

CFC-WLH LLC

FINANCIAL STATEMENTS

September 30, 2025

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CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

CFC-WLH LLC

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors and Management of
CFC WLH LLC

Opinion

We have audited the accompanying financial statements of **CFC WLH LLC** (the “Company”) (a Limited Liability Company), which comprise the balance sheet as of September 30, 2025, and the related statements of income and member’s equity and cash flows for the period then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2025, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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 the Company 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 GAAP, 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 the Company’s 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 the Company'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 Company'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.

ABIP, PC

Houston, Texas

April 6, 2026

CFC-WLH LLC
BALANCE SHEET
September 30, 2025

ASSETS

	2025
CURRENT ASSETS:	
Cash and cash equivalents	\$ 12,191
Restricted cash - current	556,378
Accounts receivable, net of allowance for credit losses of \$100,124	1,753,196
Inventory	69,614
Prepaid expenses	22,652
Total current assets	2,414,031
NONCURRENT ASSETS:	
Restricted cash - noncurrent	826,814
Operating lease right-of-use assets, net	104,797
Finance lease right-of-use assets, net	343,034
Property and equipment, net	7,494,249
Total noncurrent assets	8,768,894
TOTAL ASSETS	\$ 11,182,925
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	
CURRENT LIABILITIES:	
Accounts payable	\$ 455,119
Accrued expenses	284,487
Deferred revenue	108,652
Current portion of operating lease liabilities	53,545
Current portion of financing lease liabilities	131,944
Current maturities of long-term debt	155,000
Total current liabilities	1,188,747
NONCURRENT LIABILITIES:	
Operating lease liabilities, net of current portion	51,252
Financing lease liabilities, net of current portion	151,665
Credit facility	235,000
Long-term debt, net of current portion	8,777,159
Total noncurrent liabilities	9,215,076
Total liabilities	10,403,823
MEMBER'S EQUITY	779,102
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$ 11,182,925

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

CFC-WLH LLC

STATEMENT OF INCOME AND MEMBER'S EQUITY

For the period ended September 30, 2025

REVENUE	\$ 4,245,647
COST OF GOODS SOLD	<u>301,910</u>
GROSS PROFIT	3,943,737
OPERATING EXPENSES:	
Payroll and payroll related expenses	1,305,849
Operating expenses	2,058,357
Management fees	225,208
Depreciation and amortization	432,029
Transaction costs and costs for collection	<u>324,575</u>
Total operating expenses	4,346,018
INCOME (LOSS) FROM OPERATIONS	(402,281)
OTHER INCOME (EXPENSE):	
Gain on bargain purchase	1,818,997
Interest income	50,754
Interest expense	<u>(676,428)</u>
Total other income (expense), net	1,193,323
INCOME BEFORE STATE INCOME TAXES	791,042
STATE INCOME TAX EXPENSE	<u>(11,940)</u>
NET INCOME	779,102
MEMBER'S EQUITY, beginning of period	<u>-</u>
MEMBER'S EQUITY, end of period	<u><u>\$ 779,102</u></u>

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

CFC-WLH LLC

STATEMENT OF CASH FLOWS

For the period ended September 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 779,102
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	432,029
Operating lease right-of-use assets - amortization	46,613
Provision for credit losses	101,890
Debt issuance cost - amortization	56,394
Gain on bargain purchase	(1,818,997)
Changes in operating assets and liabilities:	
Accounts receivable	(46,617)
Inventory	(6,837)
Prepaid expenses	(192)
Accounts payable	455,119
Accrued expenses	201,645
Deferred revenue	93,275
Operating lease liabilities	(46,613)
Total adjustments	<u>(532,291)</u>
Net cash provided by operating activities	246,811
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash paid for acquisition	(6,650,700)
Purchases of property and equipment	<u>(1,240,854)</u>
Net cash used in investing activities	(7,891,554)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from credit facility	235,000
Proceeds from issuance of bonds	9,750,000
Payment of debt issuance costs	(639,235)
Principal payments on long-term debt	(235,000)
Principal payments on financing leases	<u>(70,639)</u>
Net cash provided by financing activities	<u>9,040,126</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, and RESTRICTED CASH	1,395,383
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period	<u>-</u>
CASH, CASH EQUIVALENTS, and RESTRICTED CASH, end of period	<u><u>\$ 1,395,383</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid for interest	<u><u>\$ 563,759</u></u>

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

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies

Nature of operations

CFC-WLH, LLC (the “Company”) is a limited liability company formed on July 19, 2024, under the laws of the state of Arizona. The Company has a single member. All profits and losses are allocated to the sole member in accordance with the Company’s operating agreement. Distributions are made at the discretion of the member.

