

RECREATION CENTERS OF SUN CITY WEST



Arizona's Premier Active Adult Golf Community

FINANCIAL REPORT

Month Ended

July 31, 2019

Recreation Centers of Sun City West, Inc.
Summary of All Revenues & Expenses
Month Ended July 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					
1,178,975	1,166,724	12,251	1,125,312	53,663	Membership	1,178,975	1,166,724	12,251	1,125,312	53,663
6,208	9,854	(3,646)	6,608	(400)	Recreation	6,208	9,854	(3,646)	6,608	(400)
228,639	235,613	(6,974)	223,342	5,297	Golf Fees	228,639	235,613	(6,974)	223,342	5,297
23,444	19,739	3,705	20,468	2,976	Sports Pavilion	23,444	19,739	3,705	20,468	2,976
733	499	234	230	503	Special Events	733	499	234	230	503
36,048	28,632	7,416	28,448	7,601	Ancillary Revenue	36,048	28,632	7,416	28,448	7,601
8,380	5,409	2,970	6,732	1,647	Merchandise Sales (net)	8,380	5,409	2,970	6,732	1,647
11,289	8,838	2,450	12,516	(1,228)	Food and Beverage (net)	11,289	8,838	2,450	12,516	(1,228)
-	-	-	-	-	Interest Income - Operating	-	-	-	-	-
202	667	(464)	291	(89)	Other Income	202	667	(464)	291	(89)
1,493,918	1,475,975	17,942	1,423,948	69,970	Operating Revenues Total	1,493,918	1,475,975	17,942	1,423,948	69,970
Operating Expenses					Operating Expenses					
1,151,172	1,169,915	18,743	1,115,910	(35,262)	Wages & Benefits	1,151,172	1,169,915	18,743	1,115,910	(35,262)
261,508	258,378	(3,130)	260,113	(1,395)	Utilities	261,508	258,378	(3,130)	260,113	(1,395)
148,764	143,564	(5,200)	116,877	(31,887)	Repairs & Maintenance	148,764	143,564	(5,200)	116,877	(31,887)
196,839	164,099	(32,739)	89,361	(107,478)	Landscape Maintenance	196,839	164,099	(32,739)	89,361	(107,478)
52,070	52,153	83	58,899	6,830	Supplies & Services	52,070	52,153	83	58,899	6,830
35,005	37,287	2,282	13,858	(21,147)	Equipment	35,005	37,287	2,282	13,858	(21,147)
49,863	49,992	129	47,131	(2,732)	Taxes & Insurance	49,863	49,992	129	47,131	(2,732)
17,975	15,739	(2,236)	15,764	(2,211)	Interest & Financial Expense	17,975	15,739	(2,236)	15,764	(2,211)
33,725	34,265	540	12,787	(20,939)	Operating Expenses	33,725	34,265	540	12,787	(20,939)
16,027	14,150	(1,877)	16,667	640	Legal & Professional	16,027	14,150	(1,877)	16,667	640
15,172	13,855	(1,316)	7,272	(7,900)	Employee Related Expenses	15,172	13,855	(1,316)	7,272	(7,900)
1,978,119	1,953,398	(24,721)	1,754,639	(223,480)	Operating Expenses Total	1,978,119	1,953,398	(24,721)	1,754,639	(223,480)
(484,202)	(477,422)	(6,779)	(330,691)	(153,510)	Operating Cash Inflow/(Outflow)	(484,202)	(477,422)	(6,779)	(330,691)	(153,510)
Capital Related					Capital Related					
37,214	47,917	(10,702)	31,597	5,618	Investment Income - Reserves	37,214	47,917	(10,702)	31,597	5,618
58,416	-	58,416	227,496	(169,080)	Investments Unrealized - Gain/ (Loss)	58,416	-	58,416	227,496	(169,080)
402,500	339,500	63,000	371,000	31,500	Asset Preservation Fee	402,500	339,500	63,000	371,000	31,500
(19,700)	-	(19,700)	-	(19,700)	Gain/(Loss) on Asset Disposal	(19,700)	-	(19,700)	-	(19,700)
(291,082)	(309,336)	18,254	(309,700)	18,618	Depreciation Expense	(291,082)	(309,336)	18,254	(309,700)	18,618
187,349	78,081	109,268	320,393	(133,044)	Capital Related Total	187,349	78,081	109,268	320,393	(133,044)
(296,852)	(399,341)	102,489	(10,298)	(286,554)	Revenues Over (Under) Expenses	(296,852)	(399,341)	102,489	(10,298)	(286,554)

