

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**



FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2021

LA CUMBRE COUNTRY CLUB
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2021
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To the Board of Directors of
La Cumbre Country Club

Opinion

We have audited the accompanying financial statements of La Cumbre Country Club (a California nonprofit organization) (the Club), which comprise the statement of financial position as of December 31, 2021, the related statements of revenue and expenses, changes in members' equity, functional expenses, and cash flows for the fifteen months then ended, and the related notes to the financial statements.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Cumbre Country Club as of December 31, 2021, and the changes in its members' equity and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Club 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.

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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 La Cumbre Country Club ability to continue as a going concern within 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 the Club'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 the Club'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 Summary of Changes in Property and Equipment, Analysis of Food and Beverage Operations, and Summary of Changes in Membership on pages 19-21 for the fifteen months ended December 31, 2021, are presented for the purpose of additional analysis and are 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

Supplementary Information (Continued)

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 as a whole.

Report on Summarized Comparative Information

We have previously audited La Cumbre Country Club's financial statements as of September 30, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MacFarlane, Faletti, & Co., LLP

**Santa Barbara, California
March 21, 2022**

LA CUMBRE COUNTRY CLUB

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(With Comparative Totals as of September 30, 2020)

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,701,861	\$ 44,282	\$ 2,746,143	\$ 1,894,111
Accounts receivable	1,089,026	-	1,089,026	916,622
Inventory (Note 3)	333,592	-	333,592	269,571
Prepaid expenses	153,582	-	153,582	127,944
Total Current Assets	<u>4,278,061</u>	<u>44,282</u>	<u>4,322,343</u>	<u>3,208,248</u>
OTHER ASSETS				
LCWGA cash (Note 2)	6,633	-	6,633	5,993
Property and equipment, net (Note 4)	11,904,384	-	11,904,384	11,296,917
Total Other Assets	<u>11,911,017</u>	<u>-</u>	<u>11,911,017</u>	<u>11,302,910</u>
TOTAL ASSETS	<u>\$ 16,189,078</u>	<u>\$ 44,282</u>	<u>\$ 16,233,360</u>	<u>\$ 14,511,158</u>
LIABILITIES AND MEMBERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 370,024	\$ -	\$ 370,024	\$ 805,105
Accrued expenses	341,014	-	341,014	322,337
Special funds	58,203	-	58,203	92,323
Deferred income	607,309	-	607,309	525,768
Current portion of long-term debt (Note 9)	-	-	-	200,000
Total Current Liabilities	<u>1,376,550</u>	<u>-</u>	<u>1,376,550</u>	<u>1,945,533</u>
OTHER LIABILITIES				
Associate privilege fees (Note 6)	811,979	-	811,979	-
Long-term debt (Note 9)	-	-	-	416,666
Total Other Liabilities	<u>811,979</u>	<u>-</u>	<u>811,979</u>	<u>416,666</u>
TOTAL LIABILITIES	<u>2,188,529</u>	<u>-</u>	<u>2,188,529</u>	<u>2,362,199</u>
MEMBERS' EQUITY				
Proprietary membership certificates, no par value, 400 certificates authorized, 351 issued and outstanding	1,003,200	-	1,003,200	1,003,200
Without donor restrictions				
Undesignated	10,514,699	-	10,514,699	9,529,127
Designated (Note 2):				
Capital improvements	2,476,017	-	2,476,017	1,536,914
LCWGA	6,633	-	6,633	5,993
Total Without Donor Restrictions	<u>14,000,549</u>	<u>-</u>	<u>14,000,549</u>	<u>12,075,234</u>
With donor restrictions (Note 2)	<u>-</u>	<u>44,282</u>	<u>44,282</u>	<u>73,725</u>
Total Members' Equity	<u>14,000,549</u>	<u>44,282</u>	<u>14,044,831</u>	<u>12,148,959</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 16,189,078</u>	<u>\$ 44,282</u>	<u>\$ 16,233,360</u>	<u>\$ 14,511,158</u>

LA CUMBRE COUNTRY CLUB
STATEMENT OF REVENUE AND EXPENSES
FOR THE FIFTEEN MONTHS END DECEMBER 31, 2021
(With Comparative Totals for the Twelve Months Ended September 30, 2020)

