

**DIAMONDHEAD COUNTRY CLUB AND
PROPERTY OWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**



DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
TABLE OF CONTENTS
DECEMBER 31, 2022 AND 2021

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1 – 3
FINANCIAL STATEMENTS	
Balance Sheets	4
Statements of Revenues, Expenses and Changes in Members' Equity	5
Statements of Cash Flows	6– 7
Notes to Financial Statements	8– 23
SUPPLEMENTARY INFORMATION	
Schedule of Club Operations	24-25
Schedule of Other Operating Expenses	26-27



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants
INDEPENDENT AUDITOR'S REPORT

December 6, 2024

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

Opinion

We have audited the financial statements of Diamondhead Country Club and Property Owners Association, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenues and expenses, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Diamondhead Country Club and Property Owners Association, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Diamondhead Country Club and Property Owners Association, Inc. 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the year ending December 31, 2022, the entity adopted new FASB Accounting Standards Codification, Topic 842, Leases. Our opinion is not modified with respect to this matter.

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 Diamondhead Country Club and Property Owners Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Diamondhead Country Club and Property Owners Association, Inc.'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 Diamondhead Country Club and Property Owners Association, Inc.'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Club Operations and Schedule of Other Operating Expenses are

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

presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of 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 supplementary information on 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 this missing information.

Alexander, Van Loon, Sloan, Levens & Favre, PLLC

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL STATEMENTS

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 1,594,927	\$ 1,692,671
Member assessments receivable, net of allowances for uncollectible balances of \$2,941,729 and \$2,637,107, respectively	229,907	161,139
Grant receivable	214,349	-
Other receivables	109,604	34,068
Inventories	233,348	178,143
Lot inventory	498,681	509,731
Prepaid expenses	122,798	105,520
Total current assets	<u>3,003,614</u>	<u>2,681,272</u>
NONCURRENT ASSETS		
Property and equipment, net	7,300,371	7,334,227
Operating leases, right of use assets, net	198,410	-
Total noncurrent assets	<u>7,498,781</u>	<u>7,334,227</u>
TOTAL ASSETS	<u>\$ 10,502,395</u>	<u>\$ 10,015,499</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 456,655	\$ 98,042
Income tax payable	9,754	6,318
Credit cards payable	68,366	57,536
Accrued liabilities	137,752	127,900
Accrued compensated absences	94,244	76,194
Customer overpayments on account	157,814	172,158
Deferred revenue	1,535,317	316,830
Finance lease payable, current	69,453	-
Capital lease payable, current	-	62,652
Operating lease payable, current	26,447	-
Total current liabilities	<u>2,555,802</u>	<u>917,630</u>
LONG-TERM LIABILITIES		
Finance lease payable, net of current maturities	180,512	-
Capital lease payable, net of current maturities	-	232,190
Operating lease liabilities, net of current portion	171,963	-
Deferred income tax, net	216,683	491,138
Total long-term liabilities	<u>569,158</u>	<u>723,328</u>
TOTAL LIABILITIES	<u>3,124,960</u>	<u>1,640,958</u>
MEMBERS' EQUITY		
Total members' equity	<u>7,377,435</u>	<u>8,374,541</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 10,502,395</u>	<u>\$ 10,015,499</u>

The accompanying notes are an integral part of these financial statements.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES		
CLUB OPERATIONS		
Sales	\$ 5,634,906	\$ 4,439,922
Cost of sales	<u>(1,662,407)</u>	<u>(1,148,010)</u>
Gross profit	3,972,499	3,291,912
Operating expenses	<u>6,187,428</u>	<u>5,188,821</u>
Club operating loss	<u>(2,214,929)</u>	<u>(1,896,909)</u>
OTHER INCOME		
Member assessments	3,878,622	3,917,825
Bad debts	<u>(734,852)</u>	<u>(361,899)</u>
Member assessments, net	3,143,770	3,555,926
Lot transfer and consolidation fees	36,764	179,700
Gain on repossessed lots	12,158	53,759
Gain (loss) on sale of assets	(13,458)	115,358
Community services	54,570	70,870
Rental income	90,457	91,863
Grant income	329,305	-
Interest income	2,182	504
Miscellaneous	<u>39,427</u>	<u>37,780</u>
Total other income	<u>3,695,175</u>	<u>4,105,760</u>
NET INCOME BEFORE OTHER EXPENSES	<u>1,480,246</u>	<u>2,208,851</u>
OTHER OPERATING EXPENSES		
Building maintenance	387,996	935,590
Grounds maintenance	295,887	510,864
Administration	<u>2,064,624</u>	<u>1,449,270</u>
Total other operating expenses	<u>2,748,507</u>	<u>2,895,724</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	<u>(1,268,261)</u>	<u>(686,873)</u>
Income tax benefit, net	<u>271,155</u>	<u>208,343</u>
CHANGE IN MEMBERS' EQUITY	<u>(997,106)</u>	<u>(478,530)</u>
MEMBERS' EQUITY, BEGINNING OF YEAR	<u>8,374,541</u>	<u>8,853,071</u>
MEMBERS' EQUITY, END OF YEAR	<u><u>\$ 7,377,435</u></u>	<u><u>\$ 8,374,541</u></u>