Recreation Centers of Sun City West, Inc.
Financial Statement Notes
Month Ended July 31, 2019

Excess of Revenues Over/(Under) Expenses was favorable to budget by \$102K and unfavorable to prior year by \$287K

Net Operating Income was unfavorable to budget by \$7K and prior year by \$154K

Non-Operating Revenues and Expenses were favorable to budget by \$109K.

REVENUES - July revenues were favorable to budget and prior year, \$18K and \$70K respectively.

Member Dues and Fees - July revenues are favorable to both budget by \$12K and prior year by \$54K. Major drivers of favorable variance include; Membership Dues, Transfer Fees, Tenant Card Fees, and Disclosure Fees. Prior year variances are favorable except Late fees which are unfavorable due to improved processes; all other areas are better than prior year partially due to the increase in dues rate and increased quantity of Disclosures and Transfers.

Golf Fees - July revenue is favorable to prior year but unfavorable to budget although Rounds are favorable to both prior year and budget, 678 and 85 respectively. The positive round variance is due to higher Member Play. Additional details can be found in July Golf Report.

Sports Pavilion - July revenue is favorable to both budget and prior year. Average lineage fee is higher than prior year and budget. Prior year favorable variance driven by increased League games.

Ancillary Revenue - July revenue is higher compared to both prior year by \$8K and budget by \$7K, mainly driven by driving range revenue, golf lesson commissions and other income.

EXPENSES - July operating expenses were unfavorable to budget by \$25K and unfavorable to prior year by \$223K.

Payroll - Expenses for the month were favorable to budget by \$19K. The favorable budget variance was primarily driven by open positions in Golf Maintenance, Computer Services and Finance. Overtime was also favorable to budget. Payroll expenses were unfavorable to prior year by \$35K (3.2%), this is primarily due to the 4.8% increase in minimum wage and standard merit increases. The unfavorable wage variance was partially offset by a favorable variance in overtime expense.

Repairs & Maintenance - Expenses were unfavorable to budget by \$5K and unfavorable to prior year by \$32K. The budget variance was related to signage replacement and replacement of O2 generators and motors for Kuentz and Beardsley spas. These unfavorable variances were partially offset by favorable well and rolling stock repairs. The unfavorable prior year variance was mostly attributable to the timing of golf course treatments, replacement of O2 generators and motors for Kuentz and Beardsley spas and rolling stock repairs.

Landscape Maintenance - Expenses for July were unfavorable to budget by \$33K and prior year by \$107K. Both variances were driven by the timing of chemical and fertilizer purchases and palm tree trimming.

Operating Expense - July expenses are flat to budget and unfavorable to prior year by \$21K. The prior year variance includes the service charges for Paycom (payroll processing) and ConvergeOne (phone & voicemail system).

CAPITAL RELATED REVENUES & EXPENSES - Results were favorable to budget by \$109K and unfavorable to prior year by \$133K

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 July, there was \$58K in unrealized gains, this compares to a \$227K unrealized gain in July 2018 (\$169K difference).

APF Fees - July APF fees were favorable to budget by \$63K (18 additional sales) and prior year by \$32K (9 additional sales).

Recreation Centers of Sun City West, Inc.

