	8,646	Wages & Benefits	2,258,872	2,349,620	90,748	2,232,257	(26,615)
255,740	250,344	(5,397)	237,171	(18,569)	Utilities	517,248	508,722	(8,526)	497,284	(19,964)
195,276	169,143	(26,134)	175,743	(19,534)	Repairs & Maintenance	344,041	312,707	(31,334)	292,620	(51,420)
86,505	107,703	21,198	172,478	85,973	Landscape Maintenance	283,344	271,802	(11,541)	261,839	(21,505)
43,799	58,615	14,815	53,996	10,197	Supplies & Services	95,869	110,767	14,898	112,895	17,026
46,873	66,220	19,347	17,308	(29,565)	Equipment	81,878	103,508	21,630	31,166	(50,712)
46,836	47,423	587	47,103	266	Taxes & Insurance	96,699	97,415	716	94,234	(2,465)
16,273	14,443	(1,830)	16,917	644	Interest & Financial Expense	34,248	30,182	(4,066)	32,681	(1,567)
24,413	37,162	12,748	22,411	(2,003)	Operating Expenses	58,139	71,427	13,288	35,197	(22,941)
34,946	42,250	7,304	58,735	23,788	Legal & Professional	50,973	56,400	5,427	75,402	24,429
15,304	23,812	8,508	58,197	42,892	Employee Related Expenses	30,476	37,667	7,191	65,469	34,993
1,873,668	1,996,819	123,151	1,976,404	102,736	Operating Expenses Total	3,851,787	3,950,217	98,430	3,731,043	(120,744)
(396,197)	(538,250)	142,054	(565,602)	169,405	Operating Cash Inflow/(Outflow)	(880,398)	(1,015,672)	135,274	(896,293)	15,895
Capital Related						Capital Related				
35,860	47,917	(12,056)	32,271	3,590	Investment Income - Reserves	73,075	95,833	(22,758)	63,867	9,208
120,442	-	120,442	219,279	(98,837)	Investments Unrealized - Gain/ (Loss)	178,858	-	178,858	446,776	(267,917)
273,000	294,000	(21,000)	280,000	(7,000)	Asset Preservation Fee	675,500	633,500	42,000	651,000	24,500
(10,469)	-	(10,469)	-	(10,469)	Gain/(Loss) on Asset Disposal	(30,168)	-	(30,168)	-	(30,168)
(288,980)	(313,766)	24,787	(310,381)	21,401	Depreciation Expense	(580,062)	(623,102)	43,040	(620,081)	40,019
122,787	19,400	103,387	212,467	(89,680)	Capital Related Total	310,136	97,481	212,655	532,860	(222,724)
(273,410)	(518,850)	245,440	(353,134)	79,725	Revenues Over (Under) Expenses	(570,262)	(918,191)	347,929	(363,433)	(206,829)

Recreation Centers of Sun City West, Inc.
Financial Statement Notes
August 2019 and the Two Months Ended 8/31/19

Excess of Revenues Over/(Under) Expenses was favorable to budget by \$245K and prior year by \$80K. YTD was favorable to budget by \$348K and unfavorable to PY by \$207K.

Net Operating Income was favorable to budget by \$142K and prior year by \$169K. YTD was favorable to budget and prior year by \$135K and \$16K respectively.

REVENUES - August revenues were favorable to budget and prior year, \$19K and \$67K respectively. YTD revenues are \$37K favorable to budget and \$137K favorable to prior year.

Member Dues and Fees - August revenues are even with the budget and favorable to prior year by \$40K. YTD revenues are favorable to both budget \$12K and PY \$94K. PY favorable variance is mainly driven by increased Membership Dues, partially offset by decreased late fees. Higher dues rate driving increased dues revenue.

Golf Fees - August revenue is favorable to prior year but behind budget although Rounds are even with budget and favorable to prior year. YTD revenue is favorable to prior year by \$8K but unfavorable to budget by \$11K. YTD Rounds are 2% higher than budget and 4% higher than PY. Additional details can be found in August Golf Report.

