

TWIN HILLS GOLF AND COUNTRY CLUB, INC.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

December 31, 2021 and 2020

TWIN HILLS GOLF AND COUNTRY CLUB, INC.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Twin Hills Golf and Country Club, Inc. (THG&CC), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of THG&CC as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 THG&CC, 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 THG&CC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 GAAS 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 GAAS, 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 THG&CC'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 THG&CC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 14 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.

May 16, 2022

West Company

TWIN HILLS GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash | \$ 1,331,326 | \$ 1,362,632 |
| Accounts receivable, less allowance for doubtful accounts of \$7,875 and \$52,897 as of December 31, 2021 and 2020, respectively | 228,662 | 284,341 |
| Inventory | 15,117 | 16,618 |
| Prepaid expenses | 54,773 | 21,343 |
| | ----- | ----- |
| Total current assets | 1,629,878 | 1,684,934 |
| Property and Equipment, net | 4,197,017 | 3,227,627 |
| | ----- | ----- |
| | \$ 5,826,895 | \$ 4,912,561 |
| | ===== | ===== |
| <u>LIABILITIES AND MEMBERS' EQUITY</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 44,105 | \$ 45,852 |
| Accrued liabilities | 66,731 | 57,522 |
| Unearned membership dues | 21,212 | 73,965 |
| Current portion of long-term debt | 361,500 | 150,000 |
| | ----- | ----- |
| Total current liabilities | 493,548 | 327,339 |
| Long-Term Debt, net of current portion | 361,000 | 772,500 |
| Members' Equity: | | |
| Common stock, \$150 par value, 500 shares authorized, 450 shares issued and outstanding | 67,500 | 67,500 |
| Additional paid-in capital | 8,664,556 | 7,995,512 |
| Treasury stock | - | - |
| Accumulated deficit | (3,759,709) | (4,250,290) |
| | ----- | ----- |
| Total members' equity | 4,972,347 | 3,812,722 |
| | ----- | ----- |
| | \$ 5,826,895 | \$ 4,912,561 |
| | ===== | ===== |

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, 2021 and 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| Revenues: | | |
| Membership dues | \$ 2,317,721 | \$ 2,312,814 |
| Food and beverage | 576,164 | 733,074 |
| Tournament and guest fees | 684,412 | 443,747 |
| Transfer and social fees | 199,000 | 110,000 |
| Rental income | 51,717 | 67,201 |
| Gain on sale of assets | 22,125 | 15,780 |
| Interest income and late charges | 11,155 | 18,195 |
| Other income | 48,725 | 30,946 |
| Net gain from involuntary conversion of assets | 607,362 | 25,076 |
| | 4,518,381 | 3,756,833 |
| | ----- | ----- |
| Cost of Sales: | | |
| Food and beverage | 135,676 | 227,099 |
| | ----- | ----- |
| Gross Profit | 4,382,705 | 3,529,734 |
| Operating Expenses (Schedule 1) | (3,892,124) | (3,964,323) |
| | ----- | ----- |
| Net Income (Loss) | \$ 490,581 | \$ (434,589) |
| | ----- | ----- |

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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|--------------|--------------|
| Operating Expenses: | | |
| Salaries and taxes | \$ 1,802,328 | \$ 1,907,922 |
| Depreciation | 413,288 | 410,182 |
| Insurance | 159,611 | 160,236 |
| Bad debt expense | 7,754 | 38,811 |
| Interest expense | 33,386 | 31,581 |
| Utilities | 145,603 | 155,899 |
| Supplies | 66,567 | 87,444 |
| Repairs and maintenance | 228,523 | 144,877 |
| Employee benefits | 381,977 | 362,704 |
| Grounds maintenance supplies | 146,566 | 146,980 |
| Laundry and uniforms | 59,636 | 87,617 |
| Other taxes | 123,440 | 115,108 |
| Miscellaneous expense | 59,737 | 93,808 |
| Postage, printing and advertising | 18,066 | 18,195 |
| Legal and accounting | 19,226 | 9,410 |
| Rentals and leasing | 41,516 | 19,209 |
| Telephone | 35,043 | 25,287 |
| Promotions | 7,644 | 30,218 |
| Contract labor | 14,480 | 5,548 |
| Vehicle fuel expense | 24,980 | 23,566 |
| Travel and conventions | 706 | 178 |
| Dues and subscriptions | 18,431 | 19,181 |
| Entertainers | 20,600 | 1,500 |
| Licenses, fees and permits | 53,253 | 47,837 |
| Computer expense | 9,763 | 21,025 |
| | ----- | ----- |
| Total operating expenses | \$ 3,892,124 | \$ 3,964,323 |
| | ===== | ===== |

