

TWIN HILLS GOLF AND COUNTRY CLUB, INC.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2024 AND 2023

TWIN HILLS GOLF AND COUNTRY CLUB, INC.
FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2024 AND 2023

CONTENTS

Independent Auditor's Report.....	1.
Financial Statements:	
Statements of Financial Position.....	4.
Statements of Revenues and Expenses.....	5.
Statements of Operating Expenses.....	6.
Statements of Members' Equity.....	7.
Statements of Cash Flows.....	8.
Notes to Financial Statements.....	9.
Supplemental Schedule of Revenues and Expenses.....	16.

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, 2024 and 2023, 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, 2024 and 2023, 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 accompanying *Supplemental Schedule of Revenues and Expenses* 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 audit 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.

April 18, 2025

West Company

TWIN HILLS GOLF AND COUNTRY CLUB, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 276,904	\$ 871,976
Accounts receivable, less allowance for credit losses of \$45,002 and \$18,317 as of December 31, 2024 and 2023, respectively	448,035	422,508
Inventory	97,601	32,876
Prepaid expenses	97,246	77,244
	-----	-----
Total current assets	919,786	1,404,604
Property and Equipment, net	12,305,981	12,201,003
	-----	-----
	\$ 13,225,767	\$ 13,605,607
	=====	=====
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 242,198	\$ 76,423
Accrued liabilities	107,160	95,450
Unearned membership dues	107,755	97,256
Current portion of long-term debt	509,308	609,308
Current portion of lease liabilities	22,296	-
	-----	-----
Total current liabilities	988,717	878,437
Long-Term Debt, net of current portion	5,392,384	6,001,692
Lease Liabilities, net of current portion	95,945	-
Members' Equity:		
Common stock, \$150 par value, 500 shares authorized, 450 shares issued and outstanding	67,500	67,500
Additional paid-in capital	10,999,721	10,222,667
Treasury stock	-	-
Accumulated deficit	(4,318,500)	(3,564,689)
	-----	-----
Total members' equity	6,748,721	6,725,478
	-----	-----
	\$ 13,225,767	\$ 13,605,607
	=====	=====

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Membership dues	\$ 3,244,068	\$ 2,884,190
Food and beverage	1,585,150	1,191,574
Tobacco, cards, shine	730	174
Sundry	10,139	20,540
Tournament and guest fees	800,705	762,611
Transfer and social fees	284,000	411,000
Rental income	86,383	55,872
Gain on sale of assets	48,615	19,297
Interest income and late charges	60,947	50,389
Other income	23,673	38,186
Net gain from involuntary conversion of assets	-	374,914
ERC grant income	-	521,810
	-----	-----
Total revenues	6,144,410	6,330,557
	-----	-----
Cost of Sales:		
Food and beverage	563,965	387,423
Tobacco, cards, shine	1,283	414
Sundry	7,771	-
	-----	-----
Total cost of sales	573,019	387,837
	-----	-----
Gross Profit	5,571,391	5,942,720
Operating Expenses (Schedule 1)	(6,325,202)	(5,610,094)
	-----	-----
Net Income (Loss)	\$ (753,811)	\$ 332,626
	=====	=====

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Expenses:		
Salaries and taxes	\$ 3,048,437	\$ 2,725,788
Depreciation	741,455	564,747
Amortization of right-of-use assets	2,455	-
Insurance	309,046	268,820
Provision for credit losses	23,820	17,512
Interest expense	270,157	272,401
Interest expense - finance lease	1,128	-
Utilities	128,856	247,120
Supplies	186,692	139,851
Repairs and maintenance	231,366	219,236
Employee benefits	422,846	425,319
Grounds maintenance supplies	201,965	163,552
Laundry and uniforms	138,564	99,629
Other taxes	182,837	118,535
Miscellaneous expense	42,467	28,627
Postage, printing and advertising	13,732	19,295
Legal and accounting	17,384	14,751
Rentals and leasing	41,644	43,580
Telephone	50,526	47,497
Promotions	59,504	28,859
Contract labor	2,115	86
Vehicle fuel expense	25,098	32,912
Travel and conventions	1,866	1,274
Dues and subscriptions	21,704	20,924
Entertainers	15,238	3,782
Licenses, fees and permits	109,910	91,390
Computer expense	28,650	14,607
Lease expense - operating lease	5,740	-
	-----	-----
Total operating expenses	\$ 6,325,202	\$ 5,610,094
	=====	=====

