

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**

**FINANCIAL STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT**

**December 31, 2020 and 2019**

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2020 AND 2019**

**CONTENTS**

Independent Auditor's Report.....	1.
Financial Statements:	
Statements of Financial Position.....	3.
Statements of Revenues and Expenses.....	4.
Statements of Operating Expenses.....	5.
Statements of Members' Equity.....	6.
Statements of Cash Flows.....	7.
Notes to Financial Statements.....	8.
Supplementary Information.....	13.

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Stockholders,  
Twin Hills Golf and Country Club, Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Twin Hills Golf and Country Club, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of revenues and expenses, operating expenses, members' equity and cash flows for the years 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 audits. We conducted our audits 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 Twin Hills Golf and Country Club, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*West Company*

May 11, 2021

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 and 2019**

	December 31,	
	2020	2019
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash	\$ 1,362,632	\$ 658,424
Accounts receivable, less allowance for doubtful accounts of \$52,897 and \$20,518 as of December 31, 2020 and 2019, respectively	477,909	517,642
Inventory	16,618	38,662
Prepaid expenses	21,343	19,756
	-----	-----
Total current assets	1,878,502	1,234,484
<b>Property and Equipment, net</b>	3,227,627	3,236,563
	-----	-----
	\$ 5,106,129	\$ 4,471,047
	=====	=====
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 45,852	\$ 86,640
Accrued liabilities	57,522	93,985
Unearned membership dues	267,533	286,143
Current portion of long-term debt	150,000	146,423
	-----	-----
Total current liabilities	520,907	613,191
<b>Long-Term Debt, net of current portion</b>	772,500	-
<b>Members' Equity:</b>		
Common stock, \$150 par value, 500 shares authorized, 450 shares issued and outstanding	67,500	67,500
Additional paid-in capital	7,995,512	7,606,057
Treasury stock	-	-
Accumulated deficit	(4,250,290)	(3,815,701)
	-----	-----
Total members' equity	3,812,722	3,857,856
	-----	-----
	\$ 5,106,129	\$ 4,471,047
	=====	=====

**The accompanying notes are an integral  
part of the financial statements.**

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	Year Ended December 31,	
	2020	2019
<b>Revenues:</b>		
Membership dues	\$ 2,312,814	\$ 2,661,570
Food and beverage	733,074	1,160,768
Tournament and guest fees	443,747	602,536
Transfer and social fees	110,000	109,000
Rental income	67,201	71,720
Gain on sale of assets	15,780	15,283
Interest income and late charges	18,195	23,287
Other income	30,946	59,012
	-----	-----
Total revenues	3,731,757	4,703,176
	-----	-----
<b>Cost of Sales:</b>		
Food and beverage	227,099	451,534
	-----	-----
<b>Gross Profit</b>	3,504,658	4,251,642
<b>Operating Expenses</b> (Schedule 1)	(3,964,323)	(4,319,676)
<b>Other:</b>		
Net gain from involuntary conversion of assets	25,076	-
	-----	-----
<b>Net Loss</b>	\$ (434,589)	\$ (68,034)
	=====	=====

The accompanying notes are an integral  
part of the financial statements.

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**STATEMENTS OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	Year Ended December 31,	
	2020	2019
<b>Operating Expenses:</b>		
Salaries and taxes	\$ 1,907,922	\$ 2,146,324
Depreciation	410,182	486,904
Insurance	160,236	119,743
Bad debt expense	38,811	16,604
Interest expense	31,581	17,700
Utilities	155,899	172,602
Supplies	87,444	112,792
Repairs and maintenance	144,877	161,348
Employee benefits	362,704	385,520
Grounds maintenance supplies	146,980	167,210
Laundry and uniforms	87,617	137,652
Other taxes	115,108	129,988
Miscellaneous expense	93,808	47,419
Postage, printing and advertising	18,195	20,279
Legal and accounting	9,410	11,434
Rentals and leasing	19,209	20,501
Telephone	25,287	24,386
Promotions	30,218	34,028
Contract labor	5,548	5,948
Vehicle fuel expense	23,566	22,966
Travel and conventions	178	1,056
Dues and subscriptions	19,181	17,446
Entertainers	1,500	4,384
Licenses, fees and permits	47,837	42,992
Computer expense	21,025	12,450
	-----	-----
Total operating expenses	\$ 3,964,323	\$ 4,319,676
	=====	=====

The accompanying notes are an integral  
part of the financial statements.

TWIN HILLS GOLF AND COUNTRY CLUB, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>Common Stock</u>		<u>Treasury Stock</u>		Addl. Paid- In Capital	Accumulated Deficit	Total
	<u>No. of Shares</u>	<u>Amount</u>	<u>No. of Shares</u>	<u>Amount</u>			
Balance, December 31, 2018	450	\$ 67,500	43	\$ -	\$ 7,366,862	\$ (3,747,667)	\$ 3,686,695
Members resigned or forfeited	-	-	65	-	-	-	-
New stock members	-	-	(17)	-	4,005	-	4,005
Capital assessment	-	-	-	-	235,190	-	235,190
Net loss	-	-	-	-	-	(68,034)	(68,034)
Balance, December 31, 2019	450	\$ 67,500	91	\$ -	\$ 7,606,057	\$ (3,815,701)	\$ 3,857,856
Members resigned or forfeited	-	-	78	-	-	-	-
New stock members	-	-	(32)	-	15,435	-	15,435
Capital assessment	-	-	-	-	374,020	-	374,020
Net loss	-	-	-	-	-	(434,589)	(434,589)
Balance, December 31, 2020	450	\$ 67,500	137	\$ -	\$ 7,995,512	\$ (4,250,290)	\$ 3,812,722

The accompanying notes are an integral  
part of the financial statements.