Sports Pavilion - Revenue for August were favorable to both budget by \$5K and prior year by \$3K. Lineage is even with prior year and favorable to budget. Prior year favorable variance driven by increased non-resident bowling. Sports Pavilion was closed for two weeks in August for annual cleaning and maintenance. YTD Revenues are also favorable to both budget by \$3K and PY by \$6K. PY favorable variance is driven by average lineage fee where YTD average lineage fee is higher than both prior year and budget.

Ancillary Revenue - August revenue is higher compared to both prior year by \$18K and budget by \$13K, mainly driven by receipt of annual cell tower lease received in September in PY. YTD revenue is favorable to both Budget and PY, \$21K and \$26K respectively. Major drivers include same timing of annual cell tower lease receipt, Driving Range revenue and Golf Lesson Commissions.

EXPENSES - August operating expenses were favorable to budget by \$123K and prior year by \$103K. YTD expenses are favorable to budget by \$98K and unfavorable to prior year by \$121K.

Payroll - Expenses for the month were favorable to budget by \$72K and favorable to prior year by \$9K. YTD payroll expense is favorable to budget by \$91K and unfavorable to prior year by \$27K. The budget variances were mainly attributable to open positions (Golf Maint | IT | Finance | Rec Ctrs). The YTD budget variance is mainly due to the open positions, the YTD prior year comparison includes the impact of minimum wage and merit increases.

Repairs & Maintenance - August expenses were unfavorable to budget by \$26K and unfavorable to prior year by \$20K. YTD expenses were unfavorable to budget by \$31K and prior year by \$51K. The budget variances were driven by RHJ parking lot seal & stripe (\$25K) which was budgeted later in the year, well pump repairs at Grandview and Trail Ridge (\$18K), these were partially offset by a favorable variance in rolling stock repairs. The prior year variances were also impacted by the well pump repairs as well as electrical & HVAC repairs and timing of golf course treatments.

Landscape Maintenance - Expenses for August were favorable to budget by \$21K and prior year by \$86K. The August budget variance was mainly the timing of tree trimming (\$17K) and Flag & Cup maintenance (\$5K). The August prior year variance was mainly due to Tree maintenance being much higher last year due to storm cleanup and timing of chemical and fertilizer purchases. YTD expenses were unfavorable to budget by \$12K and prior year by \$22K. The YTD variances are primarily the timing of chemical and fertilizer purchases, partially offset by favorable tree maintenance expenses (prior year storms).

Equipment - August expenses were favorable to budget by \$19K and unfavorable to prior year by \$30K, the timing of fitness equipment purchases for RH Johnson and Palm Ridge drove the budget and prior year variances, the timing of computer equipment purchases were also part of the PY variance. YTD expenses were also favorable to budget and unfavorable to prior year with the same drivers as the monthly variances along with timing of fitness equipment for Beardsley impacting the PY variance.

CAPITAL RELATED REVENUES & EXPENSES - August was favorable to budget by \$103K and unfavorable to prior year by \$90K, YTD results are favorable to budget by \$213K and unfavorable to prior year by \$223K.

Unrealized Gains and Losses - Due to the unpredictable nature of the market, we did not assign a budget to this line item. For the month of August, there were \$120K in unrealized gains, this compares to a \$219K unrealized gain in Aug 2018 (\$99K difference). YTD unrealized gains are \$179K as compared to \$447K last year

APF Fees - August APF fees were unfavorable to budget by \$21K (6 fees) and prior year by \$7K (2 fees). YTD revenues are favorable to budget by \$42K (12 fees) and prior year by \$25K (7 fees).

Recreation Centers of Sun City West, Inc.

Balance Sheets for months ending August 31, 2019 and June 30, 2019

	August 2019	June 2019
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 5,906,294	\$ 8,802,521
Accounts Receivable (net)	642,982	632,945
Notes Receivable-Clubs & Other	900,558	899,129
Inventories	228,391	235,887
Prepaid and Other Assets	245,436	309,334
Total Current Assets	7,923,662	10,879,818
Board Reserve Funds	25,753,407	25,508,541
<u>Fixed Assets</u>		
Land & Building	100,915,133	100,418,416
Furniture, Fixtures & Equipment	19,316,481	19,171,433
Vehicles	1,707,218	1,637,023
Fixed Assets	121,938,832	121,226,872
Accumulated Depreciation	(77,302,811)	(76,834,347)
Fixed Assets-Net Book Value	44,636,021	44,392,525
Construction in Progress	1,647,999	518,601
Total Fixed Assets	46,284,019	44,911,126
Total Assets	\$ 79,961,088	\$ 81,299,485