	For the 15-Months Ended December 31, 2021			For the 12-Months Ended September 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
OPERATING REVENUE				
Membership dues				
Proprietary	\$ 4,180,413	\$ -	\$ 4,180,413	\$ 3,219,965
Associate	542,996	-	542,996	363,976
Social	2,168,470	-	2,168,470	1,773,677
Emeritus	26,235	-	26,235	-
Nonresident	444,382	-	444,382	324,908
Total Membership Dues	<u>7,362,496</u>	<u>-</u>	<u>7,362,496</u>	<u>5,682,526</u>
Fees - swimming pool, tennis courts and fitness center	185,674	-	185,674	111,007
Locker rentals	81,630	-	81,630	74,844
Golf operations	1,330,074	-	1,330,074	821,833
Food and beverage	3,755,484	-	3,755,484	2,713,648
Miscellaneous	45,052	-	45,052	22,569
Total Revenue	<u>12,760,410</u>	<u>-</u>	<u>12,760,410</u>	<u>9,426,427</u>
OPERATING EXPENSES				
Direct Operating Expenses				
Golf operations	1,269,700	-	1,269,700	873,042
Golf course maintenance	3,083,760	-	3,083,760	2,230,878
Pool, tennis, and fitness	575,265	-	575,265	374,754
Locker room	119,954	-	119,954	93,856
Food and beverage	5,018,467	-	5,018,467	3,534,329
Total Direct Operating Expenses	<u>10,067,146</u>	<u>-</u>	<u>10,067,146</u>	<u>7,106,859</u>
Indirect Operating Expenses				
Repairs and maintenance	869,949	-	869,949	644,693
Administrative and general	2,089,916	-	2,089,916	1,549,905
Total Indirect Operating Expenses	<u>2,959,865</u>	<u>-</u>	<u>2,959,865</u>	<u>2,194,598</u>
Total Operating Expenses	<u>13,027,011</u>	<u>-</u>	<u>13,027,011</u>	<u>9,301,457</u>
(Deficit)/Surplus of Operating Revenue Over Operating Expenses before Other Revenue and Expenses	<u>(266,601)</u>	<u>-</u>	<u>(266,601)</u>	<u>124,970</u>
OTHER REVENUES AND (EXPENSES)				
Transfer and initiation fees, net	3,435,773	-	3,435,773	1,459,171
Loss on disposition of assets	(16,319)	-	(16,319)	-
Contributions	-	282,657	282,657	195,003
Released from restrictions	312,100	(312,100)	-	-
Government grants	871,456	-	871,456	-
Interest expense	(20,645)	-	(20,645)	(29,472)
Depreciation	(1,784,304)	-	(1,784,304)	(1,263,912)
Total Other Revenues and (Expenses)	<u>2,798,061</u>	<u>(29,443)</u>	<u>2,768,618</u>	<u>360,790</u>
SURPLUS (DEFICIT) OF REVENUE OVER EXPENSES	<u>\$ 2,531,460</u>	<u>\$ (29,443)</u>	<u>\$ 2,502,017</u>	<u>\$ 485,760</u>

LA CUMBRE COUNTRY CLUB
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2021
(With Comparative Totals for the Twelve Months Ended September 30, 2020)

	Proprietary Membership Certificates	Without Donor Restrictions			With Donor Restrictions	Total
		Undesignated	Capital Improvements	LCWGA		
Balances, September 30, 2019	\$ 1,003,200	\$ 9,769,854	\$ 883,930	\$ 6,215	\$ -	\$ 11,663,199
Board designations						
Transfer fees	-	(1,479,171)	1,479,171	-	-	-
Designated dues	-	(250,000)	250,000	-	-	-
Expenditure of Board designated funds						
Capital improvements	-	846,714	(846,714)	-	-	-
Interest expense	-	29,472	(29,472)	-	-	-
Loan principal payment	-	200,001	(200,001)	-	-	-
Surplus (Deficit) of Revenue Over Expenses	-	412,257	-	(222)	73,725	485,760
BALANCES, SEPTEMBER 30, 2020	\$ 1,003,200	\$ 9,529,127	\$ 1,536,914	\$ 5,993	\$ 73,725	\$ 12,148,959
Retrospective application of ASC 606	-	(606,145)	-	-	-	(606,145)
Board designations						
Transfer fees	-	(3,645,773)	3,645,773	-	-	-
Designated dues	-	(312,499)	312,499	-	-	-
Proceeds from sales of equipment		(68,300)	68,300			
Expenditure of Board designated funds						
Capital improvements	-	2,450,158	(2,450,158)	-	-	-
Interest expense	-	20,645	(20,645)	-	-	-
Loan principal payment	-	616,666	(616,666)	-	-	-
Surplus (Deficit) of Revenue Over Expenses	-	2,530,820	-	640	(29,443)	2,502,017
BALANCES, DECEMBER 31, 2021	\$ 1,003,200	\$ 10,514,699	\$ 2,476,017	\$ 6,633	\$ 44,282	\$ 14,044,831