The Company is organized solely for the purpose of financing, refinancing, and/or refunding certain costs of (i) purchasing an 18-hole golf course, a clubhouse and lounge, a fitness center, a tennis center and course, pool and recreational facilities in the Walden on Lake Houston community; (ii) financing deferred maintenance for and renovations to the golf course property; (iii) funding reserves as required; and (iv) paying the costs of issuing the bonds and acquiring the golf course property, and to engage in all activities reasonably necessary or incidental thereto in order to lessen the governmental burdens of the Harris County Municipal Utility District No. 153 of Harris County Texas.

Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as codified by the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”).

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the amounts of revenue and expenses recognized during the reporting period. Areas where accounting estimates are made by management include, but are not limited to, the allowance for credit losses, impairment for long-lived assets, and depreciable lives of property and equipment.

The Company analyzes its estimates based on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Under different assumptions or conditions, the actual results could differ, possibly materially, from those previously estimated. Many of the conditions impacting these assumptions are outside of the Company’s control.

Cash, cash equivalents, and restricted cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Certain cash balances are restricted under contractual agreements and are presented separately in the accompanying balance sheet. For purposes of the statement of cash flows, restricted cash is included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash balances.

The Company maintains cash deposits with financial institutions which may at times exceed federally insured limits. Management believes the Company is not exposed to significant credit risk related to these deposits.

The Company maintains restricted cash accounts in accordance with the provisions of its bond indenture agreements. These accounts are restricted for specific purposes related to the Company’s outstanding bonds.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies (continued)

Cash, cash equivalents, and restricted cash (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

Cash and cash equivalents	\$ 12,191
Restricted cash - current	556,378
Restricted cash - noncurrent	<u>826,814</u>
Total cash, cash equivalents, and restricted cash presented in the statement of cash flows	<u>\$ 1,395,383</u>

Accounts receivable

Accounts receivable consist primarily of amounts billed to members of the Company's golf and country club and to homeowners within the residential community in which the Company operates its club facilities. Receivables also include amounts billed for private events hosted at the club's facilities.

Club memberships are offered to both residents and non-residents of the community and may include golf, social, and other membership classifications. Amounts billed to these members generally consist of membership dues, assessments, food and beverage charges, private event charges, and other amounts associated with the use of the club's facilities and amenities. Receivables related to private events are generally short-term in nature and are typically settled shortly after the event occurs.

In addition, the Company bills homeowners within the surrounding residential community for social membership dues and certain assessments as authorized under the governing Covenants, Conditions, and Restrictions ("CCRs") of the community homeowners' association ("HOA"). Under the CCRs, property owners within the community are required to maintain a social membership with the club and are responsible for related dues and assessments.

The Company does not operate or manage the HOA. However, the CCRs provide the Company with the contractual right to bill homeowners for these charges. Amounts billed to homeowners become obligations associated with ownership of property within the community. Pursuant to the CCRs and applicable Texas law, unpaid amounts may become secured by a lien against the related property. The Company may pursue collection actions permitted under the governing documents, which may include enforcement of lien rights or other legal remedies. Because these obligations are associated with property ownership and may be secured by the underlying real estate, management believes the credit risk associated with these receivables is mitigated.

As of September 30, 2025, approximately 98% of the Company's accounts receivable balance related to homeowner obligations arising under the CCRs and approximately 2% related to club membership receivables. The accounts receivable balances as of September 30, 2025 and October 1, 2024 totaled \$1,853,320 and \$0, respectively.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies (continued)

Allowance for credit losses

The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. The Company writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as other income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

For purposes of estimating expected credit losses, management evaluates receivables in two portfolios based on similar risk characteristics: club membership receivables and homeowner CCR receivables.

