

DIAMONDHEAD COUNTRY CLUB
AND PROPERTY OWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Diamondhead Country Club and
Property Owners Association, Inc.

We have audited the accompanying financial statements of Diamondhead Country Club and Property Owners Association, Inc. (the Association), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in members' equity and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' 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 audit 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 Association'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 Association'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.



Board of Directors
Diamondhead Country Club and
Property Owners Association, Inc.
July 12, 2017

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diamondhead Country Club and Property Owners Association, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Club Operations and the Schedule of Other Operating Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the required information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

July 12, 2017
New Orleans, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel LLP".

Certified Public Accountants

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
<u>ASSETS:</u>		
Cash, undesignated	\$ 529,245	\$ 1,420,703
Cash, designated for future repairs	509,602	509,602
Member assessments receivable, net of allowance for uncollectible balances of \$1,722,112 and \$1,593,350 in 2016 and 2015	1,082,813	1,135,417
Other receivables	1,707	2,022
Inventories	147,133	155,542
Lot inventory	286,463	286,463
Prepaid expenses	103,760	57,437
Prepaid income taxes	3,822	3,784
Deferred income tax benefit	754,299	808,024
Property and equipment, net	<u>8,240,754</u>	<u>7,299,571</u>
 Total assets	 <u>\$ 11,659,598</u>	 <u>\$ 11,678,565</u>

LIABILITIES AND MEMBERS' EQUITY

<u>LIABILITIES:</u>		
Accounts payable	\$ 185,438	\$ 162,786
Accrued expenses	148,098	88,633
Deferred revenue	208,967	603,568
Accrued compensated absences	160,953	88,573
Capital lease obligation	<u>23,169</u>	<u>3,729</u>
 Total liabilities	 <u>726,625</u>	 <u>947,289</u>
 <u>MEMBERS' EQUITY</u>	 <u>10,932,973</u>	 <u>10,731,276</u>
 Total liabilities and members' equity	 <u>\$ 11,659,598</u>	 <u>\$ 11,678,565</u>

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>REVENUES:</u>		
<u>Club Operations:</u>		
Sales	\$ 3,257,499	\$ 3,104,396
Cost of sales	<u>(840,660)</u>	<u>(867,961)</u>
Gross profit	2,416,839	2,236,435
Operating expenses	<u>(3,847,937)</u>	<u>(3,957,761)</u>
Club operating loss	(1,431,098)	(1,721,326)
<u>Other Income:</u>		
Member assessments	4,310,195	4,615,456
Bad debts	<u>(259,574)</u>	<u>(350,536)</u>
Member assessments, net	<u>4,050,621</u>	<u>4,264,920</u>
Lot transfer and consolidation fees	153,059	147,412
Gain on sale of lots	12,737	7,745
Gain on sale of assets	-	11,950
Community services	29,204	40,518
Rental income	55,000	63,000
Interest income	4,735	10,189
Miscellaneous	<u>3,625</u>	<u>127,237</u>
Total other income	<u>4,308,981</u>	<u>4,672,971</u>
Total revenues	<u>2,877,883</u>	<u>2,951,645</u>
<u>EXPENSES:</u>		
Building maintenance	384,490	459,000
Grounds maintenance	260,729	199,312
Administration	1,813,027	1,135,909
Membership and collections	168,037	162,082
Community services	<u>-</u>	<u>126,138</u>
Total expenses	<u>2,626,283</u>	<u>2,082,441</u>
Income before income taxes	251,600	869,204
Provision for (benefit from) income taxes	<u>(49,903)</u>	<u>16,995</u>
Change in members' equity	201,697	886,199
Members' equity, beginning of year	<u>10,731,276</u>	<u>9,845,077</u>
Members' equity, end of year	<u>\$ 10,932,973</u>	<u>\$ 10,731,276</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<u>RECONCILIATION OF CHANGE IN MEMBERS' EQUITY TO NET</u>		
<u>CASH FROM (USED IN) OPERATING ACTIVITIES:</u>		
Change in members' equity	\$ 201,697	\$ 886,199
Adjustments to reconcile change in members' equity to net cash from operating activities:		
Depreciation expense	829,258	746,490
Bad debts	259,574	350,536
(Gain) on sale of lots	(12,737)	(7,745)
(Gain) on sale of equipment	-	(11,950)
(Increase) decrease in assets:		
Member assessments receivable	(194,233)	(256,002)
Other receivables	315	(292)
Inventories	8,409	6,951
Prepaid expenses	(46,323)	(3,444)
Prepaid income taxes	(38)	116
Deferred income taxes	53,725	(13,211)
Increase (decrease) in liabilities:		
Accounts payable	22,652	77,175
Accrued expenses	59,465	(18,459)
Deferred revenue	(394,601)	(218,630)
Accrued compensated absences	72,380	(37,583)
Net cash from operating activities	859,543	1,500,151
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(1,734,929)	(1,121,008)
Proceeds from sale of equipment	-	11,650
Net cash (used in) investing activities	(1,734,929)	(1,109,358)
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</u>		
Capital lease obligation payments	(16,072)	(23,972)
Net cash (used in) financing activities	(16,072)	(23,972)
Net increase (decrease) in cash and cash equivalents	(891,458)	366,821
Cash and cash equivalents, beginning of year	1,930,305	1,563,484
Cash and cash equivalents, end of year	\$ 1,038,847	\$ 1,930,305
<u>SUPPLEMENTAL DISCLOSURES NON-CASH TRANSACTIONS:</u>		
Capital lease obligation purchase	\$ 35,512	\$ -