The accompanying notes are an integral part of these financial statements.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and customers	\$ 10,174,690	\$ 9,212,161
Cash paid to suppliers, employees, and others	(9,334,611)	(8,354,677)
Interest income	2,182	504
Interest expense	(11,743)	(8,184)
Proceeds from sale of lots	23,208	65,223
Net cash provided by operating activities	853,726	915,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for construction and purchase of property and equipment	(886,315)	(697,285)
Proceeds from sale of assets	-	195,000
Net cash used in investing activities	(886,315)	(502,285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	-	(61,963)
Principal payments on finance leases	(65,155)	-
Net cash used in financing activities	(65,155)	(61,963)
NET INCREASE (DECREASE) IN CASH	(97,744)	350,779
Cash, January 1	1,692,671	1,341,892
Cash, December 31	\$ 1,594,927	\$ 1,692,671
NON CASH INVESTING AND FINANCING ACTIVITY		
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 315,366	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 368,802	\$ -

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in members' equity	<u>\$ (997,106)</u>	<u>\$ (478,530)</u>
Adjustments to reconcile change in members' equity to net cash provided by operating activities:		
Depreciation expense	926,992	914,927
Bad debts	734,852	361,899
Penalties	136	2,363
Loss (gain) on sale of assets	13,458	(115,358)
(Increase) decrease in assets:		
Member assessments receivable	(803,620)	677,700
Other receivables	(289,886)	92,038
Inventories	(55,205)	(30,553)
Lot inventory	11,050	11,464
Prepaid expenses	(17,278)	(5,852)
Deferred income tax	(271,155)	(208,343)
Increase (decrease) in liabilities:		
Accounts payable	358,613	(17,160)
Credit cards payable	10,830	5,818
Accrued liabilities	9,852	33,065
Deferred revenue	1,218,487	(63,197)
Customer overpayments on account	(14,344)	(203,639)
Accrued compensated absences	18,050	(61,615)
Total adjustments	<u>1,850,832</u>	<u>1,393,557</u>
Net cash provided by operating activities	<u>\$ 853,726</u>	<u>\$ 915,027</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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 6, 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. Member assessments receivable at the balance sheet date represents fees due from property owners. The Association's policy is to place and enforce liens on properties of members whose assessments become delinquent, where applicable (see Note 2 and Note 13). 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, except for improvements under the provisions of FASB ASC 972-360-25, which allows certain 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.

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.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Employees earn a vested right to compensation for unused vacation absences. Accordingly, the estimated cost of vacation pay earned, but not used by the Association's employees, has been recorded and included as accrued expenses on the balance sheet.

Income Taxes

The Association files federal Form 1120, which has a flat tax rate of 21% that was applied to the net taxable income for tax years 2022 and 2021.

The Association is exempt from state income tax.

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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2022 or 2021.

Common Facilities

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Prepaid expenses include payments to vendors and service providers that benefit periods beyond December 31, 2022 and 2021. Prepaid expenses totaled \$122,798 and \$105,520, respectively.

Recently Adopted Accounting Standards

Leases

On January 1, 2022, the Association adopted FASB Accounting Standards Codification (ASC), Topic 842, Leases (ASC 842), which requires the recognition of right-of-use assets and related operating and finance lease liabilities on the balance sheet. As permitted by ASC 842, the Association elected the adoption date of January 1, 2022, which is the date of initial application. As a result, members' equity prior to January 1, 2022, was not restated, continues to be reported under ASC Topic 840, Leases, (ASC 840), which did not require the recognition of operating lease liabilities on the balance sheet, and, therefore, is not comparative. Under ASC 842, all leases are required to be recorded on the balance sheet and are classified as either operating leases or finance leases. The lease classification affects the expense recognition on the statement of revenues, expenses, and changes in members' equity. Operating lease charges are recorded in rental and lease expense as reflected on the schedules of club operations and other operating expenses. Finance lease charges are split, where amortization of the right-of-use asset is recorded in depreciation expense and an implied interest component is recorded in interest expense as reflected on the schedules of club operations and other operating expenses. The expense recognition for operating leases and finance leases under ASC 842 is substantially consistent with ASC 840. As a result, there is no significant difference in change in members' equity in the statements of revenues, expenses, and changes in members' equity.