LA CUMBRE COUNTRY CLUB
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2021
(With Comparative Totals for Twelve Months Ended September 30, 2020)

	For the 15-Months Ended December 31, 2021							For the 12-Months Ended September 30, 2020	
	Golf Operations	Golf Course Maintenance	Pool, Tennis, and Fitness	Locker Room	Food and Beverage	Repairs and Maintenance	Administrative and General	Total 2021	Total 2020
Payroll	\$ 575,530	\$ 1,332,059	\$ 355,942	\$ 71,706	2,246,905	\$ 355,665	\$ 906,353	\$ 5,844,160	\$ 4,115,678
Payroll taxes	49,980	85,530	38,500	5,378	174,456	26,178	55,858	435,880	304,582
Worker's compensation insurance	21,981	44,497	15,383	2,507	57,131	11,268	14,112	166,879	122,061
Employee health insurance	43,351	251,441	11,910	14,723	193,237	46,593	76,244	637,499	578,893
Employee meals	13,324	-	3,369	1,457	41,401	6,688	11,736	77,975	62,174
Retirement	16,897	19,763	12,787	-	19,617	8,249	29,302	106,615	118,121
Other employee benefits	-	-	-	-	-	-	45,103	45,103	25,515
Service contracts	-	124,428	57,192	-	2,695	176,213	158,333	518,861	410,220
Accounting and legal	-	-	-	-	-	-	38,497	38,497	43,210
Food and beverage costs	-	-	-	-	1,733,641	-	-	1,733,641	1,150,780
Golf and tennis shop costs	440,128	-	14,868	-	-	-	-	454,996	295,340
Rentals	-	34,955	-	-	10,772	-	-	45,727	8,050
Repairs and maintenance	7,127	120,856	-	1,076	-	113,939	13,593	256,591	210,609
Supplies	30,831	257,552	17,487	10,230	217,218	60,691	39,004	633,013	458,447
Lake maintenance	-	33,991	-	-	-	-	-	33,991	43,798
Tree maintenance	-	65,475	-	-	-	-	-	65,475	41,930
Printing and postage	-	-	-	-	-	-	74,750	74,750	33,156
Telephone	1,751	6,882	161	-	-	1,671	21,307	31,772	24,454
Travel, education and conferences	-	-	608	-	4,882	-	11,185	16,675	10,092
Water	-	575,827	-	-	-	-	-	575,827	338,047
Utilities	20,424	55,629	46,121	12,877	109,456	21,181	66	265,754	178,194
Waste disposal	-	56,377	-	-	-	30,627	-	87,004	55,784
Laundry and uniforms	19,685	13,935	691	-	59,796	10,986	-	105,093	60,277
Dues and subscriptions	1,280	2,937	-	-	-	-	42,503	46,720	45,402
Licenses and fees	-	1,626	-	-	5,121	-	-	6,747	5,673
Insurance	-	-	-	-	-	-	129,259	129,259	92,860
Real estate taxes	-	-	-	-	-	-	254,952	254,952	193,411
Income and use taxes	-	-	-	-	-	-	110	110	551
Decorations and entertainment	-	-	-	-	20,668	-	53,588	74,256	90,962
Security	-	-	-	-	-	-	9,665	9,665	11,342
Miscellaneous	5,386	-	246	-	2,061	-	48,196	55,889	17,703
Promotions	-	-	-	-	21,758	-	7,511	29,269	20,616
Member benefits	22,025	-	-	-	97,652	-	48,689	168,366	133,525
Depreciation	174,940	726,478	362,360	3,534	151,325	287,698	77,969	1,784,304	1,263,912
Interest	-	-	-	-	-	-	20,645	20,645	29,472
Total Expenses by Function	1,444,640	3,810,238	937,625	123,488	5,169,792	1,157,647	2,188,530	14,831,960	10,594,841
Less other expenses									
Depreciation	(174,940)	(726,478)	(362,360)	(3,534)	(151,325)	(287,698)	(77,969)	(1,784,304)	(1,263,912)
Interest	-	-	-	-	-	-	(20,645)	(20,645)	(29,472)
TOTAL OPERATING EXPENSES	\$ 1,269,700	\$ 3,083,760	\$ 575,265	\$ 119,954	\$ 5,018,467	\$ 869,949	\$ 2,089,916	\$ 13,027,011	
PRIOR YEAR COMPARATIVE TOTALS	\$ 873,042	\$ 2,230,878	\$ 374,754	\$ 93,856	\$ 3,534,329	\$ 644,693	\$ 1,549,905		\$ 9,301,457

See accompanying notes to financial statements.