Club membership receivables are from voluntary club memberships, including golf and social memberships held by both residents and non-residents of the community.

Homeowner CCR receivables are from social membership dues and assessments billed to homeowners within the residential community pursuant to the CCRs.

The Company estimates expected credit losses using a loss-rate methodology based primarily on the aging of receivable balances within each portfolio. Due to the Company's limited operating history, management supplements available internal data with qualitative considerations including historical collection experience during the Company's period of operations, current delinquency trends among club members and homeowners, payment arrangements with certain members designed to bring delinquent balances current, the contractual rights established in the community CCRs, the secured nature of certain homeowner receivables through lien rights permitted under the governing documents and Texas law, the value of the underlying residential properties within the community, and broader economic conditions that may impact members' ability to pay.

Credit Quality Monitoring

Management monitors the credit quality of receivables primarily through review of aging reports and ongoing evaluation of delinquent accounts. Receivable balances are reviewed periodically for collectability. Accounts that become significantly past due may be subject to additional collection procedures, which may include payment arrangements, referral to legal counsel, or enforcement of remedies available under the governing documents. See Note 3 for additional information on the aging of receivables as of period-end.

Payment Arrangements

Certain club members and homeowners with past-due balances may enter into payment arrangements with the Company to repay outstanding amounts over time. Management monitors compliance with these arrangements and considers the expected collectability of amounts subject to payment plans when estimating expected credit losses.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies (continued)

Allowance for credit losses (continued)

Individually Evaluated Receivables

Receivables that become significantly delinquent or subject to legal collection procedures are evaluated individually. In these circumstances, management considers the specific facts and circumstances associated with the account, including the status of collection efforts, expected recoveries through legal remedies permitted under the CCRs, and the value of any underlying collateral.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company manages deposit concentration risk by placing cash with financial institutions believed by the Company to be creditworthy. At times, amount on deposit may exceed insured limits. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of September 30, 2025, the Company had approximately \$1,069,000 in excess of FDIC insurance limits. To date, the Company has not experienced any losses in any of these accounts.

A significant portion of the Company's receivables relate to homeowners located within a single residential community in Humble, Texas. Management believes the risk associated with these receivables is mitigated by the contractual obligations established in the community CCRs and the potential enforcement of lien rights against the related properties.

Revenue recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized when control of promised goods or services is transferred to members or customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

Membership Dues

Membership dues represent fees charged to members for access to the Club's facilities and amenities. These dues are generally billed on a monthly basis and provide members with the right to access the Club during the applicable membership period. Revenue from membership dues is recognized ratably over the period to which the dues relate as the performance obligation of providing access to the Club facilities is satisfied over time.

Food, beverage, and merchandise sales

Revenue from food, beverage, and merchandise sales is recognized at the point in time when the goods are provided to the member or customer and control transfers, which generally occurs upon delivery of the product or completion of the sale at the Club's dining or retail facilities.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies (continued)

Revenue recognition (continued)

Finance charges and other administrative fees

Finance charges and administrative fees primarily relate to late payment fees and service charges assessed on member accounts. These fees are recognized as revenue at the time the fees are assessed to member accounts, which corresponds with the period in which the related services are provided or the underlying payment terms are not met.

Other golf and club service revenues

Golf and other club service revenues include fees for golf rounds, tournaments, lessons, guest fees, locker rentals, cart rentals, and other club amenities and services. Revenue from these services is recognized at the point in time the services are provided or the event occurs.

Contract liabilities

Contract liabilities consist primarily of amounts received or billed in advance for membership dues, tournaments, club events, and gift cards for which the related goods or services have not yet been provided. These amounts are recorded as deferred revenue and recognized as revenue when the related services are performed, goods are delivered, or gift cards are redeemed.