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, 2024 and 2023

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>No. of</u>	<u>Amount</u>	<u>No. of</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	
	<u>Shares</u>		<u>Shares</u>		<u>Capital</u>		
Balance, December 31, 2022	450	\$ 67,500	77	\$ -	\$ 9,419,213	\$ (3,897,315)	\$ 5,589,398
Members resigned or forfeited	-	-	30	-	-	-	-
New stock members	-	-	(50)	-	38,664	-	38,664
Capital assessment	-	-	-	-	764,790	-	764,790
Net income	-	-	-	-	-	332,626	332,626
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 2023	450	\$ 67,500	57	\$ -	\$10,222,667	\$ (3,564,689)	\$ 6,725,478
Members resigned or forfeited	-	-	33	-	-	-	-
New stock members	-	-	(18)	-	29,394	-	29,394
Capital assessment	-	-	-	-	747,660	-	747,660
Net loss	-	-	-	-	-	(753,811)	(753,811)
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 2024	450	\$ 67,500	72	\$ -	\$10,999,721	\$ (4,318,500)	\$ 6,748,721
	=====	=====	=====	=====	=====	=====	=====

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows provided by operating activities:		
Net income (loss)	\$ (753,811)	\$ 332,626
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	741,455	564,747
Amortization of right-to-use assets	2,455	-
Gain on sale of assets	(48,615)	(19,297)
Proceeds from sale of assets	25,200	-
Noncash portion of lease expense for operating lease	4,147	-
Decrease in lease liability-operating lease	(4,147)	-
Decrease in lease liability-finance lease	(2,417)	-
(Increase) decrease in:		
Accounts receivable	(25,527)	(183,879)
Inventory	(64,725)	(15,700)
Prepaid expenses	(20,002)	(28,963)
Increase (decrease) in:		
Accounts payable	165,776	5,194
Accrued liabilities	11,710	26,476
Unearned membership dues	10,499	70,524
	-----	-----
Net cash provided by operating activities	41,998	751,728
	-----	-----
Cash flows used by investing activities:		
Additions to property and equipment	(704,816)	(2,971,510)
	-----	-----
Net cash used by investing activities	(704,816)	(2,971,510)
	-----	-----
Cash flows provided by financing activities:		
Sales of stock to new members	29,394	38,664
Capital assessment	747,660	764,790
Debt payments	(709,308)	(100,000)
Debt borrowing	-	1,562,974
	-----	-----
Net cash provided by financing activities	67,746	2,266,428
	-----	-----
Net increase (decrease) in cash	(595,072)	46,646
Cash, beginning of year	871,976	825,330
	-----	-----
Cash, end of year	\$ 276,904	\$ 871,976
	=====	=====

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

TWIN HILLS GOLF AND COUNTRY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 and 2023

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.

Supplemental Disclosure of Cash Flow Information

Cash flows from operating activities reflect interest payments of \$271,285 and \$272,401 for the years ended December 31, 2024 and 2023, respectively.

Non-cash transactions - In 2024, the Company recorded right-to-use assets and related lease liabilities in connection with finance and operating leases in the total amount of \$124,805. .

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 credit losses has been established by management to reserve for accounts receivable amounts which may become uncollectible. The allowance is established based upon historical bad debt experience, industry and other information as well as management review of other qualitative data. Accounts are periodically charged-off to the allowance when deemed uncollectible by management. This typically occurs when the Club has exhausted all efforts to collect the outstanding balance.

Inventory

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

NOTES TO FINANCIAL STATEMENTS (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation is determined by using the straight-line method over various lives. 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.

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).

NOTES TO FINANCIAL STATEMENTS (continued)

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, 2024 and 2023. 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. Funds are swept at the end of the day into a money market mutual fund investing in direct obligations of the U.S. government.

Subsequent Events

The Club has evaluated subsequent events through April 18, 2025, the date the financial statements were available to be issued, and 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Leases

FASB ASU 2016-02, *Leases* (Topic 842) establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms greater than 12 months. Leases are classified as either finance or operating, with classification affecting the recognition of expense in the statement of operations. Leases with a term of 12 months or less will not record a ROU asset and lease liability and the lease payments will be recognized in operations on a straight-line basis over the lease term.

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 137,084	\$ 137,084
Clubhouse and improvements	10,033,917	10,085,895
Machinery and equipment	2,825,764	3,235,099
Grounds and buildings	873,172	871,961
Golf course and improvements	4,425,123	4,342,463
Other recreational facilities	1,214,632	1,214,632
	-----	-----
	19,509,692	19,887,134
Less accumulated depreciation	(7,321,915)	(7,686,131)
	-----	-----
Subtotal	12,187,777	12,201,003
Right-of-use assets, operating leases	73,257	-
Less accumulated amortization	(4,146)	-
Right-of-use assets, finance leases	51,548	-
Less accumulated amortization	(2,455)	-
	-----	-----
Net property and equipment	\$ 12,305,981	\$ 12,201,003
	=====	=====