LA CUMBRE COUNTRY CLUB
STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2021
(With Comparative Totals for the Twelve Months Ended September 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus of revenue over expenses	\$ 2,475,785	\$ 485,760
Adjustments to reconcile surplus of revenue over expenses to net cash provided by operating activities:		
Depreciation	1,784,304	1,263,912
Increase in restricted cash	(640)	222
Loss on disposition of assets	16,319	-
Change in:		
Accounts receivable	(172,404)	43,419
Inventory	(64,021)	1,841
Prepaid expenses	(25,638)	(107,112)
Accounts payable	(435,081)	26,338
Accrued expenses	18,677	112,919
Special funds	(34,120)	861
Deferred income	81,541	11,096
Associate privilege fees	205,834	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,850,556</u>	<u>1,839,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of equipment	68,300	-
Purchase of property and equipment	(2,450,158)	(846,711)
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,381,858)</u>	<u>(846,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(616,666)	(200,001)
NET CASH USED FINANCING ACTIVITIES	<u>(616,666)</u>	<u>(200,001)</u>
NET INCREASE (DECREASE) IN CASH	852,032	792,544
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,894,111</u>	<u>1,101,567</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,746,143</u>	<u>\$ 1,894,111</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for:		
Interest	\$ 20,645	\$ 29,472

Non-Cash Disclosures:

For the 15 months ended December 31, 2021 and 12 months ended September 30, 2020, the Club had \$0 and \$228,488 , respectively in accounts payable related to capital additions. The additions are included in property and equipment and accounts payable and excluded from the Statement of Cash Flows.

During the 15 months ended December 31, 2021, the Club received a trade in credit in the amount of \$96,900 on the purchase of golf carts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

La Cumbre Country Club (the Club) was incorporated in 1956 under the laws of the State of California and has operated as a private, nonprofit country club continuously since that time. The Club is controlled by a Board of Directors whose authority is given by the membership through its bylaws. It operates an eighteen-hole golf course, six tennis courts, a swimming pool, a fitness center, a golf shop, an outdoor dining facility and a clubhouse containing a restaurant and cocktail bar. The membership is comprised primarily of residents of Santa Barbara County.

Basis of Presentation

The accompanying financial statements of the Club have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Club reports information regarding its financial position and revenues and expenses according to two classes of members' equity: without donor restrictions and with donor restrictions. Accordingly, its members' equity and changes therein are classified and reported as follows:

Members' Equity Without Donor Restrictions—Members' equity that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.

Members' Equity With Donor Restrictions—Members' equity either subject to donor-imposed stipulations that will be met either by actions of and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, which is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Organizations that transition to this new standard may either retrospectively restate each prior reporting period or follow the modified retrospective method, which reflects the cumulative effect of initially applying the updates with an adjustment to net assets at the date of adoption.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

The Club adopted this standard effective October 1, 2020, using the modified retrospective approach. In adopting the new standard the Club assessed that the nonrefundable Associate Privilege fees did not meet the criteria for a completed contract. The fees are collected by the Club from an Associate members over the course of their time as an associate member. These fees will be recognized as revenue when an Associate member purchases an equity membership or change to another membership classification or leaves the Club.

The cumulative effect of applying the new standard is noted below:

	<u>October 1, 2020</u>
Beginning Members' Equity Without Donor Restrictions	\$ 12,075,234
ASU 2014-09 Transfer and Initiation Revenue Decrease	<u>(606,145)</u>
Adjusted Beginning Members' Equity Without Donor Restrictions	<u>\$ 11,469,089</u>

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for fiscal years beginning after December 15, 2018. The Organization adopted this standard effective October 1, 2020, using the modified prospective approach, with no effect on Members' equity.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. This new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the statement of financial position. The guidance will also require additional disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which will be effective for the Club's fifteen months ending December 31, 2021, will be to record right-of-use assets and lease obligations for current operating leases. The Club adopted this standard effective October 1, 2020, with no material effect on Members' equity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) on Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the Statement of Revenue and Expenses, apart from cash and other financial assets, and disaggregate into different categories those nonfinancial assets. For each category of utilized assets, the description of programs or other activities in which the assets are utilized and any donor-imposed restrictions on the use of assets need to be disclosed. The Club adopted this standard effective October 1, 2020, with no material effect on Members' equity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes demand deposits, money market accounts and donor restricted cash, but does not include restricted cash.