LIABILITIES AND EQUITY

<u>Liabilities</u>		
Accounts Payable-Trade & Other	\$ 701,929	\$ 756,075
Payroll Related Liabilities	993,691	1,168,337
Association Events & Other Program Payables	351,244	353,848
Charter Clubs Payables	32,381	30,831
Deferred Membership Dues/Fees & Golf Revenues	6,702,693	7,240,982
Total Liabilities	8,781,938	9,550,073
<u>Members' Equity</u>		
Retained Earnings	46,097,527	42,170,379
Retained Earnings - Encumbrance	1,641,080	1,641,080
Retained Earnings - Repair & Replacement Rqmt	21,754,605	21,754,605
Retained Earnings - Future Capital Requirements	2,256,200	2,256,200
Surplus (Deficit)	(570,262)	3,927,148
Total Equity	71,179,150	71,749,412
Total Liabilities and Equity	\$ 79,961,088	\$ 81,299,485

Recreation Centers of Sun City West, Inc.

Statement of Cash Flows

	Two Months Ended August 2019	Fiscal Year Ended June 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ (570,262)	\$ 3,927,148
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	580,062	3,715,489
(Gain) / Loss on Disposals of Fixed Assets	30,168	321,691
Net (Gains) / Loss on Investments	(178,909)	(942,433)
Asset Preservation & Facility Investment Fees	(675,500)	(4,280,500)
Reserve for Uncollectible Accounts	-	10,000
 Increase (decrease) in cash resulting from changes in		
Receivables (net)	(11,466)	(249,012)
Inventories	7,497	38,392
Prepaid expenses and other assets	63,898	14,312
Accounts payable and accrued expenses	(229,845)	121,268
Deferred income	(538,289)	399,759
Net cash provided by (used in) operating activities	(1,522,647)	3,076,114
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land improvements, buildings and equipment	(1,983,123)	(6,159,207)
Proceeds from Disposal of Fixed Assets	-	-
Asset Preservation & Facility Investment Fees	675,500	4,280,500
Cash Flow Funding Transfer to Reserves (Net)	-	(1,285,627)
Net (purchase) redemption of investments	(65,957)	(555,303)
Net cash provided by (used in) investing activities	(1,373,580)	(3,719,637)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,896,227)	(643,523)
 CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,802,521	9,446,044
 CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,906,294	\$ 8,802,521

Recreation Centers of Sun City West, Inc.

Cash and Investment Balances

<u>Account</u>		<u>August 2019</u>	<u>% Total</u>	<u>June 2019</u>	<u>% Total</u>	<u>Change</u>
General Fund						
Petty Cash/Change Funds		13,230	0.22%	13,230	0.15%	-
Checking and Sweep Account		5,893,064	99.78%	8,789,291	99.85%	(2,896,227)
Total Cash and Cash Equivalents		<u>5,906,294</u>	<u>100.00%</u>	<u>8,802,521</u>	<u>100.00%</u>	<u>(2,896,227)</u>
Reserve Fund						
<u>JP Morgan Investments</u>						
Money Market		3,676,752	14.28%	3,670,340	14.39%	6,413
Certificates of Deposit		-	0.00%	-	0.00%	-
Mortgageback Securities		-	0.00%	-	0.00%	-
Total JP Morgan Investments		<u>3,676,752</u>	<u>14.28%</u>	<u>3,670,340</u>	<u>14.39%</u>	<u>6,413</u>
<u>Vanguard Investments</u>						
Core Bond Fund Admiral	VCOBX	2,948,134	11.45%	2,867,191	11.24%	80,943
Total Bond Market Index Fund Admiral	VBTLX	3,368,720	13.08%	3,269,571	12.82%	99,149
Intermediate-Term Inv Grade Bond Adm	VFIDX	3,176,889	12.34%	3,101,070	12.16%	75,819
Short-Term Inv Grade Bond Admiral	VFSUX	2,423,944	9.41%	2,406,084	9.43%	17,860
Long-Term Inv Grade Bond Admiral	VWETX	1,598,672	6.21%	1,478,121	5.79%	120,551
Extended Market Index Fund Admiral	VEXAX	1,957,439	7.60%	2,009,932	7.88%	(52,493)
500 Index Fund Admiral	VFIAX	4,420,890	17.17%	4,428,559	17.36%	(7,669)
Total International Stock Index Admiral	VTIAX	2,181,966	8.47%	2,277,673	8.93%	(95,707)
Total Vanguard Investments		<u>22,076,655</u>	<u>85.72%</u>	<u>21,838,201</u>	<u>85.61%</u>	<u>238,454</u>
Total Reserve Funds		<u>25,753,407</u>	<u>100.00%</u>	<u>25,508,541</u>	<u>100.00%</u>	<u>244,866</u>
TOTAL FUNDS		<u><u>31,659,701</u></u>		<u><u>34,311,062</u></u>		<u><u>(2,651,361)</u></u>

