

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

FINANCIAL REPORT

October 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Cutty's Des Moines Camping Club (a nonprofit organization), which comprise the statements of financial position as of October 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Cutty's Des Moines Camping Club as of October 30, 2022 and 2021, and the changes in its net assets and its 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.

Basis for Opinion

We conducted our audits 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 Cutty's Des Moines Camping Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Cutty's Des Moines Camping Club'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 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 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 Cutty's Des Moines Camping 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 Cutty's Des Moines Camping 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.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
May 11, 2023

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

	October 31	
ASSETS	2022	2021
CURRENT ASSETS		
Cash	\$1,200,494	\$1,233,893
Accounts receivable	7,698	5,673
Income tax receivable	11,866	—
Inventory, store	67,679	63,506
Prepaid expenses, insurance and other	36,395	32,456
Total current assets	<u>1,324,132</u>	<u>1,335,528</u>
PROPERTY AND EQUIPMENT		
Land and improvements	1,712,729	1,681,522
Buildings	3,745,622	3,745,622
Furniture, fixtures and equipment	1,830,178	1,668,098
Construction in progress	24,883	24,883
	<u>7,313,412</u>	<u>7,120,125</u>
Less accumulated depreciation	6,033,452	5,942,941
Total property and equipment	<u>1,279,960</u>	<u>1,177,184</u>
OTHER ASSETS		
Membership units	<u>300,000</u>	<u>300,000</u>
Totals	<u>\$2,904,092</u>	<u>\$2,812,712</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Rental deposit	\$ 1,427	\$ 1,775
Accounts payable		
Trade	24,101	2,236
Payroll taxes including amounts withheld from employees	1,912	6,597
Income tax payable	—	12,866
Property and sales taxes payable	136,912	125,819
Total current liabilities	<u>164,352</u>	<u>149,293</u>
MEMBERS' EQUITY	<u>2,739,740</u>	<u>2,663,419</u>
Totals	<u>\$2,904,092</u>	<u>\$2,812,712</u>

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>2022</u>	<u>2021</u>
REVENUES		
Membership dues, net of discount	\$ 665,769	\$ 623,780
Fees and charges	834,586	854,922
Permit sales	7,332	8,209
Coin operated machines	7,095	6,887
Merchandise sales - RV parts	30,553	30,705
Merchandise sales - snack bar	102,924	95,229
Merchandise sales - store	23,864	21,486
Electric and sewer surcharge	33,199	34,003
Interest income	2,676	2,285
Miscellaneous	4,642	1,294
Total revenues	<u>1,712,640</u>	<u>1,678,800</u>
EXPENSES		
Salaries	457,886	490,170
Employee benefits	63,492	63,834
Payroll taxes	43,773	48,191
Contract labor	18,785	—
Merchandise purchases	2,014	1,803
Cost - RV parts	25,187	22,814
Cost - merchandise used	58,251	34,303
Cost - store	21,986	8,250
Activities	25,669	26,928
Advertising	11,946	11,393
Maintenance	165,350	154,100
Utilities	244,760	231,477
Telephone and internet	11,459	11,822
Property taxes	162,992	144,657
Insurance	41,184	34,539
Membership sales	16,448	20,000
Office supplies	17,674	18,679
Professional fees	27,893	22,474
Collection expenses	13,697	16,686
Depreciation	142,237	124,705
Other	36,091	42,416
Interest expense	—	297
Penalties	—	21
Income tax expense	27,545	40,066
Total expenses	<u>1,636,319</u>	<u>1,569,625</u>
Excess of revenues over expenses—income tax basis	76,321	109,175
Paycheck Protection Program loan forgiveness	—	95,252
Excess of revenues over expenses	<u>\$ 76,321</u>	<u>\$ 204,427</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>2022</u>	<u>2021</u>
BALANCE , beginning	\$2,663,419	\$2,458,992
Excess of revenues over expenses	<u>76,321</u>	<u>204,427</u>
BALANCE , ending	<u>\$2,739,740</u>	<u>\$2,663,419</u>

See Notes to Financial Statements.

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

	Year ended October 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 76,321	\$ 204,427
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	142,237	124,705
Change in assets and liabilities		
Accounts receivable	(2,025)	1,661
Income tax receivable	(11,866)	—
Rental deposit	(348)	—
Inventory	(4,172)	1,829
Prepaid expenses	(3,939)	(2,815)
Accounts payable and accrued expenses, net of property and equipment payables	17,180	(10,313)
Income tax payable	(12,866)	(218)
Property and sales taxes payable	11,093	(3,012)
Net cash provided by operating activities	211,615	221,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(245,014)	(15,160)
Net cash (used in) investing activities	(245,014)	(15,160)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long-term debt	—	(16,538)
Net cash (used in) financing activities	—	(16,538)
NET INCREASE (DECREASE) IN CASH	(33,399)	189,314
CASH		
Beginning	1,233,893	1,044,579
Ending	\$1,200,494	\$1,233,893
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ —	\$ 297
Cash payments for income taxes	\$ 38,800	\$ 27,200
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Paycheck Protection Program loan forgiveness	\$ —	\$ 95,252

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, 2022, the Club has 3,000 deeded members, including 176 inactive members (non-dues paying), and 1,642 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, 2019 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, postage meter, and trash compactor under noncancelable lease agreements. The leases require monthly payments totaling \$1,118. The copier and postage meter leases expire January 2027, and the trash compactor lease expires June 2023. Total rent expense under these leases was \$9,861 and \$10,330 for the years ended October 31, 2022 and 2021, respectively. Future minimum lease payments required under the lease agreements are as follows:

<u>Year ending October 31</u>	<u>Amount</u>
2023	\$ 12,215
2024	9,818
2025	9,818
2026	9,818
2027	<u>2,595</u>
Total	<u>\$ 44,264</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 multiple board members for facilitating membership transfers. The total amount of fees paid to the Board President during the years ended October 31, 2022 and 2021 was \$11,050 and \$20,000, respectively. The total amount of fees paid to the Board Secretary during the years ended October 31, 2022 and 2021 was \$4,850 and \$-0-, respectively.

In addition, the Club paid the Board President \$-0- and \$7,035 as interim Club manager for the years ended October 31, 2022 and 2021, 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, 2022, the Club had deposits that exceeded this limit by approximately \$518,000.

NOTE 8 SUBSEQUENT EVENTS

The Club has evaluated subsequent events through May 11, 2023, the date which the financial statements were available to be issued. There were no subsequent events that required accrual or disclosure.