Accounts Receivable

Accounts receivable reflect balances due from members for dues and purchases of goods and services and are stated at the amount management expects to collect from outstanding balances. Based on the Club's collection history and on its assessment of the current status of individual accounts, management has not provided for a valuation allowance.

Inventory

Inventory is stated at lower of average cost or net realizable value. Inventory consists of food, bar, tennis shop and golf shop items.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. The Club's policy is to capitalize assets which have a value of \$1,000 or greater and a useful life of more than one year.

Special Funds

Undisbursed funds received for tournaments and special projects are included in liabilities and are designated as "special funds."

Deferred Income

The Club follows the practice of billing membership dues, locker rentals and club storage fees in advance. These amounts are shown as deferred income in the accompanying financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership and Dues

The Club has one class of equity membership (proprietary members) and four other classes of memberships. All memberships are subject to the approval by the Board. The proprietary members have specific rights in excess of those held by other membership holders. They have the right to receive proceeds from the Club in the event of liquidation, to propose new members, to hold office and to vote at the annual meeting. Membership dues are recognized as revenue in the applicable membership period. Initiation and transfer fees are recorded as revenue in the period when the fees are due. Associate privilege fees are recognized as revenue when the associate purchases a proprietary membership or resigns from the Club.

Golf Operations

Golf operations include income from green fees, cart maintenance, cart storage, cart rental, club care, range balls and golf shop sales.

Golf operations include expenditures relating to the operations of the golf carts and the golf shop.

Income Tax Status

The Club is exempt from federal and California taxes on income from member activities under Internal Revenue Code Section 501(c)(7) and the corresponding California code. The Club is not exempt from tax on investment income or on any net income from sales and services to non-members.

The Club is not aware of any uncertain tax positions requiring disclosure at December 31, 2021, or in years for which the tax statute is open.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses.

Significant estimates used in preparing these financial statements include:

- Collectability of accounts receivable
- Useful lives of capitalized assets
- Allocation of expenses by function

It is reasonably possible that the significant estimates used will change within the next year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue is generated primarily by membership dues, initiation and transfer fees, associate privilege fees and by member's use of the Club facilities. Membership and dues are recognized as revenue in the applicable membership period. Initiation and transfer fees are recognized as revenue in the period when the fees are due. Fees for the use of the club facilities are recognized as revenue when the services are performed. Associate privilege fees are recognized as revenue when the Associate member purchases an equity membership or resigns from the Club.

Restricted Revenues

Contributions designated by donors for specified purposes are treated as restricted funds. These donations are recognized as revenue when the contribution or nonconditional promise to give is received. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor's restriction is satisfied, either by using he resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from the net assets with donor restrictions to net assets without donor restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of revenue and expenses. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include interest, insurance and depreciation, which are allocated based on a square footage basis, as well as salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

Comparative Information

The financial statements include certain prior period summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, accounts receivable, accounts payable, accrued expenses, special funds and deferred income approximated fair value as of December 31, 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain reclassifications have been made to the September 30, 2020, balances, as reported in the prior year financial statements, to make them comparable to the balances reported for the period ended December 31, 2021.

NOTE 2 RESTRICTED AND BOARD DESIGNATED FUNDS

Donor Restricted Funds consist of the following:

Covid 19 employee assistance fund

The Club received donations from members to assist the Club in helping employees that would otherwise not be receiving compensation during the Club's closure due to the effects of Covid 19. In the current financial reporting period ended December 31, 2021 the club did not receive any contributions and the Club had \$73,725 in expenditures for Covid 19 related expenses. The Fund had a \$0 balance as of December 31, 2021.

Employee Holiday fund

The Club receives donations from members to provide the Club's employees support during the holiday season. In the current financial reporting period ending December 31, 2021 the Club received \$282,657 in contributions restricted to assist support the employees and the Club had \$238,375 in related expenses. The fund had a balance of \$44,282 as of December 31, 2021.

Board Designated Funds consist of the following:

Capital Improvement Fund

The excess of transfer and initiation fees along with the proceeds from the sales of assets and the allocation of board designated dues over the cost of capital improvements and debt servicing have been designated for future capital improvements. Total fund designated for capital improvements are \$2,476,017 and \$1,536,914 for the periods ended December 31, 2021 and September 30, 2020.