See accompanying NOTES TO FINANCIAL STATEMENTS

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Diamondhead Country Club and Property Owners Association, Inc. (Association) is a Mississippi non-profit corporation chartered on June 8, 1970. It is operated exclusively for the mutual benefit of the membership and is responsible for the improvement, maintenance, and management of the common facilities of the Diamondhead Development located in south Mississippi. The development consists of approximately 4,500 residential units located on approximately 5,000 acres in Diamondhead, Mississippi. As explained in Note 5, the Association was not responsible for the common facilities until January 1, 1985. The Association receives the majority of its operating revenues from the assessment of its members and the operation of its golf courses.

Basis of Accounting

The Association prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Inventories

Inventories are carried at the lower of average cost or market.

Member (Owner) Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from property owners. The Association's policy is to retain legal counsel to enforce the liens on properties of members whose assessments become delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Property and Equipment

Acquisitions of buildings, equipment, and improvements in excess of \$2,500 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized with the exception of repairs or improvements to real property not directly associated with the property units, such as the roads in the subdivision. The Association accounts for improvements under the provisions of FASB ASC 972-360-25 which allows such repairs and improvements to be expensed by a Common Interest Realty Association if the asset cannot generate revenue or be subject to sale by the Association.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Buildings, equipment, and improvements are stated at cost less accumulated depreciation. Depreciation is being provided by use of the straight-line method over the estimated useful lives of the related assets.

Deferred Revenue

Deferred revenue results from the Association recognizing member assessments and golf assessments in the period in which the related activity is performed. Accordingly, member assessments and golf assessments received for next year are deferred until the activity commences.

Compensated Absences

The Association accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee.

Income Taxes

The Association is classified as a nonexempt membership organization for federal income tax purposes and is subject to specific rulings and regulations applicable to membership organizations. In general, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as country club income and interest earnings, at regular corporate rates. The Association files federal Form 1120, which has graduated tax rates of 15% to 39% that are applied to net taxable income.

The Association is exempt from state income tax.

The Association's evaluation as of December 31, 2016 revealed no uncertain tax positions that qualify for recognition or disclosure in the financial statements. The 2013 through 2016 tax years remain subject to examination by the IRS.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Actual results could differ from those estimates.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Advertising

The Association expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$79,136 and \$110,433, respectively.

Common Facilities

The Association has not completed its study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Board has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

Subsequent Events

Subsequent events have been evaluated through July 12, 2017, which is the date the financial statements were available to be issued.