Gift card balances are recognized as revenue when redeemed by members or customers for food, beverage, merchandise, or other club services. Gift cards are generally redeemable for club goods and services and do not expire. Breakage is recognized on unredeemed gift cards based upon historical redemption patterns when the Partnership determines the likelihood of redemption of the gift card by the customer is remote. During 2025, no amounts were recognized for breakage.

For purposes of disaggregation, the revenue streams are as follows for the period ended September 30, 2025:

	<u>Over time</u>	<u>Point in time</u>	<u>Total</u>
Membership dues	\$ 2,917,409	\$ -	\$2,917,409
Food, beverage, and merchandise sales	-	596,967	596,967
Finance charges and other administrative fees	-	402,239	402,239
Other golf and club services revenues	-	329,032	329,032
	<u>\$ 2,917,409</u>	<u>\$ 1,328,238</u>	<u>\$4,245,647</u>

Inventory

Inventory is stated at the lower of cost or net realizable value using the weighted average method. Inventory consists primarily of food and beverage, golf merchandise and clothing held for resale. No reserve was made for spoiled or damaged inventory as management believes substantially all inventory can be used for revenue generation.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies (continued)

Property and equipment

Property and equipment are stated at cost. Additions of new equipment and major renewals and replacements of existing equipment are capitalized. Leasehold improvements are amortized over the shorter of their estimated useful lives, or the life of the lease, plus anticipated extensions. Repairs and minor replacements are charged to operations as incurred. Cost and accumulated depreciation are removed from the accounts when assets are sold or retired, and the resulting gains or losses are included in operations.

Depreciation and amortization of property and equipment is provided using the straight-line method applied to their expected estimated useful lives.

Long-lived assets

The Company's long-lived assets and other assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. The Company has determined there are no impairment losses for the period ended September 30, 2025.

Income taxes

The Company is treated as a disregarded entity for federal income tax purposes. Accordingly, the Company's taxable income or loss is included in the federal income tax return of its sole member. Therefore, no provision for federal income taxes has been included in the accompanying financial statements.

The Company is subject to Texas state franchise tax. Texas franchise tax totaled approximately \$12,000 for the period ended September 30, 2025 and is included within the accompanying statement of income and member's equity.

The Company records income tax related interest and penalties as a component of the provision for income taxes. For the period ended September 30, 2025, the Company did not record any income tax related interest or penalties. Management believes that there are no income tax positions taken or expected to be taken that would significantly increase or decrease the unrecognized tax benefits within twelve months of the reporting date. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. None of the Company's state income tax returns are currently under examination.

Leases

The Company determines if an arrangement is a lease at contract inception. When determining whether a contract contains or is a lease subject to ASC 842 and which component to include, the Company has elected to use the following practical expedients for all existing and future leases: (1) short-term leases of 12 months or less will have lease payments recognized in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred; and (2) lease components and non-lease components associated with a single lease will not be separated and instead will be accounted for as a single lease component.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(1) Summary of operations and significant accounting policies (continued)

Leases (continued)

Operating and finance leases result in the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. A ROU asset represents the Company’s right to use its leased asset for the lease term and ROU lease liabilities represent the Company’s obligation to make lease payments. Finance lease ROU assets and liabilities are recognized at the adoption date based on the present value of lease payments over the lease term. The discount rate used for the determination of the present value of the lease liability is the rate implicitly stated in the lease or, if not available, the Company has elected to adopt the practical expedient in which the risk-free discount rate is applied for all leases using a period comparable with that of the lease term.

The Company recognizes lease expense for operating leases on a straight-line basis over the lease term. Finance leases result in recognition of interest expense on the lease liability and amortization expense on the right-of-use asset.

Advertising costs

Advertising and marketing costs are expensed as incurred and amounted to \$36,269 for the period ended September 30, 2025.

Subsequent events

The Company evaluated all events or transactions that occurred after September 30, 2025 and through April 6, 2026, the date the financial statements were available to be issued. No events have occurred that would have a material effect on the financial statements.

(2) Leases

The Company has entered into various noncancelable leases of office and operational equipment. The leases generally have original terms that do not exceed five years. Options to extend lease terms are at the Company’s discretion. Early lease terminations are a combination of both the Company’s discretion and mutual agreement between the Company and lessors. Purchase options also exist for certain leases.