**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	Year Ended December 31,	
	2020	2019
<b>Cash flows provided by operating activities:</b>		
Net loss	\$ (434,589)	\$ (68,034)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	410,182	486,904
Gain on sale of assets	(15,780)	(15,283)
Net book value of assets impaired	952,963	-
(Increase) decrease in:		
Accounts receivable	39,732	(1,005)
Inventory	22,044	(312)
Prepaid expenses	(1,587)	(1,742)
Increase (decrease) in:		
Accounts payable	(40,788)	1,830
Accrued liabilities	(36,463)	375
Unearned membership dues	(18,610)	(34,089)
	-----	-----
Net cash provided by operating activities	877,104	368,644
	-----	-----
<b>Cash flows used by investing activities:</b>		
Additions to property and equipment	(443,277)	(404,528)
	-----	-----
Net cash used by investing activities	(443,277)	(404,528)
	-----	-----
<b>Cash flows provided by financing activities:</b>		
Sales of stock to new members	15,435	4,005
Capital assessment	374,020	235,190
Debt payments	(146,423)	(225,000)
Debt borrowing	27,349	3,587
	-----	-----
Net cash provided by financing activities	270,381	17,782
	-----	-----
<b>Net increase (decrease) in cash</b>	<b>704,208</b>	<b>(18,102)</b>
<b>Cash, beginning of year</b>	<b>658,424</b>	<b>676,526</b>
	-----	-----
<b>Cash, end of year</b>	<b>\$ 1,362,632</b>	<b>\$ 658,424</b>
	=====	=====

**Supplemental Disclosure of Cash Flow Information:**

Cash flows from operating activities reflect interest payments of \$31,581 and \$17,700 for the years ended December 31, 2020 and 2019, respectively.

**Noncash Investing and Financing Activities:**

Property and equipment acquired by debt financing totaled \$895,151 for the year ended December 31, 2020.

**The accompanying notes are an integral  
part of the financial statements.**

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 and 2019**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Twin Hills Golf and Country Club, Inc. (the "Club") was incorporated in the State of Oklahoma in February, 1962. The Club operates as a not-for-profit social club pursuant to the laws of the State of Oklahoma, offering the use of a championship golf course, swimming pool and food and beverage service to its members.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts Receivable**

Accounts receivable represents amounts due from the Club's members for dues and charges for food and other Club services. An allowance for doubtful accounts has been established for estimated uncollectible amounts.

**Inventory**

Inventory consists of food and beverage items and fertilizer. Inventory is stated at the lower of cost or market using the first-in, first-out method of inventory valuation.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is determined by using the straight-line method over various lives. Depreciable assets acquired prior to January 1, 1982, are depreciated in group life classifications, thus these assets and the related accumulated depreciation are not relieved when sold or otherwise disposed. For assets acquired subsequent to December 31, 1981, the asset accounts and related accumulated depreciation are relieved upon sale or disposition of the assets. Repairs and maintenance costs are charged to operating expense as incurred. Costs of renewal and betterment of assets that significantly extend the useful lives or increase productivity of such assets are capitalized.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2020 and 2019**

**Member Stock Transactions**

The Club's common stock is assessable for the purpose of capital improvements and for monthly dues. Such stock is subject to a contractual lien in favor of the Club. Stock transfer fees and dues are determined by the Club's Board of Directors.

**Membership Dues**

Membership dues are recognized as income in the applicable membership period. Unearned membership dues represent dues payments received and dues billed in advance.

**Income Taxes**

The Club is a not-for-profit organization exempt from income tax under Section 501(c)(7) of the Internal Revenue Code. Although the Club was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income," as defined by the Internal Revenue Code. Unrelated business taxable income includes investment income and income attributable to non-member activities. Such income is offset by allowable allocations of expenses. Allowable allocations of expenses exceed unrelated business taxable income for the years ended December 31, 2020 and 2019. As such, no provision for income taxes has been reflected in the accompanying statements of revenues and expenses.

Management believes that the Club has no uncertain tax positions that would jeopardize its tax-exempt status or qualify for either recognition or disclosure in the financial statements with regard to unrelated business taxable income.

**Concentrations of Credit Risk**

The Club maintains cash balances in one bank in excess of Federal Deposit Insurance Corporation insured limits.

**Subsequent Events**

The Club has evaluated subsequent events through May 11, 2021, the date the financial statements were available to be issued, and, other than what is disclosed in Note 3, has no material subsequent events to report.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2020 and 2019**

**Fair Value Measurements**

The carrying value of the Club's debt obligation reasonably approximates its fair value as the stated interest rate approximates current market interest rates of debt with similar terms.