La Cumbre Women's Golf Association

The La Cumbre Women's Golf Association (LCWGA) was established to promote women's activities and golf tournaments using club facilities. For the period ended December 31, 2021, dues and tournament fees amounted to \$21,385 and expenses amounted to \$20,745. The fund had a balance of \$6,633 and \$5,993 as of December 31, 2021 and 2020, respectively.

NOTE 3 INVENTORY

Inventory consists of the following:

	December 31, <u>2021</u>	September 30, <u>2020</u>
Golf shop	\$ 135,269	\$ 108,748
Tennis shop	17,223	-
Wine and liquor	150,292	131,200
Food	29,024	27,839
Supplies	<u>1,784</u>	<u>1,784</u>
Total Inventory	<u>\$ 333,592</u>	<u>\$ 269,571</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	December 31, <u>2021</u>	September 30, <u>2020</u>
Land	\$ 624,327	\$ 624,327
Land improvements	9,619,799	8,159,161
Building and improvements	15,774,688	15,636,601
Furniture, fixtures and equipment	<u>5,523,312</u>	<u>5,015,143</u>
Total property and equipment	31,542,126	29,435,232
Less: accumulated depreciation	<u>(19,637,742)</u>	<u>(18,138,315)</u>
Net property and equipment	<u>\$ 11,904,384</u>	<u>\$ 11,296,917</u>

Maintenance and repairs are charged to operating expenses as incurred. The cost of renewals and betterments, which materially extend the useful lives of the assets or increase their productivity are capitalized. Depreciation expense for the period ending December 31, 2021 and the year ending September 30, 2020, is \$1,784,304 and \$1,263,912, respectively.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Club maintains cash balances at one bank. The standard Federal Deposit Insurance Corporation (FDIC) insurance coverage is \$250,000 per depositor and per bank institution. The Club had \$2,558,500 in uninsured cash balances at December 31, 2021.

NOTE 6 ASSOCIATE PRIVILEGE FEES

The Club provides and plans for associate members to accumulate funds to purchase an equity membership. The plan requires that each associate member pay an associate privilege fee during their membership as an associate. These fees are nonrefundable and will be credited to the purchase of an equity membership. The club recognizes privilege fees as revenue at the point when the associate either purchase an equity membership, transfers to another category of membership, or declines to purchase a regular membership at age forty-eight.

NOTE 7 LEASE OBLIGATIONS

Operating Leases

The Club leases certain equipment under operating leases with total monthly rental payments of \$1,551 expiring in various years through December 2024. Rental expenses for these leases amounted to \$28,322 and \$7,177 for the fifteen months ended December 31, 2021 and the year ended September 30, 2020 respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2021:

2022	\$	18,472
2023		16,456
2024		<u>8,228</u>
Total	\$	<u>43,156</u>

NOTE 8 LINE OF CREDIT

The Club has available a \$1,000,000 bank line of credit which expires October 31, 2022. There were no amounts outstanding under this line of credit as of December 31, 2021 and September 30, 2020. The interest rate is the Bank Reference Rate (currently the U.S. Prime Rate, which is 3.25%).

NOTE 9 LONG-TERM DEBT

The Club had a multi-draw line of credit initially opened on November 30, 2016, for \$2,000,000 for a 60-month term, with the initial draw period for 12-months "interest only" and the remaining principal balance after the draw period termed out for 48 months, fully amortized term loan with principal and interest payments due monthly. This line of credit was modified on August 8, 2017 to reflect a reduced commitment of \$1,500,000, and the draw down period was extended three months to February 1, 2018, followed by a 48-month term loan, maturing January 31, 2022.

On November 6, 2018, the commitment was again modified reducing the loan amount to \$1,000,000 and a change in the rate and term. The new loan terms required a reduction in principal of \$218,750 with the remaining principal and interest payment paid over 5 years. The interest rate was reduced from Bank Reference Rate +.50% to Bank Reference Rate.

NOTE 9 LONG-TERM DEBT (Continued)

The Bank Reference Rate is currently the U.S. Prime Rate, which is 3.25%. As of December 31, 2021, the loan was fully paid off.

Interest expense for the 15 months ending December 31, 2021 and 12 months ended September 30, 2020, was \$20,645 and \$29,472, respectively.

