

DENMAN & COMPANY, LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cutty's Des Moines Camping Club
Grimes, Iowa

We have audited the accompanying financial statements of Cutty's Des Moines Camping Club (a nonprofit corporation), which comprise the statements of assets, liabilities and members' equity— income tax basis as of October 31, 2018 and 2017, and the related statements of revenues and expenses—income tax basis, members' equity—income tax basis and cash flows—income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the income tax basis of accounting described in Note 1; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Club's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and members' equity of Cutty's Des Moines Camping Club as of October 31, 2018 and 2017, and its revenues and expenses, members' equity, and cash flows for the years then ended, in accordance with the basis of accounting the Club uses for income tax purposes as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Cutty's Des Moines Camping Club uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

As discussed in Note 8, the Club has not estimated the remaining lives and replacement costs of the common property, and therefore, has not presented information on future major repairs and replacements that is necessary to supplement, although not required to be part of, the basic financial statements.

Denman & Company, LLP
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West Des Moines, Iowa
January 8, 2019

Cutty's Des Moines Camping Club
STATEMENTS OF ASSETS, LIABILITIES AND MEMBERS' EQUITY—INCOME TAX BASIS

	October 31	
ASSETS	2018	2017
CURRENT ASSETS		
Cash	\$ 552,331	\$ 765,638
Accounts receivable	17,613	14,402
Income tax receivable	13,000	13,000
Inventory, store	70,332	76,095
Prepaid expenses, insurance and other	33,493	23,392
Total current assets	686,769	892,527
PROPERTY AND EQUIPMENT		
Land and improvements	1,681,522	1,371,705
Buildings	3,733,267	3,694,913
Furniture, fixtures and equipment	1,583,999	1,505,250
Construction in progress	3,550	18,161
	7,002,338	6,590,029
Less accumulated depreciation	5,494,640	5,293,670
Total property and equipment	1,507,698	1,296,359
OTHER ASSETS		
Membership units	300,000	300,000
Totals	\$2,494,467	\$2,488,886
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 7,085	\$ 3,511
Current maturities of special assessment payable	8,802	9,553
Rental deposit	675	875
Accounts payable		
Trade	26,742	18,176
Payroll taxes including amounts withheld from employees	2,903	3,667
Property and sales taxes payable	130,817	111,094
Accrued interest	44	92
Total current liabilities	177,068	146,968
LONG-TERM LIABILITIES, less current maturities		
Notes payable	24,325	6,389
Special assessment payable	—	8,802
Total long-term liabilities	24,325	15,191
MEMBERS' EQUITY		
Totals	2,293,074	2,326,727
Totals	\$2,494,467	\$2,488,886

See Notes to Financial Statements.

Cutty's Des Moines Camping Club
STATEMENTS OF REVENUES AND EXPENSES—INCOME TAX BASIS

	<u>Year ended October 31</u>	
	<u>2018</u>	<u>2017</u>
REVENUES		
Membership dues, net of discount	\$ 576,856	\$ 611,753
Fees and charges	693,598	691,316
Permit sales	4,940	5,142
Coin operated machines	11,180	10,435
Merchandise sales	—	826
Merchandise sales - RV parts	30,756	41,774
Merchandise sales - snack bar	88,656	101,874
Merchandise sales - store	27,309	35,879
Electric and sewer surcharge	29,327	31,129
Interest income	3,248	3,011
Miscellaneous	<u>3,750</u>	<u>1,628</u>
Total revenues	<u>1,469,620</u>	<u>1,534,767</u>
EXPENSES		
Salaries	463,109	502,909
Employee benefits	59,461	51,525
Payroll taxes	45,777	46,401
Contract labor	16,722	14,692
Merchandise purchases	451	706
Cost - RV parts	27,884	32,192
Cost - merchandise used	40,362	44,389
Cost - store	18,194	21,112
Activities	17,587	22,013
Advertising	8,692	7,704
Maintenance	107,323	128,943
Utilities	178,723	121,318
Telephone and internet	9,380	9,858
Property taxes	161,979	130,440
Insurance	29,196	33,705
Membership sales	12,700	18,650
Office supplies	21,130	21,218
Professional fees	16,328	17,783
Collection expenses	16,962	32,714
Depreciation and amortization	200,970	205,177
Other	41,396	30,121
Interest expense	4,321	4,517
Use tax	2,892	314
Spoilage/expired goods	1,734	1,304
Loss on disposal of equipment	—	3,995
Penalties	—	733
Total expenses	<u>1,503,273</u>	<u>1,504,433</u>
Excess (deficiency) of revenues over expenses—income tax basis	<u>\$ (33,653)</u>	<u>\$ 30,334</u>

See Notes to Financial Statements.

Cutty's Des Moines Camping Club
STATEMENTS OF MEMBERS' EQUITY—INCOME TAX BASIS

	<u>Year ended October 31</u>	
	<u>2018</u>	<u>2017</u>
BALANCE , beginning	\$2,326,727	\$2,296,393
Excess (deficiency) of revenues over expenses—income tax basis	<u>(33,653)</u>	<u>30,334</u>
BALANCE , ending	<u>\$2,293,074</u>	<u>\$2,326,727</u>

See Notes to Financial Statements.