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, 2021 and 2020

| | <u>Common Stock</u> | | <u>Treasury Stock</u> | | <u>Additional Paid-In Capital</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|-------------------------------|--------------------------|---------------|--------------------------|---------------|---|--------------------------------|--------------|
| | <u>No. of Shares</u> | <u>Amount</u> | <u>No. of Shares</u> | <u>Amount</u> | | | |
| 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 |
| Members resigned or forfeited | - | - | 42 | - | - | - | - |
| New stock members | - | - | (60) | - | 30,204 | - | 30,204 |
| Capital assessment | - | - | - | - | 638,840 | - | 638,840 |
| Net income | - | - | - | - | - | 490,581 | 490,581 |
| Balance, December 31, 2021 | 450 | \$ 67,500 | 119 | \$ - | \$ 8,664,556 | \$ (3,759,709) | \$ 4,972,347 |

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, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|--------------|
| Cash flows provided by operating activities: | | |
| Net income (loss) | \$ 490,581 | \$ (434,589) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 413,288 | 410,182 |
| Gain on sale of assets | (22,125) | (15,780) |
| Net book value of assets impaired | - | 952,963 |
| (Increase) decrease in: | | |
| Accounts receivable | 55,679 | 39,732 |
| Inventory | 1,501 | 22,044 |
| Prepaid expenses | (33,430) | (1,587) |
| Increase (decrease) in: | | |
| Accounts payable | (1,746) | (40,788) |
| Accrued liabilities | 9,209 | (36,463) |
| Unearned membership dues | (52,753) | (18,610) |
| | 860,204 | 877,104 |
| Cash flows used by investing activities: | | |
| Additions to property and equipment | (1,360,554) | (443,277) |
| | (1,360,554) | (443,277) |
| Cash flows provided by financing activities: | | |
| Sales of stock to new members | 30,204 | 15,435 |
| Capital assessment | 638,840 | 374,020 |
| Debt payments | (200,000) | (146,423) |
| Debt borrowing | - | 27,349 |
| | 469,044 | 270,381 |
| Net increase (decrease) in cash | (31,306) | 704,208 |
| Cash, beginning of year | 1,362,632 | 658,424 |
| Cash, end of year | \$ 1,331,326 | \$ 1,362,632 |

Supplemental Disclosure of Cash Flow Information:

Cash flows from operating activities reflect interest payments of \$33,386 and \$31,581 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020

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)

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. The price of the Club's common stock and transfer fees is determined by the Club's Board of Directors.

Revenue Recognition and Related Contract Assets and Liabilities

The Club recognizes revenue when its customer (member) obtains control of promised goods or services. The amount of revenue recognized reflects the consideration which the Club expects to receive in exchange for those goods and services, at the point in time when it is probable that the Club will collect the consideration to which it is entitled.

Revenues from member contracts consist primarily of membership dues, food and beverage sales, and guest fees. Charges for membership dues are billed one month in advance and are earned in the following month. Revenues from food and beverage sales and guest fees are billed and recognized when the member receives those goods and services. The price of goods and services charged to the Club's members is determined by the Club's Board of Directors or the Club's management.

Tournament fees are billed, generally to third-parties, and are recognized when the tournament takes place. Transfer and social membership fees are recognized when received by the Club.

For purposes of presentation in the accompanying statements of financial position, revenues earned but not yet received are included in accounts receivable (contract asset) and dues paid in advance of billings are recorded as unearned membership dues (contract liability).

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, 2021 and 2020. 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.

NOTES TO FINANCIAL STATEMENTS (continued)

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 16, 2022, 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.

Financial Instruments

The carrying amounts of current assets and liabilities approximate fair values due to their short maturity periods. The carrying amount of the Club's debt obligation approximates 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 net realizable value.