The lease payments, due monthly, are fixed. Certain lease agreements may provide for fixed payments which increase at pre-determined intervals which are outlined in the lease agreement. Under certain lease agreements, the Company may incur separate variable payments to the lessors based on the lessors insurance costs, property taxes assessed on the property, and maintenance. The leases do not contain residual value guarantees, restrictions or other covenants related to distributions or additional debt.

Costs associated with leases for the period ended September 30, 2025 totaled:

Operating lease cost	\$	46,612
Financing lease cost - amortization of right-of-use assets		11,005
Financing lease cost - interest on lease liabilities		9,033
		<hr/>
Net lease expense	\$	66,650
		<hr/> <hr/>

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(2) Leases (continued)

Supplemental cash flow information for the leases as of September 30, 2025:

SUPPLEMENTAL LEASE CASH FLOW INFORMATION:

Operating cash flows paid for operating leases	\$ 52,531
Operating cash flows paid for interest portion of financing leases	\$ 9,033
Financing cash flows paid for principal portion of financing leases	\$ 70,639
ROU assets obtained on operating lease commencements	\$ 151,410
ROU assets obtained on financing lease commencements	\$ 394,987

The weighted average remaining lease term and discount rates as of September 30, 2025, are as follows:

Weighted average remaining lease term:	
Operating leases	2.35 years
Finance leases	1.32 years
Weighted average discount rate:	
Operating leases	4.16%
Finance leases	4.52%

Future minimum lease payments and the present value of lease liabilities as of September 30, 2025 are as follows:

Year ending December 31,	Operating	Financing
2026	\$ 56,007	\$ 127,274
2027	31,682	66,982
2028	14,307	40,941
2029	7,153	40,941
2030	-	23,883
Total future minimum lease payments	109,149	300,021
Less: imputed interest	(4,352)	(16,412)
Present value of lease liabilities	104,797	283,609
Less: lease liability - current portion	(53,545)	(131,944)
Present value of lease liabilities, net of current portion	\$ 51,252	\$ 151,665

(3) Allowance for credit losses

The Company had the following activity for its allowance for credit losses for the period ended September 30, 2025:

Allowance for credit losses, beginning of year	\$ -
Provision for expected credit losses	100,124
Write-offs	-
Allowance for credit losses, end of year	\$ 100,124

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(3) Allowance for credit losses (continued)

The aging of accounts receivable as of September 30, 2025 was as follows:

Current	\$ 140,297
30-60 days	67,708
61-90 days	67,681
Over 90 days	1,577,634
Total accounts receivable	1,853,320
Less: allowance for credit losses, end of year	(100,124)
Accounts receivable, net of allowance for credit losses	\$ 1,753,196

(4) Inventory

Inventory as of September 30, 2025 consists of the following:

Food and beverage	\$ 32,376
Gold merchandise and clothing	37,238
	\$ 69,614

(5) Property and equipment

As of September 30, 2025, property and equipment consists of the following:

	Estimated useful life	
Building improvements	5 - 25 years	\$ 3,974,169
Golf course improvements	5 - 25 years	2,799,590
Equipment	5 - 25 years	300,346
Furniture and fixtures	7 years	39,203
Computer equipment and software	3 - 5 years	106,519
		7,219,827
Less: accumulated depreciation and amortization		(380,078)
		6,839,749
Land		654,500
Total property and equipment, net		\$ 7,494,249

Depreciation and amortization expense totaled \$432,029 for the period ended September 30, 2025, and is included in operating expenses.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(6) Long-term debt

Credit facility

On January 1, 2025, the Company entered into a loan agreement with TEI Development LLC (the “Lender”) providing for a non-revolving credit facility with an initial principal amount of \$510,000 and additional available borrowings of up to \$250,000, for a total maximum facility of \$760,000.

Borrowings under the facility bear interest at a fixed rate of approximately 6.07% per annum, calculated on a 365-day basis. Interest accrues upon funding; however, payment of accrued interest is subject to approval by the Company and its advisory board and may be deferred, in which case unpaid interest continues to accrue and is due at maturity.