<u>Vanguard Investment Activity</u>	<u>FY2019-20 YTD</u>	<u>FY2018-19</u>	<u>Inception (FY15)</u>
Beginning Balance	21,838,201	19,871,704	-
Investment Transfers-In	-	500,000	18,250,000
Investment Earnings	66,662	559,639	1,705,190
Advisor Fees	(7,118)	(35,575)	(115,585)
Realized Gains (Losses)	51	(10,731)	(20,175)
Un-Realized Gains (Losses) ***	178,858	953,164	2,257,225
Ending Balance	<u>22,076,655</u>	<u>21,838,201</u>	<u>22,076,655</u>

*** Unrealized Gains (Losses) are the difference between the basis (cost) of Investments & the market value at any point in time. Reserves Funds are invested based on a long-term investment strategy (Fi12) and over time Unrealized Gains (Losses) have historically fluctuated both up and down depending on the time period measured (e.g. monthly, annually, since inception).

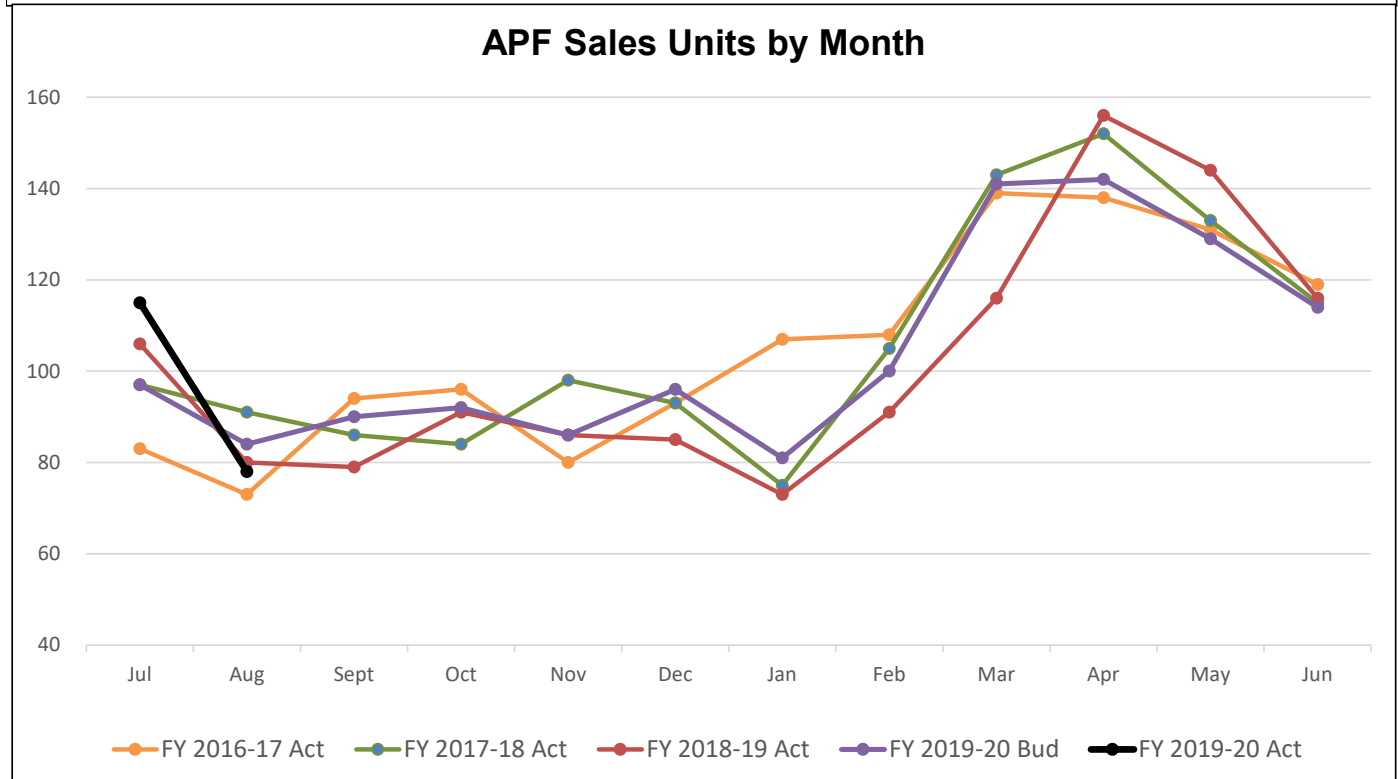
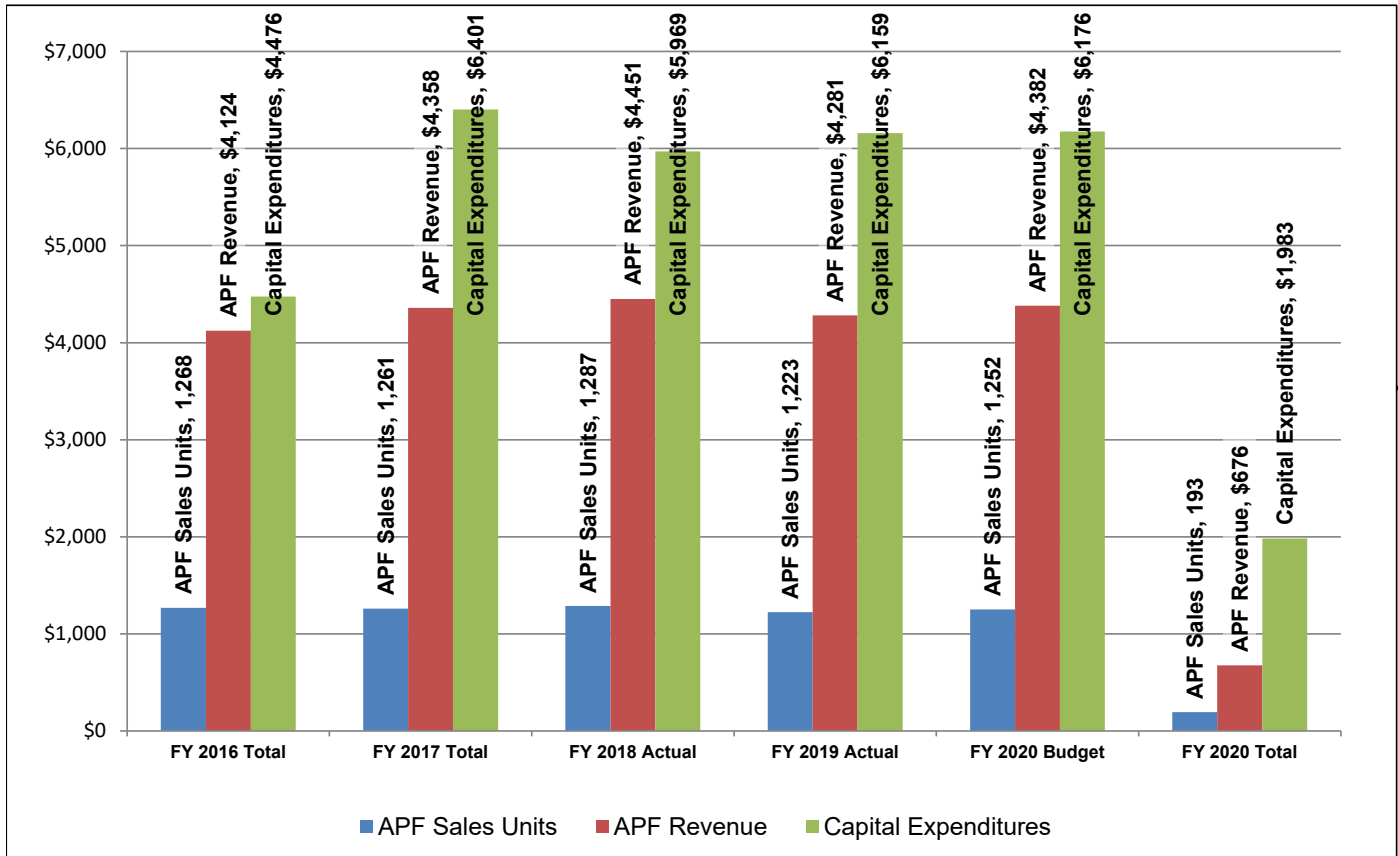
Unrealized Gains (Losses) are recorded due to accounting rules which produce "Paper" gains/(losses), Realized Gains/(losses) occur at the time investments are sold.