(2) MEMBER ASSESSMENTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Member assessments receivable	\$ 2,804,925	\$ 2,728,767
Less allowance for uncollectible balances	<u>(1,722,112)</u>	<u>(1,593,350)</u>
Member assessments receivable, net	<u>\$ 1,082,813</u>	<u>\$ 1,135,417</u>

Assessments receivable is shown net of an allowance for uncollectible balances. This provision for losses on assessments receivable is determined on the basis of loss experience, currently estimated to be 65% of those receivables ninety or more days past due. The ultimate collection of some of these member assessments relies on liens, repossessions and subsequent sales of the lien property, and therefore should not be considered available for current obligations of the Association.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

(3) LOT INVENTORY

Lot inventory represents lots repossessed for non-payment of membership dues. These lots are valued at the smaller of the members' receivable balance at the time of repossession or the estimated fair value of the lots as determined by similar sales.

(4) PROPERTY AND EQUIPMENT

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 11,143,064	\$ 9,936,858
Equipment	2,226,445	2,356,958
Furniture and fixtures	626,525	1,187,096
Cars and trucks	501,812	501,812
Computers and software	325,277	325,277
Land	107,553	107,553
Construction in progress	<u>336,182</u>	<u>522,222</u>
Total	15,266,858	14,937,776
Less: accumulated depreciation	<u>(7,026,104)</u>	<u>(7,638,205)</u>
Property and equipment, net	<u>\$ 8,240,754</u>	<u>\$ 7,299,571</u>

Depreciation expense booked for the years ended December 31, 2016 and 2015 was \$829,258 and \$746,490, respectively.

(5) COMMON FACILITIES

On January 1, 1985, Purcell Corporation, the developer of Diamondhead, transferred title of the common facilities to the Association for \$1. Common facilities include the country club, pro shop, golf courses, driving range, airport, yacht club, marina, lakes, roads, grounds, etc. Representations made by Purcell Corporation indicate that the common facilities had an original cost of \$14,301,266. On January 7, 2013, roads, drainage, and other common-use facilities were transferred to the City as part of an agreement between the City of Diamondhead and the Association.

(6) INCOME TAXES

The components of federal income tax expense (benefit) for the year ended December 31, 2016 and 2015 are:

	<u>2016</u>	<u>2015</u>
Deferred income tax expense (benefit) arising from timing differences	<u>\$ 49,903</u>	<u>\$ (16,995)</u>

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

(6) INCOME TAXES (CONTINUED)

Deferred income taxes payable is made up of the following:

	2016	2015
Temporary differences in using cash basis for tax purposes	\$ 121,206	\$ 62,829
Temporary depreciation differences	787,839	610,507
Net operating loss carryover, net of valuation allowance of \$1,667,166 in 2016 and \$1,481,360 in 2015.	(1,667,166)	(1,481,360)
Deferred income tax (benefit) payable	\$ (758,121)	\$ (808,024)

The major difference between net income per the financial statements and taxable income (loss) per the federal income tax return is the exclusion of contributed capital from net membership income.

At December 31, 2016, the Association had a net operating loss carryforwards totaling approximately \$13,337,330 expiring in various years through 2036.

(7) EMPLOYEE RETIREMENT PLANS

The Association sponsors a defined contribution retirement plan with Section 401(k) provisions. The plan is available to substantially all of the Association's employees. The plan provides for participating employees to make salary reduction (elective deferral) contributions up to 10% of their compensation, up to \$4,000, into the plan with the Association making a matching contribution equal to 50% of the first \$1,000 of deferred compensation. Employer matching contributions in the amounts of \$28,495 and \$26,448 were made for the years ending December 31, 2016 and 2015, respectively.

(8) CONTINGENCIES

The Association is involved in various legal matters arising during the normal course of business. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Association.

(9) LINE OF CREDIT

The Association maintains a \$900,000 unsecured line of credit with Hancock Bank. It bears interest at 3.25% and expires August 20, 2017. At December 31, 2016 and 2015, the outstanding loan balance on this line of credit was \$0.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

(10) CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances at Hancock Bank, which at times may exceed the federally insured limit of \$250,000. At December 31, 2016 and 2015, the Association had \$955,108 and \$1,330,343, respectively, of cash on deposit that exceeded federally insured limits.

(11) LEASES

Operating Leases

The Association has entered into leases for mowing and office equipment. Total rental equipment expense was \$77,576 and \$108,401 for the years ending December 31, 2016 and 2015, respectively.