**Long-Lived Assets**

Long-lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired when the future undiscounted cash flows are estimated to be insufficient to cover the carrying amount of the respective asset. If impaired, an asset is written down to its estimated fair value.

**NOTE 2 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2020 and 2019 is as follows:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Land	\$ 137,084	\$ 38,629
Clubhouse and improvements	1,084,121	3,577,106
Machinery and equipment	2,713,879	2,987,524
Grounds and buildings	811,644	788,855
Golf course and improvements	4,273,449	3,418,027
Other recreational facilities	1,168,965	1,166,793
	-----	-----
	10,189,142	11,976,934
Less accumulated depreciation	(6,961,515)	(8,740,371)
	-----	-----
	\$ 3,227,627	\$ 3,236,563
	=====	=====

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2020 and 2019**

**NOTE 3 - LONG-TERM DEBT**

A summary of long-term debt as of December 31, 2020 and 2019, is as follows:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Note payable to bank; line of credit in the amount of \$850,000; monthly interest payments at 4.95% per annum; yearly principal payments of \$150,000 due each November 8, due in full on February 8, 2023; collateralized by mortgage on Club's real estate	\$ -	\$ 146,423
 Note payable to bank, line of credit in the amount of \$922,500; monthly interest payments at 4% per annum; yearly principal payments of \$150,000 due each November 14; due in full on September 14, 2027; collateralized by mortgage on Club's real estate	922,500	
Less current portion	(150,000)	(146,423)
	\$ 772,500	\$ -
	=====	=====

Aggregate maturities of long-term debt as of December 31, 2020, are as follows:

**Year ending December 31,**

2021	\$ 150,000
2022	150,000
2023	150,000
2024	150,000
2025	150,000
2026 & thereafter	172,500
	\$ 922,500
	=====

**Subsequent Event:**

On March 15, 2021, the Club modified the existing line of credit described above with the Club's bank. The new \$5,622,500 credit line was obtained to finance a portion of the construction costs to reconstruct and renovate the Club's clubhouse facility.

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**DECEMBER 31, 2020 and 2019**

**NOTE 4 - 401(K) EMPLOYEE RETIREMENT PLAN**

The Club sponsors a 401(K) employee retirement plan (the "Plan"), whereby eligible employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. The Club may make matching contributions to the Plan based upon the first 6% of employees' contributions. For the years ended December 31, 2020 and 2019, the Club matched \$.50 for each dollar on the first 6% of electing employees' contributions. Matching contributions to the Plan were \$30,095 and \$33,560 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 5 - NET GAIN FROM INVOLUNTARY CONVERSION OF ASSETS**

The Club received insurance proceeds in 2020 from its insurance carrier for flood, ice storm and fire claims occurring in 2020 and 2019. The calculation of the related net gain from involuntary conversion of assets for 2020 is as follows:

Insurance proceeds received during the year ended December 31, 2020	\$ 1,076,984
Less net book value of assets impaired	(952,963)
Less operational expenses related to claims	(98,945)
Net gain from involuntary conversion of assets	\$ 25,076

**NOTE 6 - COVID-19**

The operational implications and financial outlook on the economy and all business entities resulting from COVID-19 are indeterminable at this time.

**SUPPLEMENTARY INFORMATION**

**TWIN HILLS GOLF AND COUNTRY CLUB, INC.**  
**SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019**

	Year Ended December 31,	
	2020	2019
<b>Revenues:</b>		
Food sales	\$ 273,688	\$ 604,229
Food minimum	142,215	145,392
Beverage sales	317,171	411,147
Tobacco-cards-shine	425	506
Membership dues	2,312,814	2,661,570
Tournament fees	82,775	244,990
Guest fees	360,972	357,546
Interest income and late charges	18,195	23,287
Social and stock fees	110,000	109,000
Rentals	67,201	71,720
Other income	46,301	73,789
	-----	-----
Total revenues	3,731,757	4,703,176
	-----	-----
<b>Cost of Sales:</b>		
Food	158,189	359,493
Beverage	68,555	91,686
Tobacco-cards-shine	355	355
	-----	-----
Total cost of sales	227,099	451,534
	-----	-----
<b>Gross Profit</b>	3,504,658	4,251,642
	-----	-----
<b>Departmental Expenses:</b>		
Food	498,526	755,321
Beverage	149,424	178,545
Pro shop	242,642	209,239
Bag room	103,215	113,565
Grounds and greens	915,836	942,261
Carts and range	26,295	27,484
Clubhouse	570,515	636,803
Locker rooms	128,235	120,570
Swimming pool	63,005	58,544
General and administrative	856,448	790,440
	-----	-----
Total departmental expenses	3,554,141	3,832,772
	-----	-----
<b>Depreciation</b>	410,182	486,904
	-----	-----
<b>Other:</b>		
Net gain from involuntary conversion of assets	25,076	-
	-----	-----
<b>Net Loss</b>	\$ (434,589)	\$ (68,034)
	=====	=====