

**Cutty's Des Moines Camping Club
Grimes, Iowa**

FINANCIAL REPORT

October 31, 2020 and 2019

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	3-4
FINANCIAL STATEMENTS	
Statements of assets, liabilities and members' equity—income tax basis	5
Statements of revenues and expenses—income tax basis	6
Statements of members' equity—income tax basis	7
Statements of cash flows—income tax basis	8
Notes to financial statements	9-12



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, 2020 and 2019, 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, 2020 and 2019, 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
January 15, 2021

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

ASSETS	October 31	
	2020	2019
CURRENT ASSETS		
Cash	\$1,044,579	\$ 741,924
Accounts receivable	7,334	10,199
Income tax receivable	—	468
Inventory, store	65,335	71,866
Prepaid expenses, insurance and other	29,641	30,255
Total current assets	<u>1,146,889</u>	<u>854,712</u>
PROPERTY AND EQUIPMENT		
Land and improvements	1,681,522	1,681,522
Buildings	3,737,511	3,737,511
Furniture, fixtures and equipment	1,661,049	1,595,363
Construction in progress	24,883	20,872
	<u>7,104,965</u>	<u>7,035,268</u>
Less accumulated depreciation	5,818,236	5,628,337
Total property and equipment	<u>1,286,729</u>	<u>1,406,931</u>
OTHER ASSETS		
Membership units	300,000	300,000
	<u>300,000</u>	<u>300,000</u>
Totals	<u>\$2,733,618</u>	<u>\$2,561,643</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 8,703	\$ 8,552
Rental deposit	1,775	1,775
Accounts payable		
Trade	17,089	14,827
Payroll taxes including amounts withheld from employees	2,057	2,774
Income tax payable	13,084	—
Property and sales taxes payable	128,831	130,323
Paycheck Protection Program loan	95,252	—
Total current liabilities	<u>266,791</u>	<u>158,251</u>
LONG-TERM LIABILITIES, less current maturities		
Notes payable	7,835	16,520
Total long-term liabilities	<u>7,835</u>	<u>16,520</u>
MEMBERS' EQUITY		
	2,458,992	2,386,872
Totals	<u>\$2,733,618</u>	<u>\$2,561,643</u>

See Notes to Financial Statements.

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

	Year ended October 31	
	2020	2019
REVENUES		
Membership dues, net of discount	\$ 633,658	\$ 607,551
Fees and charges	762,994	691,554
Permit sales	8,777	6,710
Coin operated machines	5,156	8,414
Merchandise sales - RV parts	24,481	31,669
Merchandise sales - snack bar	72,423	82,777
Merchandise sales - store	31,378	26,163
Electric and sewer surcharge	31,454	27,521
Interest income	3,182	3,566
Miscellaneous	3,785	1,365
Total revenues	<u>1,577,288</u>	<u>1,487,290</u>
EXPENSES		
Salaries	453,453	426,298
Employee benefits	52,903	56,315
Payroll taxes	42,821	46,401
Contract labor	2,638	2,271
Merchandise purchases	1,702	676
Cost - RV parts	23,848	21,767
Cost - merchandise used	33,040	37,602
Cost - store	16,242	18,715
Activities	14,884	20,213
Advertising	5,093	11,545
Maintenance	134,362	127,636
Utilities	182,971	169,168
Telephone and internet	12,238	10,285
Property taxes	145,521	153,721
Insurance	32,566	28,800
Membership sales	18,800	11,280
Office supplies	19,835	15,914
Professional fees	21,511	18,062
Collection expenses	26,438	24,549
Depreciation and amortization	189,899	133,697
Other	45,307	43,607
Interest expense	3,012	2,438
Income tax expense	26,084	12,532
Total expenses	<u>1,505,168</u>	<u>1,393,492</u>
Excess of revenues over expenses—income tax basis	<u>\$ 72,120</u>	<u>\$ 93,798</u>

See Notes to Financial Statements.

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

	Year ended October 31	
	2020	2019
BALANCE , beginning	\$2,386,872	\$2,293,074
Excess of revenues over expenses—income tax basis	72,120	93,798
BALANCE , ending	\$2,458,992	\$2,386,872

See Notes to Financial Statements.

Cutty's Des Moines Camping Club
STATEMENTS OF CASH FLOWS—INCOME TAX BASIS

	Year ended October 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses—income tax basis	\$ 72,120	\$ 93,798
Adjustments to reconcile excess of revenues over expenses—income tax basis to net cash provided by operating activities		
Depreciation and amortization	189,899	133,697
Change in assets and liabilities		
Accounts receivable	2,865	7,414
Income tax receivable	468	12,532
Inventory	6,531	(1,534)
Prepaid expenses	614	3,238
Accounts payable and accrued expenses, net of property and equipment payables	8,660	(19,203)
Income tax payable	13,084	—
Property and sales taxes payable	(1,492)	(494)
Rental deposit	—	1,100
Net cash provided by operating activities	292,749	230,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(76,812)	(25,815)
Net cash (used in) investing activities	(76,812)	(25,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	95,252	—
Payment on long-term debt	(8,534)	(6,338)
Payment on special assessment	—	(8,802)
Net cash provided by (used in) financing activities	86,718	(15,140)
NET INCREASE IN CASH	302,655	189,593
CASH		
Beginning	741,924	552,331
Ending	\$1,044,579	\$ 741,924
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 3,012	\$ 2,482
Cash payments for income taxes	\$ 12,532	\$ —

See Notes to Financial Statements.