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - LONG-TERM DEBT

A summary of long-term debt as of December 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Note payable to bank, line of credit in the amount of \$7,072,500; 12 annual principal payments of \$389,308 due each November, starting in November, 2024; 164 monthly principal payments of \$10,000 starting in March, 2023; final principal payment of \$199,304 due in November, 2036; monthly interest payments at 4.15% per annum through February, 2027 and at a variable interest rate thereafter; collateralized by a mortgage on the Club's real estate	\$ 5,901,692	\$ 6,611,000
Less current portion	(509,308)	(609,308)
	-----	-----
	\$ 5,392,384	\$ 6,001,692
	=====	=====

Aggregate maturities of long-term debt as of December 31, 2024, are as follows:

<u>Year ending December 31,</u>	
2025	\$ 509,308
2026	509,308
2027	509,308
2028	509,308
2029	509,308
2029 & thereafter	3,355,152

	\$ 5,901,692
	=====

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - LEASES

The Club leases certain golf-course equipment under finance and operating leases.

Quantitative lease information:

A summary of total lease cost and other lease information for the year ended December 31, 2024 is as follows:

Finance lease cost:	
Amortization of right-of-use assets	\$ 2,455
Interest on lease liability	1,128
Operating lease cost	5,740

Total lease cost	\$ 9,323
	=====
Remaining lease term-	
Finance lease	56 months
Operating lease	56 months
Discount rate-	
Finance lease	6.99%
Operating lease	7.0%

A summary of the future lease payments for finance and operating leases reconciled to the lease liability recorded at December 31, 2024 is as follows:

<u>Year ended December 31,</u>	<u>Finance</u> <u>Lease</u>	<u>Operating</u> <u>Lease</u>
2025	\$ 12,239	\$ 17,220
2026	12,239	17,220
2027	12,239	17,220
2028	12,239	17,220
2029	8,160	11,480
	-----	-----
Total future lease payments	57,116	80,360
Less effects of discounting	(7,985)	(11,249)
	-----	-----
Lease liabilities recorded at December 31, 2024	49,130	69,111
Less current portion	(9,265)	(13,031)
	-----	-----
Long-term lease liabilities	\$ 39,865	\$ 56,080
	=====	=====

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 - 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, 2024 and 2023, the Club matched \$.50 for each dollar on the first 6% of electing employees' contributions. Matching contributions to the Plan were \$27,561 and \$29,175 for the years ended December 31, 2024 and 2023, respectively.

NOTE 6 - NET GAIN FROM INVOLUNTARY CONVERSION OF ASSETS

The Club received insurance proceeds in 2023 totaling \$374,914 from its insurance carrier for flood, ice storm and fire claims occurring in 2021 and 2019.

NOTE 7 - EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC), which was included as part of the CARES Act and amended by the Consolidated Appropriations Act and the American Rescue Plan, provides for an incentive for employers severely impacted by the COVID-19 pandemic to retain their employees. The Club applied for and received ERC payroll tax credits totaling \$521,810 during 2023.

SUPPLEMENTARY INFORMATION

TWIN HILLS GOLF AND COUNTRY CLUB, INC.
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Food sales	\$ 781,763	\$ 617,938
Food minimum	127,320	114,686
Beverage sales	676,067	458,950
Tobacco-cards-shine	730	174
Sundry	10,139	20,540
Membership dues	3,244,068	2,884,190
Tournament fees	250,800	232,750
Guest fees	549,905	529,861
Interest income and late charges	60,947	50,389
Social and stock fees	284,000	411,000
Rentals	86,383	55,872
Other income	72,288	57,483
Net gain from involuntary conversion of assets	-	374,914
ERC grant income	-	521,810
	-----	-----
Total revenues	6,144,410	6,330,557
	-----	-----
Cost of Sales:		
Food	430,965	259,706
Beverage	133,000	127,717
Tobacco-cards-shine	1,283	414
Sundry	7,771	-
	-----	-----
Total cost of sales	573,019	387,837
	-----	-----
Gross Profit	5,571,391	5,942,720
	-----	-----
Departmental Expenses:		
Food	918,906	588,453
Beverage	492,483	385,835
Pro shop	327,367	315,821
Bag room	195,155	185,545
Grounds and greens	1,305,255	1,229,834
Carts and range	35,904	32,067
Clubhouse	667,953	674,585
Locker rooms	99,973	94,901
Swimming pool	123,536	134,259
General and administrative	1,414,760	1,404,047
	-----	-----
Total departmental expenses	5,581,292	5,045,347
	-----	-----
Depreciation and Amortization	743,910	564,747
	-----	-----
Net Income (Loss)	\$ (753,811)	\$ 332,626
	=====	=====