ASC 842 was adopted using a modified retrospective approach for all leases existing on January 1, 2022. The adoption of ASC 842 had a substantial impact on balance sheet. The most significant impact is the recognition of the operating lease right-of-use assets and the liability for operating leases. The accounting for finance leases (previously capital leases) was substantially unchanged. Accordingly, upon adoption, leases that were classified as operating leases under ASC 840 were classified as operating leases under ASC 842 and recorded for \$368,802 to operating lease right-of-use assets, and a lease liability of \$368,802. The lease liability is based on the present value of the remaining minimum lease payments, discounted using the risk-free borrowing rate. The Association made an election to use the risk-free borrowing rate for operating right-of-use assets, as allowed for nonpublic companies. In accordance with ASC 842, the Association elected practical expedients that permit not having to reassess (1) whether a contract is or contains a lease, (2) the classification of existing leases, and (3) whether previously capitalized costs continue to qualify as initial indirect costs. The application of the practical expedients did not have a significant impact on the measurement of the operating lease liability.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards (Continued)

Leases (Continued)

The Association leases equipment and vehicles used in operations. For contracts entered into on or after the effective date of January 1, 2022, at inception of a contract, the Association assesses whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Association obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Association has the right to direct the use of the asset. At inception of a lease, the Association allocates the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments. Leases entered into, prior to January 1, 2022, are accounted for under ASC 840 and were not reassessed.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease is classified as an operating lease if it does not meet any one of these criteria.

For all leases at the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset represents the right to use the leased asset for the lease term. The lease liability represents the present value of the lease payments under the lease.

The right-of-use asset is initially measured at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments. For finance leases, the rate implicit in the lease is used or the risk-free borrowing rate if the implicit lease rate cannot be determined.

Lease payments included in the measurement of the lease liability comprise the following: the fixed noncancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Standards (Continued)

Leases (Continued)

Lease payments based on a change in the Association’s portion of the operating expenses, including real estate taxes and insurance, are recorded as a period expense when incurred. Lease modifications result in remeasurement of the lease liability.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

The Association has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less.

NOTE 2 – MEMBER ASSESSMENTS RECEIVABLE

Net member assessments receivable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Member assessments receivable	\$ 3,171,636	\$ 2,798,246	\$ 3,769,984
Less: allowance for uncollectible balances	<u>(2,941,729)</u>	<u>(2,637,107)</u>	<u>(2,569,246)</u>
Member assessments receivable, net	<u>\$ 229,907</u>	<u>\$ 161,139</u>	<u>\$ 1,200,738</u>

Member 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 receivables 61 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.

NOTE 3 – LOT INVENTORY

Lot inventory represents lots repossessed for non-payment of membership dues. These lots are valued at fair value less estimated costs to sell at the date of transfer which is approximately 15%. As of December 31, 2022 and 2021, the net realizable value totals \$498,681 and \$509,731, respectively, and is included on the balance sheet. See Note 4 for fair value measurement.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value of an asset measured at December 31, 2022 is as follows:

	<u>Fair Value Measurements at the End of the Reporting Period Using</u>			<u>Current Year Loss</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>Nonrecurring fair value measurement</u>				
Lot inventory - held for sale	\$ -	\$ 586,684	\$ -	\$ 12,158

Fair value of an asset measured at December 31, 2021 is as follows:

	<u>Fair Value Measurements at the End of the Reporting Period Using</u>			<u>Current Year Gains</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>Nonrecurring fair value measurement</u>				
Lot inventory - held for sale	\$ -	\$ 599,684	\$ -	\$ 53,759

The Association has no assets being valued in Level 1 or Level 3.

Lot inventory – held for sale is being valued in Level 2 with significant other observable inputs. These lots for sale consist of lots repossessed for non-payment of membership dues. The fair value is based on the tax assessed values. In 2022 and 2021, the value was reduced lower than the tax assessed values based on current selling prices. Such values are then reduced by the estimated cost to dispose, currently estimated at 15% of fair value.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	Additions	Disposals	Transfers	2022
Building and improvements	\$ 10,337,154	\$ -	\$ (18,821)	\$ 262,569	\$10,580,902
Equipment	2,792,643	20,278	-	145,748	2,958,669
Furniture and fixtures	1,067,328	-	-	-	1,067,328
Cars and trucks	212,129	-	-	-	212,129
Computers and software	280,210	-	-	29,166	309,376
Land improvements	3,168,444	-	-	-	3,168,444
Land	107,553	-	-	-	107,553
Construction in progress	98,500	889,412	(3,095)	(437,483)	547,334
Total	18,063,961	\$ 909,690	\$ (21,916)	\$ -	18,951,735
Less: accumulated depreciation	<u>(10,729,734)</u>				<u>(11,651,364)</u>
Property and equipment, net	<u>\$ 7,334,227</u>				<u>\$ 7,300,371</u>
	2020	Additions	Disposals	Transfers	2021
Building and improvements	\$ 10,047,712	\$ -	\$ -	\$ 289,442	\$10,337,154
Equipment	2,540,851	497,263	(339,602)	94,131	2,792,643
Furniture and fixtures	1,067,328	-	-	-	1,067,328
Cars and trucks	212,129	-	-	-	212,129
Computers and software	280,210	-	-	-	280,210
Land improvements	3,144,158	-	-	24,286	3,168,444
Land	107,553	-	-	-	107,553
Construction in progress	4,985	501,406	(32)	(407,859)	98,500
Total	17,404,926	\$ 998,669	\$ (339,634)	\$ -	18,063,961
Less: accumulated depreciation	<u>(10,103,469)</u>				<u>(10,729,734)</u>
Property and equipment, net	<u>\$ 7,301,457</u>				<u>\$ 7,334,227</u>