Minimum annual rentals for years subsequent to 2016 are:

2017	\$ <u>10,452</u>
Total	\$ <u>10,452</u>

The Association negotiated a lease with Silver Slipper Casino Venture, LLC to lease its waterfront restaurant within the Diamondhead Development. The initial lease dated August 25, 2008, calls for an initial term of ten (10) years with two additional ten (10) year renewal options. Minimum annual rental income is \$60,000. Minimum annual rental income for each renewal option period is adjusted by the Consumer Price Index, but not to exceed three percent (3%) per year. For the period of February 1, 2011 through July 31, 2012, the rent was reduced to \$2,000 per month. For the period August 1, 2012 through December 31, 2012 the rent increased to \$3,500 per month. A new agreement was negotiated to start on January 1, 2013 that calls for a term of seven (7) years. In November 2012, the Board approved the request from Silver Slipper to cease business at the restaurant. In addition, an agreement with Silver Slipper was reached regarding the completion of the 7 years remaining on the lease. The Silver Slipper will continue to make monthly payments, receive vouchers for golf and food, and continue insurance through the renewal date.

The Association negotiated a lease with Harbor House, LLC on December 17, 2012 to lease the restaurant property at 3410 Yacht Club Circle – previously known as Hula's. The term commences on January 1, 2013 and ending on March 31, 2018. The rent will be \$4,000 per month with the option for two additional five (5) year terms at a rent to be negotiated upon exercising such option(s).

Rental income under these leases was \$55,000 for the years ended December 31, 2016 and 2015, respectively.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016 AND 2015

(11) LEASES (CONTINUED)

Operating Leases (Continued)

Minimum annual rentals for years subsequent to 2016 are:

2017	\$	48,000
2018		<u>12,000</u>
Total	\$	<u>60,000</u>

Capital Lease

The Association entered into a 36 month lease for golf course equipment on February 18, 2013. The asset and liabilities under the capital lease are recorded at the lesser of the present value of the minimum lease payments or the fair market value of property received. The asset is amortized over its estimated life of three years. The remaining balance was paid off in February of 2016.

The Association entered into a 36 month lease for golf course equipment on April 30, 2016. The asset and liabilities under the capital lease are recorded at the lesser of the present value of the minimum lease payments or the fair market value of property received. The asset is amortized over its estimated life of three years.

Amortization expense of the leased property was \$8,878 and \$0 for the years ended December 31, 2016 and 2015 and accumulated amortization of the leased property for the years ended December 31, 2016 and 2015 was \$8,878 and \$0, respectively, and is included in depreciation expense in the accompanying financial statements. The cost of the equipment under capital lease was \$35,512.

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of December 31, 2016:

2017	\$	12,574
2018		<u>11,526</u>
Net minimum lease payments		24,100
Less: amount representing interest		<u>(931)</u>
Present value of minimum lease payments	\$	<u>23,169</u>