NOTE 10 EMPLOYEE RETIREMENT PLAN

In 1983, the Board of Directors approved a noncontributory Simplified Employee Pension Plan (SEP) for the benefit of the Club's employees whereby an Individual Retirement Account (IRA) is opened in the name of each employee who has worked at the Club for a minimum of three years. Since inception, the Club has elected annually to contribute to the plan an amount equal to 8% of eligible employees' salaries. Employer contributions to the plan were \$54,202 for the year ended September 30, 2020. This plan was discontinued effective December 31, 2019 and replaced with a 401K plan.

In October 2019, the board of directors approved a new safe harbor 401(k) plan for the Club. This new plan went live on January 1, 2020. Under the new plan the Club matches 100% of the first 3% of employee contributions to the 401k. The Club will then match 50% of the next 2% of contributions. Overall, the Club will match a total of 4% while employees contribute 4%. This 401k plan is managed by a 3rd party administrator. This plan complies with all Safe Harbor 401(k) guidelines. The Club reviews the policy on an annual basis. Employer contributions to the plan were \$106,615 and \$63,919 for the fifteen months ended December 31, 2021 and the year ended September 30, 2020, respectively.

NOTE 11 INCOME TAXES

California income tax expense for the periods ended December 31, 2021 and 2020, was approximately \$0 and \$0, respectively. At December 31, 2021, the Club has a general business credit of approximately \$90,330 available to reduce future federal income taxes. If not used to offset future income taxes, these general business credits will expire in the years 2021 through 2032.

At December 31, 2021, the Club had no uncertain tax positions requiring accrual.

NOTE 12 CONTINGENT LIABILITY

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Club experienced brief closure of facilities, but as of March XX 2022, the offices and course are reopened to members and select staff, subject to regulated or reduced hours. The Club cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Club's financial position, changes in net assets, and cash flows for the year ended December 31, 2022.

NOTE 13 LIQUIDITY AND AVAILABILITY

The Club maintains a line of credit, totaling \$1,000,000 with a bank that is available to meet short-terms needs, if necessary (See Note 8).

The Board has designated a total of \$2,476,017 for the capital improvement fund (See Note 2). Although, the Club does not intend to spend from these board designated funds for general expenditures, these amounts could be made available if necessary.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021:

Current Assets:

Cash and cash equivalents	\$ 225,844
Accounts receivable	1,089,026
Inventory	<u>333,592</u>
	<u>\$ 1,648,462</u>

NOTE 14 GOVERNMENT GRANTS

During the 15-months ended December 31, 2021, the Club received \$871,456 of Employee Retention Credits (ERC) reported as government grants on the Statement of Revenue and Expenses. Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Club's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Club.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2022, which is the date the financial statements were available to be issued. Management has determined there are no subsequent events that require recognition or disclosure in the financial statements as of and for the period ended December 31, 2021.

SUPPLEMENTARY INFORMATION

LA CUMBRE COUNTRY CLUB
SUMMARY OF CHANGES IN PROPERTY AND EQUIPMENT
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2021

(With Comparative Totals for the Twelve Months Ended September 30, 2020)

	Balance September 30, 2020	Additions	Retirements	Reclassifications	Balance December 31, 2021
Land	\$ 624,327	\$ -	\$ -	\$ -	\$ 624,327
Land Improvements:					
Fairways and greens	2,499,198	193,968	-	-	2,693,166
Roads, paths, fences, and parking areas	471,150	1,817	-	-	472,967
Cart paths	272,887	-	-	-	272,887
Underground pipelines, irrigation systems and flood control	1,839,116	1,159,742	-	-	2,998,858
Permanent landscaping	2,611,424	105,111	-	-	2,716,535
Lake improvements	159,029	-	-	-	159,029
Pump station	306,357	-	-	-	306,357
Total Land Improvements	8,159,161	1,460,638	-	-	9,619,799
Building and Improvements:					
Pool house	2,537,938	-	-	-	2,537,938
Clubhouse building	6,111,950	125,103	-	-	6,237,053
Service yard	351,025	5,952	-	-	356,977
Cart sheds	848,952	-	-	-	848,952
Tennis courts	340,083	7,032	-	-	347,115
Other buildings	1,835,710	-	-	-	1,835,710
Water well	244,991	-	-	-	244,991
Pool improvements	547,829	-	-	-	547,829
Tennis and fitness center	2,818,123	-	-	-	2,818,123
Total Building and Improvements	15,636,601	138,087	-	-	15,774,688
Equipment, Furniture and Fixtures:					
Carts	508,227	582,895	(346,895)	-	744,227
Locker rooms	370,060	-	-	-	370,060
Dining room and kitchen	1,097,853	101,984	-	-	1,199,837
Lounges	68,728	-	-	-	68,728
Office	483,079	19,406	-	-	502,485
Golf shop	129,914	4,994	-	-	134,908
Patio bar and grill	231,423	42,240	-	-	273,663
Other buildings	47,776	2,007	-	-	49,783
Swimming pool	195,891	1,637	-	-	197,528
Trucks, mowers, and maintenance equipment	1,480,672	38,863	(119,364)	-	1,400,171
Golf course equipment	51,004	135,779	-	-	186,783
Tennis courts	42,165	-	-	-	42,165
Tennis and fitness center	308,351	44,623	-	-	352,974
Total Equipment, Furniture and Fixtures	5,015,143	974,428	(466,259)	-	5,523,312
TOTAL PROPERTY AND EQUIPMENT	\$ 29,435,232	\$ 2,573,153	\$ (466,259)	\$ -	\$ 31,542,126