Depreciation expense for the years ending December 31, 2022 and 2021 totals \$926,992 and \$914,927, respectively.

Construction in progress at December 31, 2022 and 2021 consists of projects related to the renovation of kitchen flooring and the pier reconstruction.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - 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 infrastructure were transferred to the City as part of an agreement between the City of Diamondhead and the Association. The Association is required to maintain the common facilities. If the decision is made to dispose of any of the common facilities, Purcell Corporation has the first right of refusal.

NOTE 7 - INCOME TAXES

The provision for income tax arising from timing differences is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Current tax benefit (expense)	\$ (3,300)	\$ (3,955)
Deferred tax benefit (expense)	274,455	212,298
Net income tax benefit (expense)	<u>\$ 271,155</u>	<u>\$ 208,343</u>

The reconciliation of financial statement income before income taxes to taxable income with statutory rates is summarized as follows:

	<u>2022</u>	<u>2021</u>
Income (loss) before income taxes	\$ (1,268,261)	\$ (686,873)
Permanent differences:		
Travel and entertainment	<u>16,367</u>	<u>19,497</u>
Net taxable book income (loss)	<u>\$ (1,251,894)</u>	<u>\$ (667,376)</u>
Tax Reconciliation:		
Tax benefit (expense) at statutory rates	\$ 262,869	\$ 139,653
Valuation allowance for NOL	6,599	54,260
Tax credits used	-	19,998
Variance	<u>1,687</u>	<u>(5,568)</u>
Total current year tax	<u>\$ 271,155</u>	<u>\$ 208,343</u>

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 - INCOME TAXES (Continued)

The components of net deferred tax asset (liability) are as follows:

	2022	2021
Deferred tax liabilities:		
Temporary depreciation differences	\$ (680,623)	\$ (774,333)
Temporary differences in using cash basis for tax purposes	251,494	66,266
Temporary differences in basis for repossessed lots	(64,509)	(66,624)
Total deferred tax liabilities	(493,638)	(774,691)
Deferred tax assets:		
Temporary difference in taxability of employee retention credit	210,375	210,375
Net operating loss carryover (NOL)	133,159	146,356
Less valuation allowance	(66,579)	(73,178)
Total deferred tax assets	276,955	283,553
Net deferred tax asset (liability)	\$ (216,683)	\$ (491,138)

The valuation allowance is based on fifty percent of the net operating loss carryover. This allowance changed by a decrease of \$6,599 from December 31, 2021.

At December 31, 2022 and 2021, the Association had net operating loss carryforwards totaling approximately \$634,084 and \$696,934, respectively. Net operating losses generated in 2018 and after can be carried forward indefinitely.

NOTE 8 – CONTRACT REVENUE RECOGNITION

The Association receives contract revenue related to memberships for the property owners association (POA) and golf course memberships. The POA membership provides services for operations of amenities and maintenance through repairs and replacements. These memberships are not optional for residents and they are not cancellable. The golf course memberships provide services for operations and maintenance of the golf course and provides members with access to the course. The Association considers the performance obligation for the POA membership to be one that includes managing the common areas. Since these occur on a routine basis, the performance obligation is deemed to be met monthly. For the golf course membership, the Association considers services as one performance obligation of maintaining and providing use of the golf course and as being met monthly. Payments received in advance of the monthly performance obligations are recorded in deferred revenue. Deferred revenue as of December 31 is as follows:

	2022	2021	2020
Deferred revenue	\$ 1,535,317	\$ 316,830	\$ 380,027

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 – CONTRACT REVENUE RECOGNITION (Continued)

Revenue recognized on contracts for member assessments for the years ended December 31, 2022 and 2021 totals \$3,143,770 and \$3,555,926, respectively, and is included on the statements of revenues, expenses and changes in members' equity. Revenue recognized on contracts for golf course memberships for the years ended December 31, 2022 and 2021 totals \$1,123,419 and \$862,817, respectively, and is included in sales on the statements of revenues, expenses and changes in members' equity.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

The Association sponsors a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code covering substantially all employees. The plan provides for participating employees to make elective deferral contributions in any amount up to the maximum amount allowed by the Internal Revenue Code. The Association makes a matching contribution equal to 50% of salary deferrals, up to 10% of the employee's compensation, with a maximum of \$4,000 per plan year. Employer matching contributions in the amount of \$45,675 and \$41,171 were made for the years ending December 31, 2022 and 2021, respectively.

