

Dear Homeowners,

The Resort Golf Club has undergone significant changes over the past six months, with more to come. We recognize that many homeowners have questions—especially regarding the club’s financial health and updates to the clubhouse and amenities. While it took time to assess the situation and develop a plan, this letter and the accompanying CPA report will bring you up to speed.

Key Events Over the Past Six Months

When I was elected to the HOA Board in late July, I had a strong belief that our golf course and clubhouse had significant potential. I wanted to contribute ideas and help drive funding to revitalize these staples in our neighborhood. However, I did not fully grasp the extent of the financial and operational challenges we faced.

Shortly after my election, several of us met with the then-Golf Board Chair, Larry, who shared his decision to resign. Larry had been instrumental in keeping the course operational for many years, and we all appreciate his dedication. I took over as Chair of the Golf Board in his place. The first order of business was to address our golf cart lease that was expiring on an aging fleet, and a new lease agreement had already been negotiated and signed in May 2024. However, due to the Golf Club’s poor credit rating and lack of strong financials, the lender required a \$122,000 down payment—funds the Club did not have. With the HOA Board’s intervention, we were able to restructure the lease, securing new carts with GPS without requiring this large upfront payment.

During this time, I, along with other Board members, started meeting with the current GM to get up to speed on the business. This included working through current bills, bank balances, etc. He started to initiate some team changes but ultimately decided to resign. At the same time, the Food & Beverage (F&B) Manager’s transition came to an end.

During this time, we uncovered serious food safety, profitability, and other operational issues within our F&B department and moved quickly to hire a new leader. Erik has stepped into that role with very little budget, failing equipment, and staffing challenges, but we are pleased with his progress and are seeing growth in that side of the business.

Financial Oversight & Accounting

One discovery was the lack of typical accounting records. The Golf Club did not have a true profit and loss (P&L) statement or balance sheet. It also came to our attention that the financial report they did have did not fully reflect all relevant details, such as unpaid bills. In some cases, the accounting practices of cash and accrual were used within the same report. Recognizing this as a problem, we engaged a bookkeeper to transfer our financial data into QuickBooks and later brought in a CPA firm to establish sound financial oversight.

As part of this process, we started uncovering unpaid bills—one dating back to March 2024—that had not been accounted for in any financial reports (there wasn't an Accounts Payable

aging report). Additionally, some vendor accounts managed online had accumulated thousands of dollars in unpaid invoices. Without a complete financial picture, decision-making was difficult. Now that we have an aging report, we can see that at the end of 2024 we had close to \$200,000 in outstanding bills, and since that was our slow season with limited operating capital, the situation was only worsening every week.

How Did We Get Here?

Though there's many factors that play into this question, here's my assessment:

- **The Golf Course was never properly capitalized.** From the beginning, the course was operating with insufficient funds. In hindsight, it should have been provided with at least \$250,000–\$500,000 in initial capital. It did have that in the form of a line of credit, but it was never used.
- **Deferred Maintenance Issues.** The course and facilities were purchased in poor condition, with years of deferred maintenance. While we got a good deal on the property, several million dollars' worth of upkeep had been neglected, which has now become our responsibility.
- **2024 Unexpected Expenses.** A significant amount of money was spent in 2024 to bring the course back into good condition after a hard summer and loss of water that did significant damage. Additionally, an unplanned secondary water source project added further unexpected expenses.
- **Inadequate Financial Planning.** Due to the lack of proper financial records, aging reports, and accounting procedures, financial planning was not conducted effectively, leading to cash flow issues later in the year.
- **Financial Mistakes.** Several financial errors made throughout the year compounded our issues. Many were minor, but others had a large impact, such as incorrect pricing in the F&B department. One significant discovery was that the Golf Club had only been collecting 6.25% in sales tax instead of the required 8.25%, resulting in a little over \$32,721.54 that was paid to the State but was not collected from our customers.

Current Financial Status & Path Forward

While we have a valuable asset in The Resort Golf Club and Amenities, it has been operating at a financial deficit. Given these financial challenges, we have taken decisive action to stabilize the club and set it on a sustainable path.