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

	July 2019	June 2019
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 8,554,885	\$ 8,802,521
Accounts Receivable (net)	617,519	632,945
Notes Receivable-Clubs & Other	900,708	899,129
Inventories	230,634	235,887
Prepaid and Other Assets	277,663	309,334
Total Current Assets	10,581,408	10,879,818
Board Reserve Funds	25,604,172	25,508,541
<u>Fixed Assets</u>		
Land & Building	100,562,009	100,418,416
Furniture, Fixtures & Equipment	19,207,419	19,171,433
Vehicles	1,666,437	1,637,023
Fixed Assets	121,435,866	121,226,872
Accumulated Depreciation	(77,112,683)	(76,834,347)
Fixed Assets-Net Book Value	44,323,183	44,392,525
Construction in Progress	855,392	518,601
Total Fixed Assets	45,178,575	44,911,126
Total Assets	\$ 81,364,154	\$ 81,299,485

LIABILITIES AND EQUITY

<u>Liabilities</u>		
Accounts Payable-Trade & Other	\$ 1,242,825	\$ 756,075
Payroll Related Liabilities	1,298,664	1,168,337
Association Events & Other Program Payables	353,411	353,848
Charter Clubs Payables	31,731	30,831
Deferred Membership Dues/Fees & Golf Revenues	6,984,964	7,240,982
Total Liabilities	9,911,595	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)	(296,852)	3,927,148
Total Equity	71,452,560	71,749,412
Total Liabilities and Equity	\$ 81,364,154	\$ 81,299,485

Recreation Centers of Sun City West, Inc.

Statement of Cash Flows

	Month Ended July 2019	Fiscal Year Ended June 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ (296,852)	\$ 3,927,148
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	291,082	3,715,489
(Gain) / Loss on Disposals of Fixed Assets	19,700	321,691
Net (Gains) / Loss on Investments	(58,416)	(942,433)
Asset Preservation & Facility Investment Fees	(402,500)	(4,280,500)
Reserve for Uncollectible Accounts	-	10,000
Increase (decrease) in cash resulting from changes in		
Receivables (net)	13,848	(249,012)
Inventories	5,254	38,392
Prepaid expenses and other assets	31,672	14,312
Accounts payable and accrued expenses	617,540	121,268
Deferred income	(256,018)	399,759
	(34,692)	3,076,114
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land improvements, buildings and equipment	(578,231)	(6,159,207)
Proceeds from Disposal of Fixed Assets	-	-
Asset Preservation & Facility Investment Fees	402,500	4,280,500
Cash Flow Funding Transfer to Reserves (Net)	-	(1,285,627)
Net (purchase) redemption of investments	(37,214)	(555,303)
	(212,945)	(3,719,637)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(247,637)	(643,523)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,802,521	9,446,044
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 8,554,885	\$ 8,802,521

Recreation Centers of Sun City West, Inc.

Cash and Investment Balances

<u>Account</u>		<u>July 2019</u>	<u>% Total</u>	<u>June 2019</u>	<u>% Total</u>	<u>Change</u>
General Fund						
Total Cash and Cash Equivalents		8,554,885	100.00%	8,802,521	100.00%	(247,637)
Reserve Fund						
<u>JP Morgan Investments</u>						
Money Market		3,673,492	14.35%	3,670,340	14.39%	3,152
Total JP Morgan Investments		3,673,492	14.35%	3,670,340	14.39%	3,152
<u>Vanguard Investments</u>						
Core Bond Fund Admiral	VCOBX	2,874,615	11.23%	2,867,191	11.24%	7,424
Total Bond Market Index Fund Admiral	VBTLX	3,277,245	12.80%	3,269,571	12.82%	7,674
Intermediate-Term Inv Grade Bond Adm	VFIDX	3,106,237	12.13%	3,101,070	12.16%	5,167
Short-Term Inv Grade Bond Admiral	VFSUX	2,409,708	9.41%	2,406,084	9.43%	3,624
Long-Term Inv Grade Bond Admiral	VWETX	1,493,992	5.83%	1,478,121	5.79%	15,871
Extended Market Index Fund Admiral	VEXAX	2,042,768	7.98%	2,009,932	7.88%	32,836
500 Index Fund Admiral	VFIAX	4,491,871	17.54%	4,428,559	17.36%	63,312
Total International Stock Index Admiral	VTIAX	2,234,243	8.73%	2,277,673	8.93%	(43,430)
Total Vanguard Investments		21,930,679	85.65%	21,838,201	85.61%	92,478
Total Reserve Funds		25,604,171	100.00%	25,508,541	100.00%	95,630
TOTAL FUNDS		34,159,056		34,311,062		(152,006)

<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	34,062	559,639	1,672,590
Advisor Fees	-	(35,575)	(108,468)
Realized Gains (Losses)	-	(10,731)	(20,225)
Un-Realized Gains (Losses) ***	58,416	953,164	2,136,783
Ending Balance	21,930,679	21,838,201	21,930,680

*** Unrealized Gains (Losses) are the difference between the basis (cost) of Investments & the market value at any point in time. Reserve 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).