NOTE 10 – 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. The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters, for which the Association carries commercial insurance.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Association maintains all cash balances at two financial institutions, which at times may exceed the federally insured limit of \$250,000. At December 31, 2022 and 2021, the Association's uninsured cash balances total \$1,367,035 and \$1,232,388, respectively.

NOTE 12 – LEASES

Lessee

The Association leases some of its equipment for various terms under long-term, non-cancelable operating lease agreements. Both leases expire at various dates through 2024. One lease provides a renewal option on a month-to-month basis, which is cancellable, and therefore, not included in the lease terms for calculating the lease liabilities and right-of-use assets.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 – LEASES (Continued)

Lessee (Continued)

The agreements generally require certain variable costs to be paid by the Association, including insurance, maintenance, and other costs. Variable costs are expensed as incurred and, therefore, are not included in the calculated right-to-use assets and related operating lease liabilities.

The Association occasionally leases equipment considered finance leases. During 2022 and 2021, the Association entered into four new finance leases for equipment used in operations which are included as right-of-use vehicles in property and equipment. The Association has two operating leases for equipment used in operations which are included as right-of-use assets on the balance sheet.

The Association also has various cancelable and short-term leases that do not require recognition of an asset and related liability. The Association has elected to recognize short-term lease payments as lease expense on the statements of revenues, expenses, and change in members' equity, in accordance with ASC 842-20-25-2.

Total lease costs for the year ended December 31, 2022 are summarized as follows:

Finance lease cost, interest	\$	12,333
Finance lease cost, amortization		72,925
Total finance lease cost		85,258
Operating lease cost		173,304
Short-term and variable lease cost		84,105
Total operating lease cost		257,409
Total lease cost	\$	342,667

Other lease information for the year ended December 31, 2022 is summarized as follows:

Operating cash flows from finance leases	\$	11,743
Operating cash flows from operating leases		173,304
Financing cash flows from finance leases		65,155
Cash paid for amounts included in the measurement of lease liabilities	\$	250,202
Right-of-use assets obtained in exchange for new finance lease liabilities	\$	315,366
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	368,802
Weighted-average remaining lease term—finance leases		3.54 years
Weighted-average remaining lease term—operating leases		1.2 years
Weighted-average discount rate—finance leases		4.65%
Weighted-average discount rate—operating leases		1.12%

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 – Leases (Continued)

Operating Leases

As of December 31, 2022, operating leases right-of-use assets consists of the following:

Operating leases right-of-use assets	\$	368,802
Less: accumulated amortization		<u>170,392</u>
Operating leases right-of-use assets, net	\$	<u><u>198,410</u></u>

Amortization of assets under operating leases is included in rental and lease expense as reflected on the schedules of club operations and other operating expenses.

The following is a maturity analysis of the operating lease liabilities as of December 31, 2022:

Year ending December 31,	Present Value	Discount	Total
2023	\$ 171,963	\$ 1,341	\$ 173,304
2024	<u>26,447</u>	<u>36</u>	<u>26,483</u>
Total	<u><u>\$ 198,410</u></u>	<u><u>\$ 1,377</u></u>	<u><u>\$ 199,787</u></u>

Finance Leases

As of December 31, 2022, the right-of-use equipment consist of the following:

Right-of-use equipment	\$	517,541
Less: accumulated amortization		<u>114,531</u>
Right-of-use vehicles, net	\$	<u><u>403,010</u></u>

The right-of-use equipment above is recorded at cost. Amortization of assets under finance leases is included in depreciation expense on the statement of cash flows and Note 5.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 – Leases (Continued)

Operating Leases

The following is a maturity analysis for the finance lease liabilities as of December 31, 2022:

Year ending December 31,	Principal	Interest	Total
2023	\$ 69,453	\$ 9,709	\$ 79,162
2024	72,599	6,563	79,162
2025	73,623	3,299	76,922
2026	33,540	431	33,971
2027	750	6	756
Total	<u>\$ 249,965</u>	<u>\$ 20,008</u>	<u>\$ 269,973</u>

Capital Leases

In 2021, the Association leased golf carts and a hauler under capital leases in accordance with ASC 840, see Note 1. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease. The assets are amortized over their productive lives.