Recreation Centers of Sun City West, Inc.

Asset Preservation Fees & Capital Expenditures

August			Year to Date		
Actual	Budget	Var over (under)	Actual	Budget	Var over (under)
78	84	(6)	193	181	12
\$ 273	\$ 294	\$ (21)	\$ 676	\$ 634	\$ 42
\$ 1,405	\$ 1,871	\$ (466)	\$ 1,983	\$ 2,544	\$ (561)

APF Sales Units
 APF Revenue (000's)
 Capital Expend. (000's)



Recreation Centers of Sun City West, Inc.

Summary Item Purchases and Counts of Various Products

Fiscal Year	Rate	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	YTD	% YTD
Golf - Unlimited Card Sales																
FY 2017-18	\$ 3,125	3	3	11	28	20	7	13	8	11	3	6	7	120	6	5%
FY 2018-19	\$ 3,125	5	2	10	28	13	11	11	7	12	5	9	4	117	7	6%
FY 2019-20 Bud	\$ 3,125	4	3	11	28	19	13	13	9	10	4	7	7	126	6	5%
FY 2019-20	\$ 3,125	6	4											10	10	100%
														% of Budget YTD		160%
														% of prior Year YTD		143%
Kachina Golf Card Sales																
FY 2017-18	\$ 895	11	18	49	121	69	58	68	36	33	13	19	7	502	29	6%
FY 2018-19	\$ 895	12	23	55	124	86	52	69	32	26	25	18	14	536	35	7%
FY 2019-20 Bud	\$ 895	13	21	50	105	75	47	57	31	27	13	17	6	461	34	7%
FY 2019-20	\$ 895	13	23											36	36	100%
														% of Budget YTD		107%
														% of prior Year YTD		103%
Coyote Golf Card Sales																
FY 2017-18	\$ 325	4	14	23	135	190	66	94	30	37	18	10	6	627	18	3%
FY 2018-19	\$ 325	4	10	24	152	160	72	112	29	26	26	12	7	634	14	2%
FY 2019-20 Bud	\$ 325	5	12	25	148	181	71	96	35	37	17	6	4	635	16	3%
FY 2019-20	\$ 325	4	11											15	15	100%
														% of Budget YTD		92%
														% of prior Year YTD		107%
CNP Frequent Play Card Sales																
FY 2017-18	\$ 1,400	0	1	1	0	0	0	0	0	0	1	0	0	3	1	33%
FY 2018-19	\$ 1,400	0	0	1	3	0	0	1	0	0	0	0	0	5	0	0%
FY 2019-20 Bud	\$ 1,400	0	1	1	1	1	0	1	0	0	0	0	0	4	1	17%
FY 2019-20	\$ 1,400	0	0											0	0	
														% of Budget YTD		0%
														% of prior Year YTD		
Twilight Golf Card Sales																
FY 2017-18	\$ 1,200	0	0	1	9	6	1	1	0	1	2	2	0	23	0	0%
FY 2018-19	\$ 1,200	0	0	2	11	6	0	4	0	0	3	3	2	31	0	0%
FY 2019-20 Bud	\$ 1,200	0	0	2	10	6	1	3	0	1	2	2	0	26	0	0%
FY 2019-20	\$ 1,200	0	1											1	1	100%
														% of Budget YTD		
														% of prior Year YTD		

Recreation Centers of Sun City West, Inc.