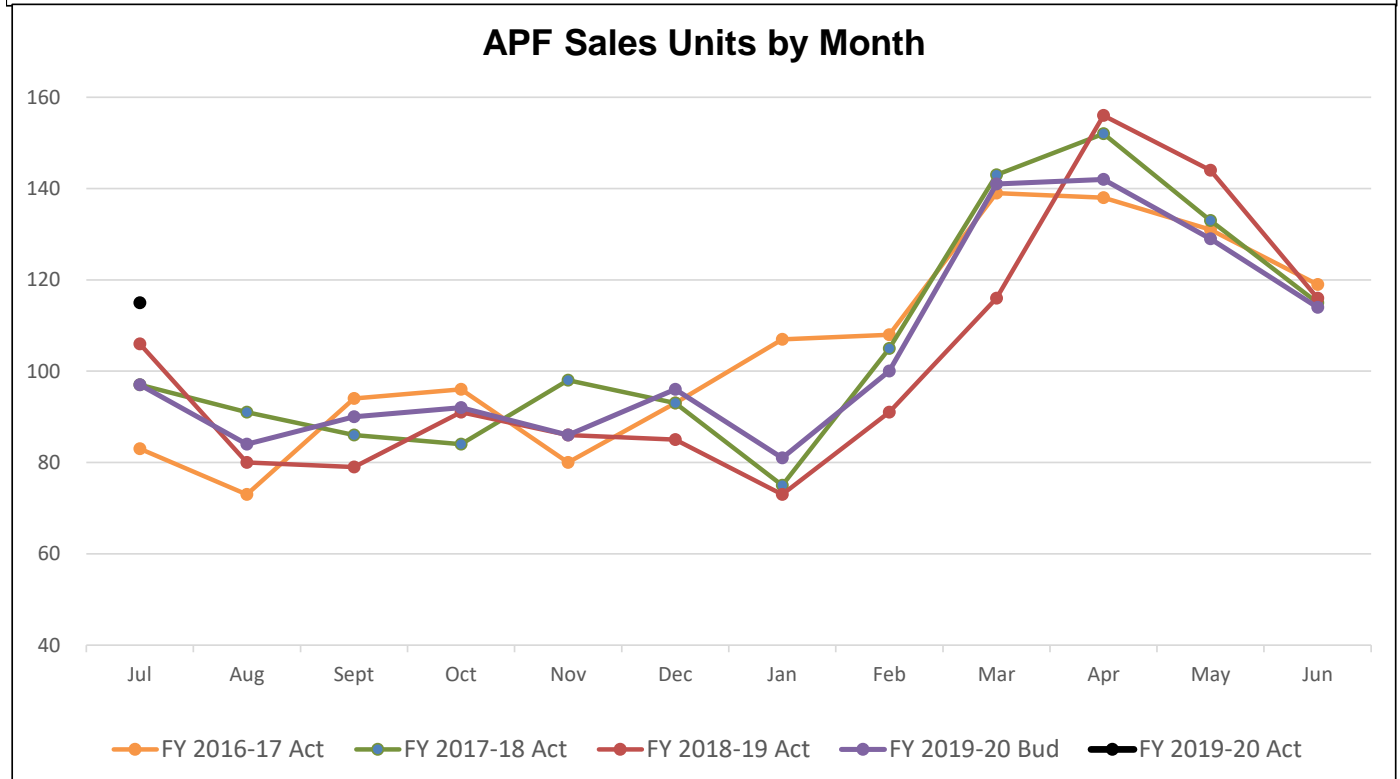
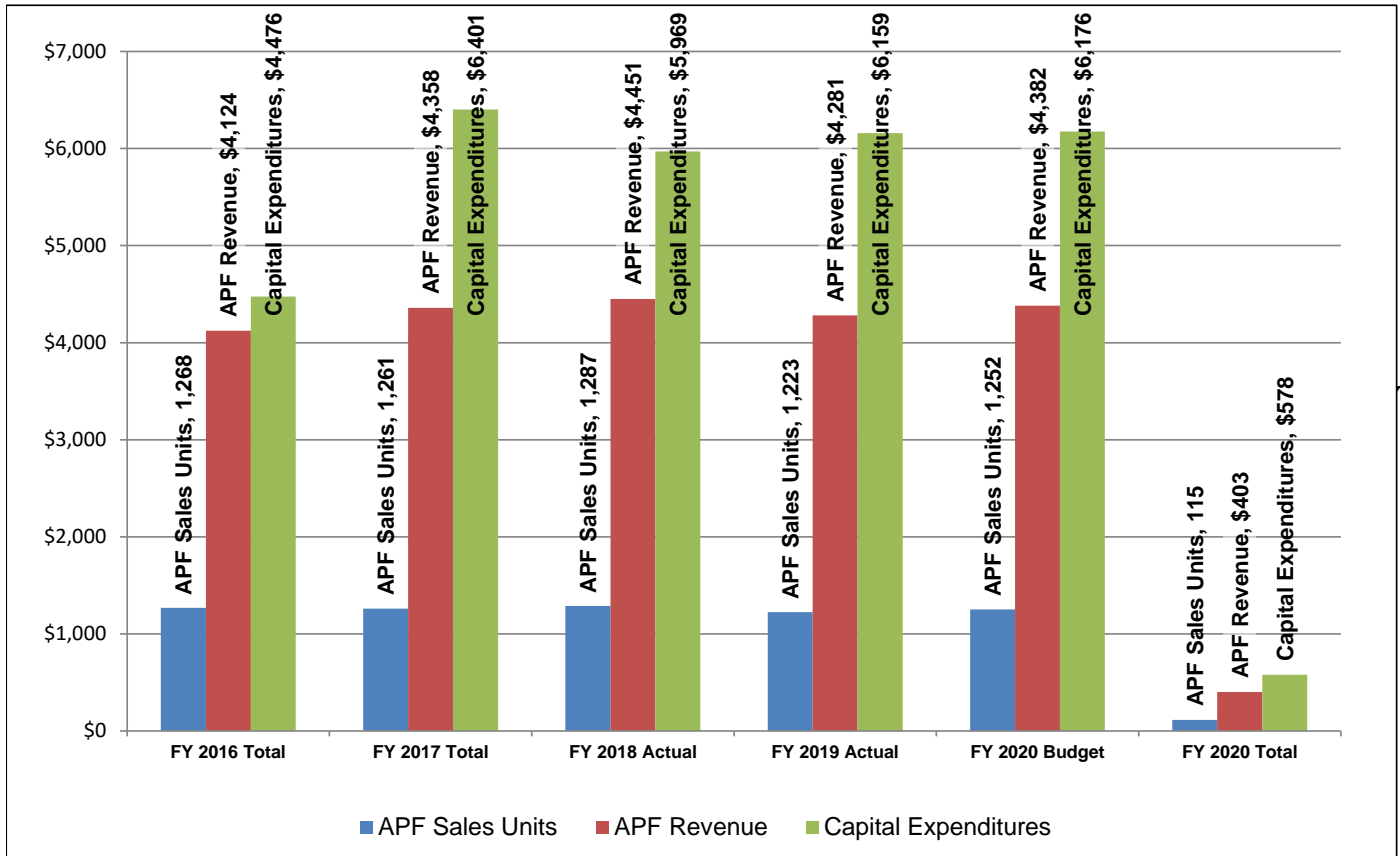
Unrealized Gains (Losses) are recorded due to accounting rules which produce "Paper" gains/(losses), Realized Gains/(losses) occur at the time investments are sold.