Lease payments for capital leases during the year ended December 31, 2021, total \$61,963.

The following is an analysis of the leased assets included in property and equipment at December 31, 2021:

Right-of-use equipment	\$ 497,263
Less: accumulated amortization	<u>41,606</u>
Right-of-use vehicles, net	<u>\$ 455,657</u>

Amortization of assets held under capital leases is included with depreciation expense.

Lessor

Operating leases arise from the leasing of the Association’s facilities. The Association negotiated a lease with a lessee on December 17, 2012, to lease the restaurant property at 3410 Yacht Club Circle. The term commenced on January 1, 2013, and ended on March 31, 2018. The rent was \$4,000 per month with the option for two additional five-year terms at a rent to be negotiated upon exercising such an option. On November 8, 2018, the option to renew the lease for another five years was exercised. Rent increased to \$5,000 per month upon renewal.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 – Leases (Continued)

Lessor (Continued)

On July 18, 2022, an addendum was made to assign the original lease agreement to a new entity until the lease expired continuing the originally agreed upon payments of \$5,000 per month. Upon the expiration of the lease, the entity agreed to extend the lease for five years. Beginning August 1, 2023, the rent was increased to \$5,625 per month with an additional increase to \$6,500 per month beginning August 1, 2024. The facilities related to the lease agreements are included in Note 5.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be receive as of December 31, 2022:

Year Ending December 31,	Amounts
2023	\$ 63,125
2024	71,875
2025	78,000
2026	78,000
2027	78,000
Thereafter	45,500
	<u>\$ 414,500</u>

Rental income for the years ended December 31, 2022 and 2021 totals \$90,457 and \$91,863, respectively, and is included on the statements of revenues, expenses, and changes in members' equity.

The Association takes on all risks and repairs related to the above lease. The lessee agrees to pay \$2,500 annually to cover repair costs for the facility. The Association manages risks related to the lease through a negligence clause.

NOTE 13 – RISKS AND UNCERTAINTIES

Covenant Expiration

Beginning in 2020, certain expirations of covenants began affecting the Association's ability to enforce the collection of dues.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 13 – RISKS AND UNCERTAINTIES (Continued)

Covenant Expiration (Continued)

The covenant expirations impact the Association’s lien rights. The schedule of affected lots and dues are as follows:

Expiration by Year	Number of Lots Affected	Amounts
2021	1480	\$ 472,654
2022	1289	\$ 343,493
2023	726	\$ 345,348
2025	213	\$ 67,734
2029	37	\$ 10,070

The Association is continuing to work on a resolution to keep the rights and dues structured for continued operations.

Covenant Contingencies

During January 2024, the Board approved a reduction to admission fees equal to one year’s dues. The fees allow admission into the Association to homeowners inside the city of Diamondhead but outside the vicinity of the Association. The admission fees are waived if the property owner agrees to commit the property to the Association through deed restriction. The Board also approved to have all properties that are owned by the Association to be sold with a deed restriction to commit the property to the Association in perpetuity.

NOTE 14 – BOARD DESIGNATIONS

During April 2021, the Board of Directors designated a portion of members’ equity for one-time capital expenditures totaling \$875,000. As of December 31, 2022, and 2021, designated members’ equity consists of \$668,000 and \$738,000, included in cash on the balance sheets, respectively.

NOTE 15 – GOVERNMENT ASSISTANCE

Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Association applied for and received a refundable employee retention. The Employee Retention Credit (ERC) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act is a government program with specific laws and regulations. This credit was designed to encourage businesses to retain employees during the COVID-19 pandemic. ERC claims made under the CARES Act are paid as a refundable tax credit and may be subject to retroactive audit and review.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 15 – GOVERNMENT ASSISTANCE (Continued)

Employee Retention Credit (Continued)

There can be no assurance that the Association's ERC claims will not be reviewed and challenged by the respective governing agency. This could result in the government being able to recapture all or a portion of the previously paid credits.

As there is no authoritative guidance under U.S. GAAP on accounting for government assistance to common interest realty associations, the Association accounts for the ERC by considering it a gain contingency and applying FASB ASC 450-30. Subsequent to year end in August 2023, the Association received an employee retention credit totaling \$446,724. No accrual for the credit received in 2023 is deemed necessary as the Association considers the revenue realized during the period the funds are received.