Immediate Actions:

- **Expense Review & Vendor Negotiations:** We are reassessing all expenses and renegotiating terms with vendors to settle outstanding debts.
- **HOA Support:** In late January, the HOA provided a \$107,000 advance on social fees, which helped cover critical expenses such as overdue franchise taxes and equipment leases that were accruing penalties.

- **Special Assessment:** The HOA Board will be discussing a special assessment to clear outstanding debts at the upcoming special Board meeting.

Future Considerations for HOA Board:

- **Social Fee Adjustment:** The Golf Board is requesting the HOA Board consider an increase in social fees to account for rising costs associated with maintaining our shared amenities. There hasn't been an increase in these fees for years yet the Golf Course is required to maintain and handle deferred maintenance on these amenities without an increase.
- **Deferred Maintenance:** The Golf Board is requesting the HOA leverage its reserves for some of the deferred maintenance on our shared community buildings.

What if we don't?

If we don't take action to pay off the outstanding debt, the club may face bankruptcy, and for many of our debts, the HOA will still be responsible. This could have significant financial implications for all homeowners. Additionally, a failing or closed golf course would likely lower property values and diminish the appeal of our community. This is a pivotal moment for our neighborhood.

Looking Towards the Future

- This community deserves a Clubhouse and amenities that we are proud of and improving them for all of us is still a critical focus of the future. To that extent, we have secured a \$750,000 capital improvement loan from our existing lender. This money is meant to help us improve the facilities, not to pay off existing bills (it wouldn't have been given otherwise). The lender is allowing us to use part of the money to pay off our bills immediately, provided that funds from the HOA replenish the capital. This approach helps us avoid additional penalties and interest in the meantime. It will be the topic of conversation in the upcoming special board meeting.
- The timing and decisions around these improvements are still being determined. As I've mentioned, we had a significant amount of unexpected work that required immediate attention. Initial planning with a designer and construction vendors has already begun, and when there is more to report, we will provide an update. Our focus over the next few months is paying off overdue debts, stabilizing operations and ensuring we capitalize on the most profitable months for the golf course.
- **Cash Management:** We are establishing a cash management policy where a portion of our profit goes into a reserve for operations, and another portion goes into a reserve for capital improvements. At a minimum, the goal is to have \$250,000 in the bank for operations at all times. Ultimately, I'd like to build towards a three-month reserve, but that will take financial discipline and time. Obviously, there will always be unforeseen expenses especially in our situation, however, these disciplines will help us better be prepared in the long run.

Final Thoughts

Despite these challenges, we are confident that with the right financial discipline and community support, the best days for the Resort Golf Club are ahead. Our revenue is growing across all aspects of the business, our course is in the best shape it has been in a long time, and we have a clear path to revitalizing our clubhouse. We appreciate your patience and commitment to ensuring our community remains a great place to live.

I appreciate your patience and support as we work to protect and enhance this important community asset.

Sincerely,

Chris Capehart

HOA Board Vice President and Resort Golf Club Chair

P.S

- For transparency, I've attached Preliminary 2024 Financials (recreated by our new accountants) including 2024 P&L, Balance Sheet (still WIP), January P&L, along with a summary letter from our accountant.
- **Monday Night:** Myself along with other members of the Golf Board will be at the clubhouse from 6 - 7pm on Monday night to talk to and answer any questions we can from other homeowners. I look forward to connecting with you there.
- As outlined in the CPA's overview, we didn't have a complete grasp of everything until recently. I was previously asked about the filming contract and shared the figures I was aware of, which were accurate based on the original contract. However, I later learned that additional payments were made as new items were added. These payments are reflected in the "Other Income" line of the P&L. Additionally, a non-disclosure agreement was signed—something I wasn't aware of at the time which precludes us from sharing the specifics publicly. Please note that not all income in the "Other Income" line came from the filming. \$100,000 of that income was from Dustin Austin to support golf course enhancements, and the remaining amount includes revenue from other rentals of our clubhouse throughout the year.