

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

FINANCIAL REPORT

October 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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
March 16, 2022

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

	October 31	
ASSETS	2021	2020
CURRENT ASSETS		
Cash	\$1,233,893	\$1,044,579
Accounts receivable	5,673	7,334
Inventory, store	63,506	65,335
Prepaid expenses, insurance and other	32,456	29,641
Total current assets	<u>1,335,528</u>	<u>1,146,889</u>
PROPERTY AND EQUIPMENT		
Land and improvements	1,681,522	1,681,522
Buildings	3,745,622	3,737,511
Furniture, fixtures and equipment	1,668,098	1,661,049
Construction in progress	24,883	24,883
	<u>7,120,125</u>	<u>7,104,965</u>
Less accumulated depreciation	5,942,941	5,818,236
Total property and equipment	<u>1,177,184</u>	<u>1,286,729</u>
OTHER ASSETS		
Membership units	<u>300,000</u>	<u>300,000</u>
Totals	<u>\$2,812,712</u>	<u>\$2,733,618</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ —	\$ 8,703
Rental deposit	1,775	1,775
Accounts payable		
Trade	2,236	17,089
Payroll taxes including amounts withheld from employees	6,597	2,057
Income tax payable	12,866	13,084
Property and sales taxes payable	125,819	128,831
Paycheck Protection Program loan	—	95,252
Total current liabilities	<u>149,293</u>	<u>266,791</u>
LONG-TERM LIABILITIES, less current maturities		
Notes payable	—	7,835
Total long-term liabilities	<u>—</u>	<u>7,835</u>
MEMBERS' EQUITY		
	<u>2,663,419</u>	<u>2,458,992</u>
Totals	<u>\$2,812,712</u>	<u>\$2,733,618</u>

See Notes to Financial Statements.

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

	Year ended October 31	
	2021	2020
REVENUES		
Membership dues, net of discount	\$ 623,780	\$ 633,658
Fees and charges	854,922	762,994
Permit sales	8,209	8,777
Coin operated machines	6,887	5,156
Merchandise sales - RV parts	30,705	24,481
Merchandise sales - snack bar	95,229	72,423
Merchandise sales - store	21,486	31,378
Electric and sewer surcharge	34,003	31,454
Interest income	2,285	3,182
Miscellaneous	1,294	3,785
Total revenues	<u>1,678,800</u>	<u>1,577,288</u>
EXPENSES		
Salaries	490,170	453,453
Employee benefits	63,834	52,903
Payroll taxes	48,191	42,821
Contract labor	—	2,638
Merchandise purchases	1,803	1,702
Cost - RV parts	22,814	23,848
Cost - merchandise used	34,303	33,040
Cost - store	8,250	16,242
Activities	26,928	14,884
Advertising	11,393	5,093
Maintenance	154,100	134,362
Utilities	231,477	182,971
Telephone and internet	11,822	12,238
Property taxes	144,657	145,521
Insurance	34,539	32,566
Membership sales	20,000	18,800
Office supplies	18,679	19,835
Professional fees	22,474	21,511
Collection expenses	16,686	26,438
Depreciation	124,705	189,899
Other	42,416	45,307
Interest expense	297	3,012
Penalties	21	—
Income tax expense	40,066	26,084
Total expenses	<u>1,569,625</u>	<u>1,505,168</u>
Excess of revenues over expenses—income tax basis	109,175	72,120
Paycheck Protection Program loan forgiveness	<u>95,252</u>	<u>—</u>
Excess of revenues over expenses	<u>\$ 204,427</u>	<u>\$ 72,120</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>2021</u>	<u>2020</u>
BALANCE , beginning	\$2,458,992	\$2,386,872
Excess of revenues over expenses	<u>204,427</u>	<u>72,120</u>
BALANCE , ending	<u>\$2,663,419</u>	<u>\$2,458,992</u>

See Notes to Financial Statements.

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

	Year ended October 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 204,427	\$ 72,120
Adjustments to reconcile excess of revenues over expenses— income tax basis to net cash provided by operating activities		
Paycheck Protection Program loan forgiveness	(95,252)	—
Depreciation	124,705	189,899
Change in assets and liabilities		
Accounts receivable	1,661	2,865
Income tax receivable	—	468
Inventory	1,829	6,531
Prepaid expenses	(2,815)	614
Accounts payable and accrued expenses, net of property and equipment payables	(10,313)	8,660
Income tax payable	(218)	13,084
Property and sales taxes payable	(3,012)	(1,492)
Net cash provided by operating activities	<u>221,012</u>	<u>292,749</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(15,160)	(76,812)
Net cash (used in) investing activities	<u>(15,160)</u>	<u>(76,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	—	95,252
Payment on long-term debt	(16,538)	(8,534)
Net cash provided by (used in) financing activities	<u>(16,538)</u>	<u>86,718</u>
NET INCREASE IN CASH	189,314	302,655
CASH		
Beginning	1,044,579	741,924
Ending	<u>\$1,233,893</u>	<u>\$1,044,579</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ <u>297</u>	\$ <u>3,012</u>
Cash payments for income taxes	\$ <u>27,200</u>	\$ <u>12,532</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Paycheck Protection Program loan forgiveness	\$ <u>95,252</u>	\$ <u>—</u>

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, 2021, the Club has 3,000 deeded members, including 322 inactive members (non-dues paying), and 1,811 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 method used is an other method of accounting that 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.

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 or the accelerated depreciation method.

Inventory

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

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 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, 2018 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 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 Club used the proceeds of the loan for purposes consistent with the PPP.

Effective December 30, 2020, the PPP loan was fully forgiven.

NOTE 4 LEASE COMMITMENTS

The Club leases a copier and trash compactor under noncancelable lease agreements. The leases require monthly payments totaling \$863. The copier lease expires November 2023 and the trash compactor lease expires June 2023. Total rent expense under these leases was \$10,330 and \$10,019 for the years ended October 31, 2021 and 2020, respectively. Future minimum lease payments required under the lease agreements are as follows:

<u>Year ending October 31</u>	<u>Amount</u>
2022	\$ 10,354
2023	9,156
2024	<u>563</u>
Total	<u>\$ 20,073</u>

NOTE 5 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.

Cutty's Des Moines Camping Club
NOTES TO FINANCIAL STATEMENTS

NOTE 6 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, 2021 and 2020 was \$20,000 and \$18,800, respectively. The Club also paid the Board President \$7,035 and \$630 as interim Club manager for the years ended October 31, 2021 and 2020, respectively.

In addition, the Club compensated a board member approximately \$72,000 and \$70,000 as the Club's Buildings and Grounds Supervisor for the years ended October 31, 2021 and 2020, respectively.

NOTE 7 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, 2021, the Club had deposits that exceeded this limit by approximately \$577,000.

NOTE 8 SUBSEQUENT EVENTS

The Club has evaluated subsequent events through March 16, 2022, the date which the financial statements were available to be issued. There were no subsequent events that required accrual or disclosure.