Tidelands Grant

In 2022, the Association began a project relating to pier reconstruction. Under the provisions of the Tidelands Trust Fund and administered by the Secretary of State's Office and Mississippi Department of Marine resources as mandated by Title 29 Section 15 of the Mississippi Code of 1972, the Association expended funds related to the grant totaling \$329,305 as noted in grant income on the statements of revenues, expenses, and changes in members' equity for the year ending December 31, 2022. The related expenditures are included in construction in progress, see Note 5. The project pertaining to the grant is to promote access to coastal waters, promote economic development, and provide safe docking for boaters during inclement water. The project timing per the application was set to short-term (3 years or less). As of December 31, 2022, grant receivable remains totaling \$214,349, as included on the balance sheet.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 6, 2024, which is the date the financial statements were available to be issued. No such events have been identified by management for this time period that are required to be recognized or disclosed.

SUPPLEMENTARY INFORMATION

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULE OF CLUB OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Food & Beverage	Golf	Tennis	Marina	Recreation	Total
Sales	\$ 2,800,910	\$ 2,548,200	\$ 73,290	\$ 88,026	\$ 124,480	\$ 5,634,906
Cost of sales	<u>(1,358,768)</u>	<u>(222,589)</u>	<u>(3,406)</u>	<u>(36,745)</u>	<u>(40,899)</u>	<u>(1,662,407)</u>
Gross profit	<u>1,442,142</u>	<u>2,325,611</u>	<u>69,884</u>	<u>51,281</u>	<u>83,581</u>	<u>3,972,499</u>
Expenses						
Advertising	5,914	17,351	-	-	-	23,265
Automobile	314	714	-	-	4,125	5,153
Bank fees	25	39	-	-	25	89
Casual labor	15,757	-	2,300	-	3,150	21,207
Contract services	24,000	56,222	59	-	11,000	91,281
Credit card discounts	52,970	49,927	1,057	4,394	1,156	109,504
Depreciation	94,494	304,240	46,598	68,038	82,299	595,669
Discount members	-	265,983	-	-	-	265,983
Dues and subscriptions	5,602	13,070	695	-	140	19,507
Entertainment	48,579	-	-	-	-	48,579
Freight	-	724	-	-	-	724
Gas and oil	-	52,128	3,904	-	-	56,032
Insurance	6,253	2,369	225	5,622	6,339	20,808
Interest	-	11,743	-	-	-	11,743
Miscellaneous	16,589	1,748	2,842	-	5,713	26,892
Office supplies and postage	9,089	18,908	704	323	528	29,552
Professional fees	-	13,294	7,648	5,372	125	26,439
Promotional	10,702	-	-	-	50	10,752
Rental and lease	35,189	198,747	13,203	-	3,438	250,577
Repairs and maintenance	109,403	126,994	7,462	15,876	25,492	285,227
Salaries and related	1,641,596	1,352,644	80,943	74,790	216,972	3,366,945
Small tools	12,519	3,391	6,003	140	4,012	26,065
Supplies	99,438	316,445	3,928	3,629	48,394	471,834
Taxes and licenses	48,819	10,246	-	1,390	1,928	62,383
Telephone	600	2,860	-	335	496	4,291
Travel	-	1,850	-	-	-	1,850
Uniforms	6,951	5,909	56	1,039	1,278	15,233
Utilities	137,658	82,306	14,810	10,740	94,330	339,844
Total operating expenses	<u>2,382,461</u>	<u>2,909,852</u>	<u>192,437</u>	<u>191,688</u>	<u>510,990</u>	<u>6,187,428</u>
Club operating loss	<u>\$ (940,319)</u>	<u>\$ (584,241)</u>	<u>\$ (122,553)</u>	<u>\$ (140,407)</u>	<u>\$ (427,409)</u>	<u>\$ (2,214,929)</u>

The accompanying notes are an integral part of these financial statements.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULE OF CLUB OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Food & Beverage	Golf	Tennis	Marina	Recreation	Total
Sales	\$ 2,251,846	\$ 1,994,563	\$ 56,319	\$ 48,668	\$ 88,526	\$ 4,439,922
Cost of sales	(898,530)	(209,346)	-	(18,296)	(21,838)	(1,148,010)
Gross profit	1,353,316	1,785,217	56,319	30,372	66,688	3,291,912
Expenses						
Advertising	1,747	5,925	-	-	-	7,672
Automobile	377	-	-	-	3,184	3,561
Bank fees	-	25	-	-	-	25
Casual labor	200	-	-	-	1,000	1,200
Contract services	27,821	2,000	54	-	124	29,999
COVID-19 related	228	-	29	-	-	257
Credit card discounts	45,849	23,367	318	2,152	1,114	72,800
Depreciation	-	74,154	-	2,631	-	76,785
Discount members	-	251,088	-	-	-	251,088
Dues and subscriptions	3,651	6,005	392	-	16	10,064
Entertainment	31,277	700	-	-	-	31,977
Freight	1,320	46	-	-	-	1,366
Gas and oil	-	39,800	-	-	-	39,800
Insurance	3,781	2,369	225	5,064	6,260	17,699
Interest	-	8,184	-	-	-	8,184
Miscellaneous	18,072	8,038	4,198	124	481	30,913
Office supplies and postage	7,771	11,957	358	31	1,238	21,355
Professional fees	3,080	250,000	-	6,256	-	259,336
Promotional	14,143	1,617	-	-	-	15,760
Rental and lease	-	191,482	-	-	-	191,482
Repairs and maintenance	86,845	157,278	19,289	875	15,282	279,569
Salaries and related	1,319,609	1,251,740	79,344	50,037	221,602	2,922,332
Small tools	43,481	13,021	3,674	-	17,866	78,042
Supplies	104,150	270,049	2,778	491	46,821	424,289
Taxes and licenses	60,072	8,730	-	48	-	68,850
Telephone	600	2,302	-	377	496	3,775
Travel	-	4,389	-	-	-	4,389
Uniforms	5,406	4,450	519	581	1,768	12,724
Utilities	126,932	73,522	14,388	14,083	94,603	323,528
Total operating expenses	1,906,412	2,662,238	125,566	82,750	411,855	5,188,821
Club operating loss	<u>\$ (553,096)</u>	<u>\$ (877,021)</u>	<u>\$ (69,247)</u>	<u>\$ (52,378)</u>	<u>\$ (345,167)</u>	<u>\$ (1,896,909)</u>