The loan is non-revolving, and any principal repayments permanently reduce available borrowings. Advances are available through December 31, 2026. Principal repayment is not required until certain reserve conditions are met or until maturity.

The outstanding principal balance and all accrued but unpaid interest are due and payable on January 1, 2032. The loan may be prepaid at any time without penalty. The balance of debt outstanding was \$235,000 as of September 30, 2025.

The loan is unsecured and contractually subordinated to all present and future senior indebtedness of the Company.

Bond Series A

In October 2024, the Company issued Series A revenue bonds in the amounts of \$1,470,000 and \$7,495,000 bearing interest at rates 6.375% and 6.5%, respectively. Interest on the bonds are payable semiannually on March 1 and September 1. The bonds mature on September 1, 2034 and September 1, 2049, respectively.

The bonds shall be subject to redemption in whole or in part in integral multiples of \$5,000 prior to maturity on a date selected by the Company from the proceeds of the sale of any portion of the Project at a redemption price equal to the following percentages of the principal amount redeemed plus accrued interest to the redemption date:

<u>Redemption period</u>	<u>Redemption price</u>
Prior to October 29, 2025	103%
October 30, 2025 to October 29, 2026	102%
October 30, 2026 to October 29, 2027	101%
October 30, 2027 and thereafter	100%

The Series A bonds maturing on September 1, 2049 are subject to optional redemption, prior to scheduled maturity, in whole or in part, on September 1, 2034, or on any date thereafter, at the option of the Company, at a price of par plus interest accrued thereon to the redemption date, upon written notice of the exercise of the option to redeem bonds delivered to the trustee by the Company not later than the 35th day prior to the date of redemption.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(6) Long-term debt (continued)

Bond Series B

In October 2024, the Company issued \$785,000 of 11% bonds maturing September 1, 2029. Interest is payable semi-annually on March 1 and September 1 commencing March 1, 2025. The bonds were issued at a discount of \$150,000, which is being amortized using the effective interest method over the term of the bonds. The bond is not subject to optional redemption.

The bonds are secured by substantially all assets of the Company.

At September 30, 2025, the outstanding balance of the bonds was as follows:

Bond Issue	Interest Rate	Maturity Date	Outstanding
Series A (2034)	6.375%	9/1/2034	\$ 1,470,000
Series A (2049)	6.500%	9/1/2049	7,495,000
Series B	11.000%	9/1/2029	550,000
			9,515,000
Less: unamortized debt issuance costs			(582,841)
Less: current maturities			(155,000)
Long-term debt, net of current portion and unamortized debt issuance costs			\$ 8,777,159

Future principal payments of long-term debt as of September 30, 2025, are as follows:

2026	\$ 155,000
2027	170,000
2028	190,000
2029	210,000
2030	230,000
Thereafter	8,560,000
	\$ 9,515,000

Property purchase option

In connection with the issuance of bonds used to finance the acquisition and renovation of the Club property, the Company entered into agreements that include an option granted to the HOA to acquire the Company's ownership interest in the property.

Under the terms of the bond and related agreements, the HOA holds an option to acquire the Company's ownership interest in the property at a specified option price. The option may be exercised at the discretion of the HOA at any time through December 31, 2050.

The option price is defined in the governing bond documents and generally represents an amount sufficient to: retire the outstanding bonds and accrued interest, satisfy any related financing obligations, and pay certain transaction and administrative costs.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(6) Long-term debt (continued)

Property purchase option (continued)

If the HOA elects to exercise the option, the Company would be required to transfer its ownership interest in the property to the HOA upon payment of the option price as defined in the agreements.

The Company continues to operate and control the property unless and until the HOA exercises this option. As of September 30, 2025, the HOA has not exercised the option, and management is not aware of any plans by the HOA to do so.

Management evaluated the option provisions under ASC 815, *Derivatives and Hedging*, and concluded that the feature does not require separate accounting as a derivative instrument, and therefore the option is disclosed but not separately recognized in the financial statements.