**Cutty's Des Moines Camping Club
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Cutty's Des Moines Camping Club was organized for the purpose of promoting social relationships among its members, providing recreational camping opportunities for its members, and maintaining and preserving campground property near Des Moines, Iowa. As of October 31, 2020, the Club has 3,000 deeded members, including 392 inactive members (non-dues paying), and 1,593 memberships that have been returned to or purchased by the Club.

Basis of Accounting

The Club's policy is to prepare its financial statements on the accounting basis used for income tax purposes. The income tax basis of accounting differs from generally accepted accounting principles in the following significant respects. Certain revenue, principally membership dues, are recognized when received rather than when earned or incurred. In addition, depreciation charges are based on rates and lives established or permitted by the Internal Revenue Service rather than over the future period expected to be benefited. In addition, the Club includes items of nontaxable revenue and nondeductible expenses in the accompanying statements of revenues and expenses.

Property and Equipment

The Club's policy for recognizing common property as assets in its statement of assets, liabilities and members' equity is to recognize (a) common personal property, (b) real property transferred from the developer not associated with camp sites and (c) acquisitions of real property from member assessments. The Club is responsible for preserving and maintaining the property and may dispose of it only with seventy-five percent of the members consenting, with the proceeds from the disposition remitted to the members.

Other common property, primarily consisting of land, roadways, campsite improvements, water, sewer and electric systems, is not recognized as assets.

Property and equipment are stated at cost. Depreciation is provided based on the straight-line method over the regular recovery period as established or permitted by the Internal Revenue Service.

Inventory

Store inventory is valued at cost and stated on the first in, first out basis, which is lower than market.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Presentation of Sales Tax

The State of Iowa imposes a sales tax on certain Club sales. The Club collects sales tax from customers and remits the entire amount to the State. The Club's accounting policy is to exclude the tax collected and remitted from revenue and cost of sales.

Cutty's Des Moines Camping Club
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers* in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Club adopted the requirements of the new guidance as of November 1, 2019, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in no material changes to the Club's accounting policies for revenue recognition.

NOTE 2 INCOME TAXES

The Club is organized as a corporation under the Iowa Nonprofit Corporation Act, Chapter 504A, Code of Iowa, but has elected to be taxed on its profits.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Club and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The years from October 31, 2017 through current are subject to U.S. federal income tax examinations by tax authorities. The Club has not been notified of any impending examinations by tax authorities, and no examinations are in process.

NOTE 3 LONG-TERM DEBT

The Club entered into a note payable agreement on November 14, 2017 for \$30,000 to purchase equipment. The note is due November 14, 2022 and requires monthly payments of \$562 including interest at 4.65%. It is collateralized by various equipment including four golf carts with depreciated cost of \$31,461. The balance due at October 31, 2020 was \$13,367.

The Club entered into a capital lease agreement for a postage machine. The lease requires monthly payments of \$261 through April 2022. The lease had an interest rate of approximately 17% with a balance due of \$3,171 as of October 31, 2020.

Aggregate maturities required on long-term debt are as follows:

Year ending October 31

2021	\$ 8,703
2022	7,285
2023	<u>550</u>
Total	\$ <u>16,538</u>

Cutty's Des Moines Camping Club
NOTES TO FINANCIAL STATEMENTS

NOTE 4 PAYCHECK PROTECTION PROGRAM LOAN

During 2020, the Club received loan proceeds in the amount of \$95,252 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES-Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the period of eligibility. The PPP loan bears interest at 1% annually, and any unforgiven portion of the PPP loan is payable by April 2022. The Club used the proceeds of the loan for purposes consistent with the PPP.

Effective December 31, 2020, the PPP loan was fully forgiven.

NOTE 5 LEASE COMMITMENTS

The Club leases a copier and trash compactor under noncancelable lease agreements. The leases require monthly payments totaling \$839. The copier lease expires November 2023 and the trash compactor lease expires June 2023. Total rent expense under these leases was \$10,019 and \$9,827 for the years ended October 31, 2020 and 2019, respectively. Future minimum lease payments required under the lease agreements are as follows:

<u>Year ending October 31</u>	<u>Amount</u>
2021	\$ 10,062
2022	10,062
2023	8,864
2024	<u>539</u>
Total	<u>\$ 29,527</u>

NOTE 6 MEMBERSHIP UNITS

During the year ended October 31, 2010, the Club purchased 932 membership units from the original developer for \$300,000. The membership units will remain an asset on the Club's statement of assets, liabilities and members' equity until they are sold.

NOTE 7 RELATED PARTY TRANSACTIONS

The Club pays a transfer fee to the Board President for facilitating membership transfers. The total amount of fees paid to him during the years ended October 31, 2020 and 2019 was \$18,800 and \$11,280, respectively. The Club also paid the Board President \$630 and \$-0- as interim Club manager for the years ended October 31, 2020 and 2019, respectively.

In addition, the Club compensated a board member approximately \$100,000 in salary and benefits as the Club's Buildings and Grounds Supervisor for the years ended October 31, 2020 and 2019, respectively.

NOTE 8 CONCENTRATIONS OF CREDIT RISK

The Club maintains cash balances at different financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At October 31, 2020, the Club had deposits that exceeded this limit by approximately \$361,200.

**Cutty's Des Moines Camping Club
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 SUBSEQUENT EVENTS

The Club has evaluated subsequent events through January 15, 2021, the date which the financial statements were available to be issued. Except for the PPP loan forgiveness disclosed in Note 4, there were no subsequent events that required accrual or disclosure.