Summary Item Purchases and Counts of Various Products

Fiscal Year	Rate	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	YTD	% YTD
Range Ball Key Sales																
FY 2017-18	\$ 90	27	45	49	149	176	114	181	156	180	122	72	54	1,325	72	5%
FY 2018-19	\$ 90	51	42	84	142	185	152	133	137	132	117	86	75	1,336	93	7%
FY 2019-20 Bud	\$ 90	35	44	60	148	184	127	152	144	159	112	68	45	1,278	79	6%
FY 2019-20	\$ 90	47	54											101	101	100%
														% of Budget YTD	128%	
														% of prior Year YTD	109%	

Members (with No Golf Card)														Average
FY 2017-18		29,347	29,453	29,510	29,350	29,366	29,406	29,555	29,703	29,817	29,696	29,581	29,529	29,526
FY 2018-19		29,517	29,582	29,628	29,716	29,646	29,835	30,087	30,300	30,488	30,767	31,039	31,160	30,147
FY 2019-20		31,028	30,077											30,553

Unlimited Golf Card Holders														Average
FY 2017-18		126	127	125	131	131	125	122	122	123	122	119	120	124
FY 2018-19		120	121	120	116	112	113	114	115	117	117	117	117	117
FY 2019-20		118	119											119

Kachina Golf Card Holders														Average
FY 2017-18		434	434	428	443	449	467	479	489	494	497	494	494	467
FY 2018-19		495	496	501	510	520	524	527	525	522	525	525	528	517
FY 2019-20		523	523											523

Coyote Golf Card Holders														Average
FY 2017-18		643	638	635	621	609	606	615	611	609	609	613	614	619
FY 2018-19		613	613	610	611	606	612	625	629	623	628	631	632	619
FY 2019-20		632	629											631

CNP Freq. Play Golf Card Holders														Average
FY 2017-18		4	4	4	4	3	3	2	2	2	3	3	3	3
FY 2018-19		3	2	2	5	5	5	6	6	6	5	5	5	5
FY 2019-20		5	5											5

Twilight Golf Card Holders														
FY 2017-18		0	0	1	10	16	17	18	18	19	20	22	22	14
FY 2018-19		22	22	23	26	26	26	29	29	29	30	28	31	27
FY 2019-20		31	32											32

Recreation Centers of Sun City West, Inc.

Summary Item Purchases and Counts of Various Products

Fiscal Year	Rate	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	YTD	% YTD
Bowling Lineage														Total	YTD	% YTD
FY 2017-18		12,127	6,791	19,215	25,700	25,424	21,843	30,074	28,580	30,338	16,308	13,712	13,862	243,974	18,918	8%
FY 2018-19		12,618	7,331	19,799	27,155	26,385	23,546	31,690	29,237	28,618	15,514	15,823	14,572	252,286	19,948	8%
FY 2019-20 Bud		11,204	6,401	19,463	27,224	24,776	21,716	31,839	27,994	30,009	12,449	11,609	11,263	235,947	17,605	7%
FY 2019-20		12,406	7,300											19,706	19,706	100%
														% of Budget YTD	112%	
														% of prior Year YTD	99%	
Transfer Fee (Home Sale)																
FY 2017-18	\$ 250	127	118	105	116	136	117	101	149	174	203	169	133	1,648	245	15%
FY 2018-19	\$ 250	123	108	94	117	109	103	95	115	153	193	172	138	1,520	231	15%
FY 2019-20 Bud	\$ 250	118	109	110	113	112	119	105	124	177	178	164	138	1,567	227	14%
FY 2019-20	\$ 250	135	105											240	240	100%
														% of Budget YTD	106%	
														% of prior Year YTD	104%	
Asset Preservation Fees																
FY 2017-18	\$ 3,500	97	91	86	84	98	93	75	105	143	152	133	115	1,272	188	15%
FY 2018-19	\$ 3,500	106	80	79	91	86	85	73	91	116	156	144	116	1,223	186	15%
FY 2019-20 Bud	\$ 3,500	97	84	90	92	86	96	81	100	141	142	129	114	1,252	181	14%
FY 2019-20	\$ 3,500	115	78											193	193	100%
														% of Budget YTD	107%	
														% of prior Year YTD	104%	