(7) Related party transactions

Management fees

The Company has entered into a management agreement with an entity affiliated with the Company's ownership group, to provide operational and administrative management services for the Club.

Under the terms of the agreement, the entity is responsible for overseeing the day-to-day operations of the Club, including staffing, financial administration, membership services, food and beverage operations, and golf course operations.

In consideration for these services, the Company pays the entity a management fee calculated as a fixed monthly fee, as defined in the management agreement.

For the period ended September 30, 2025, the Company incurred management fees of \$25,208 payable to the entity, which are included in operating expenses in the accompanying statement of income and member's equity. At September 30, 2025, there was no amount due to the related entity.

(8) Business Combination

On October 29, 2024, the Company, through a wholly owned affiliate, completed the acquisition of substantially all of the assets comprising the Walden on Lake Houston Golf & Country Club (the "Property") from Walden Golf, LLC (the "Seller") pursuant to a Purchase and Sale Agreement, as amended.

The acquired assets include real property, land improvements, buildings, golf course infrastructure, furniture, fixtures and equipment, and certain intangible assets and contract rights used in the operation of the club. The fair value of real property was determined based on third-party appraisals. The Company also assumed certain operating liabilities, including obligations under assigned contracts and membership-related arrangements. The transaction excluded certain assets retained by the Seller, including current accounts receivable, and other specified excluded assets.

Total consideration for the acquisition was approximately \$6,650,700, net of cash acquired and excluding transaction costs. The Company incurred transaction costs of approximately \$320,200 related to the acquisition, consisting primarily of legal, accounting, and advisory fees. These costs were expensed as incurred and are included in general and administrative expenses in the consolidated statements of operations for the year ended September 30, 2025.

Net identifiable assets acquired totaled approximately \$8,469,697.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(8) Business Combination (continued)

The Company recognized the identifiable assets acquired and liabilities assumed at their estimated fair values on the acquisition date as follows:

Cash paid	\$ 6,972,500
Less: cash acquired	(1,600)
Less: buyer transaction costs	<u>(320,200)</u>
Cash paid for acquisition	6,650,700
Accounts receivable	1,808,469
Inventory	62,777
Prepaid expenses	22,460
Property and equipment	6,674,210
Operating lease right-of-use assets	151,410
Finance lease right-of-use assets	43,373
Deferred revenue	(15,377)
Accrued expenses	(82,842)
Operating lease liability	(151,410)
Finance lease liability	<u>(43,373)</u>
Net asset acquired	<u>8,469,697</u>
Gain on bargain purchase	<u>\$ (1,818,997)</u>

Bargain Purchase Gain

The fair value of the identifiable net assets acquired exceeded the consideration transferred, resulting in a bargain purchase gain of \$1,818,997, which was recognized in earnings for the year ended September 30, 2025. In accordance with ASC 805, the Company reassessed the identification and measurement of all assets acquired and liabilities assumed to ensure completeness and accuracy prior to recognizing the gain.

The bargain purchase gain was primarily attributable to the acquisition of an asset-intensive golf and country club property at a price below the estimated fair value of its underlying real estate and operating assets. The transaction was negotiated directly with the seller and included the assumption of certain contractual and membership-related obligations associated with the operation of the club.

(9) Other risks

Cyber Security

The Company has become increasingly dependent on digital technologies in many aspects of its operations and maintaining sufficient security measures to prevent breaches is critical. A successful security breach has the potential to adversely impact operations and the Company's financial condition, as well as impair the Company's reputation. As cyber threats continue to evolve and increase in sophistication, the Company may be required to dedicate additional resources to enhance security measures, investigate vulnerabilities or remediate cyberattacks.

CFC-WLH LLC

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

(9) Other risks (continued)

Governmental regulations

The Company has general regulatory and compliance risks that could materially affect its operations and financial results. The Company is subject to regulation by numerous federal, state and local regulatory agencies and authorities. Laws and regulations affecting our business may change, sometimes frequently and significantly, as a result of political, economic or other events.

Litigation

The Company is responsive to claims and legal actions arising in the ordinary course of business. There are no pending claims or litigation as of the date of this report.