Recreation Centers of Sun City West, Inc.

Asset Preservation Fees & Capital Expenditures

July			Year to Date		
Actual	Budget	Var over (under)	Actual	Budget	Var over (under)
115	97	18	115	97	18
\$ 403	\$ 340	\$ 63	\$ 403	\$ 340	\$ 63
\$ 578	\$ 673	\$ (95)	\$ 578	\$ 673	\$ (95)

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	3	3%
FY 2018-19	\$ 3,125	5	2	10	28	13	11	11	7	12	5	9	4	117	5	4%
FY 2019-20 Bud	\$ 3,125	4	3	11	28	19	13	13	9	10	4	7	7	126	4	3%
FY 2019-20	\$ 3,125	6												6	6	100%
															% of Budget YTD	120%
															% of prior Year YTD	200%
Kachina Golf Card Sales																
FY 2017-18	\$ 895	11	18	49	121	69	58	68	36	33	13	19	7	502	11	2%
FY 2018-19	\$ 895	12	23	55	124	86	52	69	32	26	25	18	14	536	12	2%
FY 2019-20 Bud	\$ 895	13	21	50	105	75	47	57	31	27	13	17	6	461	13	3%
FY 2019-20	\$ 895	13												13	13	100%
															% of Budget YTD	108%
															% of prior Year YTD	118%
Coyote Golf Card Sales																
FY 2017-18	\$ 325	4	14	23	135	190	66	94	30	37	18	10	6	627	4	1%
FY 2018-19	\$ 325	4	10	24	152	160	72	112	29	26	26	12	7	634	4	1%
FY 2019-20 Bud	\$ 325	5	12	25	148	181	71	96	35	37	17	6	4	635	5	1%
FY 2019-20	\$ 325	4												4	4	100%
															% of Budget YTD	100%
															% of prior Year YTD	100%
CNP Frequent Play Card Sales																
FY 2017-18	\$ 1,400	0	1	1	0	0	0	0	0	0	1	0	0	3	0	0%
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	0	0%
FY 2019-20	\$ 1,400	0												0	0	
															% of Budget YTD	
															% 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												0	0	
															% 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	27	2%
FY 2018-19	\$ 90	51	42	84	142	185	152	133	137	132	117	86	75	1,336	51	4%
FY 2019-20 Bud	\$ 90	35	44	60	148	184	127	152	144	159	112	68	45	1,278	35	3%
FY 2019-20	\$ 90	47												47	47	100%
														% of Budget YTD	92%	

Members (with No Golf Card)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	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												31,028	

Unlimited Golf Card Holders

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	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												118	

Kachina Golf Card Holders

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	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	

Coyote Golf Card Holders

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	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												632	

CNP Freq. Play Golf Card Holders

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	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	

Twilight Golf Card Holders

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
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												31

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
														Total	YTD	% YTD
Bowling Lineage																
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	12,127	5%
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	12,618	5%
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	11,204	5%
FY 2019-20		12,406												12,406	12,406	100%
														% of Budget YTD	98%	
														% of prior Year YTD	102%	
Transfer Fee (Home Sale)																
FY 2017-18	\$ 250	127	118	105	116	136	117	101	149	174	203	169	133	1,648	127	8%
FY 2018-19	\$ 250	123	108	94	117	109	103	95	115	153	193	172	138	1,520	123	8%
FY 2019-20 Bud	\$ 250	118	109	110	113	112	119	105	124	177	178	164	138	1,567	118	8%
FY 2019-20	\$ 250	135												135	135	100%
														% of Budget YTD	110%	
														% of prior Year YTD	106%	
Asset Preservation Fees																
FY 2017-18	\$ 3,500	97	91	86	84	98	93	75	105	143	152	133	115	1,272	97	8%
FY 2018-19	\$ 3,500	106	80	79	91	86	85	73	91	116	156	144	116	1,223	106	9%
FY 2019-20 Bud	\$ 3,500	97	84	90	92	86	96	81	100	141	142	129	114	1,252	97	8%
FY 2019-20	\$ 3,500	115												115	115	100%
														% of Budget YTD	108%	
														% of prior Year YTD	119%	