Lease payments during the years ended December 31, 2016 and 2015 totaled \$16,072 and \$18,971, respectively.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULE OF CLUB OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Totals						
	Food & Beverage	Golf	Tennis	Marina	Recreation	2016	2015
Sales	\$ 1,465,505	\$ 1,581,177	\$ 86,373	\$ 76,483	\$ 47,961	\$ 3,257,499	\$ 3,104,396
Cost of sales	(604,368)	(195,447)	-	(24,544)	(16,301)	(840,660)	(867,961)
Gross profit	861,137	1,385,730	86,373	51,939	31,660	2,416,839	2,236,435
<u>Expenses:</u>							
Automotive		188	-	-	-	188	-
Advertising	4,361	6,393	-	-	-	10,754	29,764
Bank fees	5,040	5,438	297	263	165	11,203	-
Casual labor	229	172	-	-	-	401	200
Contract services		7,706	13	-	-	7,719	10,744
Credit card discounts	24,463	13,088	-	414	587	38,552	34,918
Depreciation	119,770	304,377	46,598	66,469	82,781	619,995	539,264
Dues and subscriptions	1,377	2,758	315	-	-	4,450	5,224
Employee benefits and payroll taxes	213,793	204,909	28,713	3,576	24,861	475,852	362,737
Freight		9,087	-	193	-	9,280	9,082
Gas and oil		38,753	-	-	-	38,753	41,011
Handicap fees		4,641	-	-	-	4,641	-
Insurance	9,596	12,418	743	5,950	3,228	31,935	28,393
Miscellaneous	9,786	1,534	20,643	51	8,279	40,293	32,850
Office supplies and postage	6,704	10,856	146	26	419	18,151	13,367
Professional fees		-	-	-	-	-	1,513
Promotional expenses	62,128	9,593	-	-	-	71,721	73,237
Rental and lease	2,258	51,785	-	459	15,765	70,267	100,561
Repairs and maintenance	24,282	56,916	4,713	2,632	31,887	120,430	142,241
Salaries	668,826	779,114	65,365	35,568	107,493	1,656,366	1,793,611
Small tools	1,794	2,673	401	-	1,447	6,315	15,343
Supplies	96,070	149,815	350	620	31,513	278,368	355,634
Taxes and licenses	8,136	3	-	100	-	8,239	9,956
Telephone	8,675	3,195	487	1,462	2,286	16,105	16,073
Travel	697	2,253	194	-	445	3,589	8,129
Uniforms	3,613	5,475	-	-	1,129	10,217	9,800
Utilities	108,776	87,624	14,656	11,282	71,815	294,153	324,109
Total operating expenses	1,380,374	1,770,764	183,634	129,065	384,100	3,847,937	3,957,761
Club operating (loss), net	\$ (519,237)	\$ (385,034)	\$ (97,261)	\$ (77,126)	\$ (352,440)	\$ (1,431,098)	\$ (1,721,326)

(See Independent Auditors' Report)

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Building		Grounds		Administration	Membership	Community Services	Totals	
	Maintenance		Maintenance					2016	2015
<u>Expenses:</u>	\$	-	\$	-	\$	-	\$	83,622	\$ 80,669
Advertising	-	-	-	-	7,199	-	-	7,199	4,057
Automobile	-	-	-	-	37,236	-	-	37,236	23,089
Contract services	-	-	-	-	16,179	-	-	16,179	20,752
Credit card discounts	-	-	-	-	155,486	-	-	209,263	207,226
Depreciation	53,777	-	-	-	2,608	-	-	2,608	2,542
Dues and subscriptions	-	-	-	-	73,439	21,106	-	203,251	176,418
Employee benefits and payroll taxes	65,038	-	43,668	-	33	-	-	33	-
Freight	-	-	-	-	-	-	-	-	-
Gas and oil	6,592	-	2,664	-	-	-	-	9,256	11,880
Insurance	7,363	-	2,370	-	299,578	4,517	-	313,828	240,016
Interest	-	-	-	-	819	-	-	819	1,478
Miscellaneous	183	-	1,025	-	64,054	22,191	-	87,453	44,867
Office supplies and postage	2,000	-	-	-	36,375	12,762	-	51,137	47,985
Professional fees	-	-	387	-	295,470	1,549	-	297,406	128,634
Rental and lease	1,726	-	-	-	5,583	-	-	7,309	7,840
Repairs and maintenance	12,598	-	18,511	-	18,163	-	-	49,272	160,124
Salaries	215,120	-	174,783	-	563,313	96,833	-	1,050,049	746,199
Security lights	-	-	-	-	12,622	-	-	12,622	13,140
Small tools	3,662	-	1,247	-	516	-	-	5,425	3,839
Supplies	1,864	-	14,843	-	1,168	9,079	-	26,954	39,849
Taxes and licenses	-	-	-	-	63,710	-	-	63,710	34,210
Telephone	3,798	-	-	-	28,997	-	-	32,795	24,643
Travel	-	-	-	-	3,402	-	-	3,402	2,900
Uniforms	710	-	1,231	-	-	-	-	1,941	1,904
Utilities	10,058	-	-	-	43,456	-	-	53,514	58,180
Total other operating expenses	\$ 384,489	\$ 260,729	\$ 1,813,028	\$ 168,037	\$ 2,626,283	\$ 2,082,441	\$ -	\$ -	\$ -