LA CUMBRE COUNTRY CLUB
ANALYSIS OF FOOD AND BEVERAGE OPERATIONS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 30, 2021
(With Comparative Totals for the Twelve Months Ended September 30, 2020)

	For the Fifteen Months Ended December 31, 2021		For the Twelve Months Ended September 30, 2020	
REVENUES				
Food				
Sales	\$ 2,109,040	56.2%	\$ 1,709,129	63.0%
Cost of sales	<u>944,052</u>	44.8%	<u>782,042</u>	45.8%
Gross Profit - Food	<u>1,164,988</u>	55.2%	<u>927,087</u>	54.2%
Beverage				
Sales	1,021,674	27.2%	597,794	22.0%
Cost of sales	<u>789,107</u>	77.2%	<u>367,948</u>	61.6%
Gross Profit - Beverage	<u>232,567</u>	22.8%	<u>229,846</u>	38.4%
Service charges	562,352	15.0%	356,226	13.1%
Minimum charges	<u>62,418</u>	1.7%	<u>50,499</u>	1.9%
TOTAL GROSS PROFIT	<u>2,022,325</u>	53.8%	<u>1,563,658</u>	57.6%
EXPENSES				
Payroll	2,246,905	59.8%	1,549,681	57.1%
Employee Insurance	250,368	6.7%	269,901	9.9%
Payroll taxes	174,456	4.6%	120,158	4.4%
Meals	41,401	1.1%	34,004	1.3%
Retirement fund	19,617	0.5%	42,213	1.6%
Supplies and laundry	277,279	7.4%	163,454	6.0%
Member benefits	97,652	2.6%	91,533	3.4%
Music and decorations	20,668	0.6%	24,499	0.9%
Equipment rental	10,772	0.3%	173	0.0%
Other expenses	36,734	1.0%	21,243	0.8%
Utilities	<u>109,456</u>	2.9%	<u>67,480</u>	2.5%
Total Expenses	<u>3,285,308</u>	87.5%	<u>2,384,339</u>	87.9%
NET LOSS	\$ (1,262,983)	(33.7%)	\$ (820,681)	(30.2%)

LA CUMBRE COUNTRY CLUB
SUMMARY OF CHANGES IN MEMBERSHIP
FOR THE 15 MONTHS ENDED DECEMBER 31, 2021
(With Comparative Totals for the Twelve Months Ended September 30, 2020)

	<u>Proprietary Members</u>	<u>Associate Members</u>	<u>Social Members</u>	<u>Nonresident Members</u>	<u>Emeritus Members</u>
Balance, September 30, 2019	<u>351</u>	<u>40</u>	<u>372</u>	<u>51</u>	<u>-</u>
Additions					
New members	13	6	13	5	-
Conversions from other classes of membership	8	2	5	2	-
Less					
Resignations	(20)	-	(34)	(3)	-
Conversions to other classes of membership	<u>(1)</u>	<u>(3)</u>	<u>(13)</u>	<u>-</u>	<u>-</u>
Balance, September 30, 2020	<u>351</u>	<u>45</u>	<u>343</u>	<u>55</u>	<u>-</u>
Additions					
New members	22	9	53	6	-
Conversions from other classes of membership	9	-	8	3	5
Less					
Resignations	(23)	(3)	(32)	(1)	-
Conversions to other classes of membership	<u>(8)</u>	<u>(2)</u>	<u>(7)</u>	<u>(3)</u>	<u>-</u>
Balance, December 31, 2021	<u>351</u>	<u>49</u>	<u>365</u>	<u>60</u>	<u>5</u>