The accompanying notes are an integral part of these financial statements.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Building Maintenance</u>	<u>Grounds Maintenance</u>	<u>Administration</u>	<u>Total</u>
Expenses				
Advertising	\$ -	\$ -	\$ 8,039	\$ 8,039
Automobile	2,753	-	747	3,500
Bank fees	25	-	22,536	22,561
Casual labor	-	-	23,349	23,349
Communications	-	-	625	625
Contract services	-	-	72,352	72,352
Credit card discounts	-	-	21,130	21,130
Depreciation	9,260	-	322,063	331,323
Dues and subscriptions	149	-	2,326	2,475
Entertainment	-	-	838	838
Gas and oil	15,420	21,160	-	36,580
Insurance	561	-	342,365	342,926
Miscellaneous	567	-	14,740	15,307
Office supplies and postage	263	-	21,010	21,273
Penalties	-	-	136	136
Professional fees	-	-	161,956	161,956
Promotional	-	-	83,850	83,850
Rental and lease	-	-	6,832	6,832
Repairs and maintenance	9,643	32,278	123,125	165,046
Salaries and related	327,666	202,447	778,935	1,309,048
Small tools	2,145	585	1,262	3,992
Supplies	5,769	29,417	5,000	40,186
Taxes and licenses	27	-	24,963	24,990
Telephone	2,173	-	3,208	5,381
Travel	-	-	3,369	3,369
Uniforms	92	1,000	-	1,092
Utilities	11,483	9,000	19,868	40,351
Total other operating expenses	<u>\$ 387,996</u>	<u>\$ 295,887</u>	<u>\$ 2,064,624</u>	<u>\$ 2,748,507</u>

The accompanying notes are an integral part of these financial statements.

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Building Maintenance</u>	<u>Grounds Maintenance</u>	<u>Administration</u>	<u>Total</u>
Expenses				
Automobile	\$ 1,132	\$ -	\$ 445	\$ 1,577
Bank fees	-	-	22,756	22,756
Casual labor	-	-	16,674	16,674
Communications	-	-	263	263
Contract services	2,342	-	51,227	53,569
COVID-19 related	-	-	343	343
Credit card discounts	-	-	17,631	17,631
Depreciation	533,774	236,632	67,736	838,142
Dues and subscriptions	127	-	2,445	2,572
Entertainment	-	-	1,002	1,002
Gas and oil	8,753	7,967	-	16,720
Insurance	561	-	296,840	297,401
Miscellaneous	913	-	22,857	23,770
Office supplies and postage	85	29	19,993	20,107
Penalties	-	-	2,363	2,363
Professional fees	-	-	162,054	162,054
Promotional	-	-	68,956	68,956
Rental and lease	-	-	7,046	7,046
Repairs and maintenance	56,719	26,683	55,938	139,340
Salaries and related	311,650	202,063	594,089	1,107,802
Security lights	-	-	516	516
Small tools	888	4,102	686	5,676
Supplies	3,351	19,247	5,845	28,443
Taxes and licenses	442	363	9,198	10,003
Telephone	2,322	-	4,471	6,793
Travel	-	-	2,679	2,679
Uniforms	892	326	-	1,218
Utilities	11,639	13,452	15,217	40,308
Total other operating expenses	<u>\$ 935,590</u>	<u>\$ 510,864</u>	<u>\$ 1,449,270</u>	<u>\$ 2,895,724</u>

The accompanying notes are an integral part of these financial statements.