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|--------------|--------------|
| Land | \$ 137,084 | \$ 137,084 |
| Clubhouse and improvements | 1,797,660 | 1,084,121 |
| Machinery and equipment | 3,242,372 | 2,713,879 |
| Grounds and buildings | 811,644 | 811,644 |
| Golf course and improvements | 4,281,678 | 4,273,449 |
| Other recreational facilities | 1,187,411 | 1,168,965 |
| | ----- | ----- |
| | 11,457,849 | 10,189,142 |
| Less accumulated depreciation | (7,260,832) | (6,961,515) |
| | ----- | ----- |
| | \$ 4,197,017 | \$ 3,227,627 |
| | ===== | ===== |

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - LONG-TERM DEBT

A summary of long-term debt as of December 31, 2021 and 2020, is as follows:

| | 2021 | 2020 |
|---|-------------|-------------|
| 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 (refinanced in 2021) | \$ - | \$ 922,500 |
| Note payable to bank, line of credit in the amount of \$5,622,500; monthly interest payments at 4% per annum; yearly principal payments of \$361,500 due each November 14; due in full on September 14, 2027; collateralized by mortgage on Club's real estate | 722,500 | - |
| Less current portion | (361,500) | (150,000) |
| | \$ 361,000 | \$ 772,500 |
| | ===== | ===== |

Aggregate maturities of long-term debt as of December 31, 2021, are as follows:

Year ending December 31,

| | | |
|------|------------|--|
| 2022 | \$ 361,500 | |
| 2023 | 361,000 | |
| | \$ 722,500 | |
| | ===== | |

Subsequent Event:

On January 17, 2022, the Club refinanced the existing line of credit described above with the Club's bank. The new \$7,072,500 credit line was obtained to finance cost increases associated with the clubhouse renovation.

NOTES TO FINANCIAL STATEMENTS (continued)

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, 2021 and 2020, the Club matched \$.50 for each dollar on the first 6% of electing employees' contributions. Matching contributions to the Plan were \$29,146 and \$30,095 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 - NET GAIN FROM INVOLUNTARY CONVERSION OF ASSETS

The Club received insurance proceeds in 2021 and 2020 from its insurance carrier for flood, ice storm and fire claims occurring in 2020 and 2019. The net gain from involuntary conversion of assets for 2021 and 2020 is as follows:

| | 2021 | 2020 |
|--|-------------|--------------|
| Insurance proceeds received | \$ 607,362 | \$ 1,076,984 |
| Net book value of assets impaired and operational expenses related to claims | - | (1,051,908) |
| Net gain | \$ 607,362 | \$ 25,076 |

NOTE 6 - RECLASSIFICATIONS

Certain balances from the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation. Such reclassifications had no effect on the previously reported net loss for the year ended December 31, 2020.

NOTE 7 - 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, 2021 and 2020

| | 2021 | 2020 |
|---|-------------|--------------|
| Revenues: | | |
| Food sales | \$ 137,601 | \$ 273,688 |
| Food minimum | 102,758 | 142,215 |
| Beverage sales | 335,805 | 317,171 |
| Tobacco-cards-shine | 159 | 425 |
| Membership dues | 2,317,721 | 2,312,814 |
| Tournament fees | 264,055 | 82,775 |
| Guest fees | 420,357 | 360,972 |
| Interest income and late charges | 11,155 | 18,195 |
| Social and stock fees | 199,000 | 110,000 |
| Rentals | 51,717 | 67,201 |
| Other income | 70,691 | 46,301 |
| Net gain from involuntary conversion of assets | 607,362 | 25,076 |
| | ----- | ----- |
| Total revenues | 4,518,381 | 3,756,833 |
| | ----- | ----- |
| Cost of Sales: | | |
| Food | 72,523 | 158,189 |
| Beverage | 63,031 | 68,555 |
| Tobacco-cards-shine | 122 | 355 |
| | ----- | ----- |
| Total cost of sales | 135,676 | 227,099 |
| | ----- | ----- |
| Gross Profit | 4,382,705 | 3,529,734 |
| | ----- | ----- |
| Departmental Expenses: | | |
| Food | 191,277 | 498,526 |
| Beverage | 202,553 | 149,424 |
| Pro shop | 231,259 | 242,642 |
| Bag room | 113,672 | 103,215 |
| Grounds and greens | 1,017,970 | 915,836 |
| Carts and range | 24,940 | 26,295 |
| Clubhouse | 596,791 | 570,515 |
| Locker rooms | 88,913 | 128,235 |
| Swimming pool | 128,316 | 63,005 |
| General and administrative | 883,145 | 856,448 |
| | ----- | ----- |
| Total departmental expenses | 3,478,836 | 3,554,141 |
| | ----- | ----- |
| Depreciation | 413,288 | 410,182 |
| | ----- | ----- |
| Net Income (Loss) | \$ 490,581 | \$ (434,589) |
| | ===== | ===== |