DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

July 6, 2026

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

Report on the Audit of the Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, 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 2023, the Diamondhead Country Club and Property Owners Association, Inc. adopted new accounting guidance on Accounting Standards Update 2016-03, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

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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.

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

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.

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 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, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash	$ 1,708,721	$ 1,647,801
Member assessments receivable, net of allowances for credit loss of $4,195,692 and $3,250,625, respectively	115,020	265,592
Other receivables	-	97,172
Inventories	237,512	287,876
Lot inventory	400,093	449,481
Prepaid expenses	151,968	121,381
Total current assets	2,613,314	2,869,303
NONCURRENT ASSETS		
Property and equipment, net	6,033,879	6,642,430
Operating leases, right of use assets, net	883,812	26,447
Deferred income tax, net	183,399	-
Total noncurrent assets	7,101,090	6,668,877
TOTAL ASSETS	$ 9,714,404	$ 9,538,180
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 153,911	$ 126,606
Income tax payable	4,702	9,754
Credit cards payable	40,618	44,184
Accrued liabilities	161,985	150,502
Accrued compensated absences	121,031	124,847
Customer overpayments on account	67,804	153,039
Deferred revenue	2,468,525	1,615,673
Finance lease payable, current	73,623	72,599
Operating lease payable, current	251,273	26,447
Total current liabilities	3,343,472	2,323,651
LONG-TERM LIABILITIES		
Finance lease payable, net of current maturities	34,573	107,957
Operating lease liabilities, net of current portion	632,539	-
Deferred income tax, net	-	150,441
Total long-term liabilities	667,112	258,398
TOTAL LIABILITIES	4,010,584	2,582,049
MEMBERS' EQUITY		
Total members' equity	5,703,820	6,956,131
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 9,714,404	$ 9,538,180

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, 2024 AND 2023

	2024	2023
REVENUES		
CLUB OPERATIONS		
Sales	$ 6,307,893	$ 6,352,614
Cost of sales	(1,621,299)	(1,653,650)
Gross profit	4,686,594	4,698,964
Operating expenses	6,432,477	6,138,882
Club operating loss	(1,745,883)	(1,439,918)
OTHER INCOME		
Member assessments	3,962,766	3,926,177
Credit loss	(1,408,338)	(531,619)
Member assessments, net	2,554,428	3,394,558
Lot transfer and consolidation fees	4,500	12,800
Gain on repossessed lots	1,324	20,371
Gain (loss) on sale of assets	-	1,200
Community services	33,671	43,025
Rental income	101,110	97,663
Interest income	18,463	11,904
Employee retention credit	-	446,724
Miscellaneous	74,413	66,784
Total other income	2,787,909	4,095,029
NET INCOME BEFORE OTHER EXPENSES	1,042,026	2,655,111
OTHER OPERATING EXPENSES		
Building maintenance	341,660	362,714
Grounds maintenance	405,541	364,094
Administration	1,876,274	2,415,849
Total other operating expenses	2,623,475	3,142,657
LOSS BEFORE PROVISION FOR INCOME TAXES	(1,581,449)	(487,546)
Income tax benefit, net	329,138	66,242
CHANGE IN MEMBERS' EQUITY	(1,252,311)	(421,304)
MEMBERS' EQUITY, BEGINNING OF YEAR	6,956,131	7,377,435
MEMBERS' EQUITY, END OF YEAR	$ 5,703,820	$ 6,956,131

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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and customers	**$ 10,091,376**	$ 10,680,843
Cash paid to suppliers, employees, and others	**(9,720,349)**	(10,346,856)
Interest income	**18,463**	11,904
Interest expense	**(6,563)**	(9,710)
Income taxes paid	**(9,754)**	-
Proceeds from sale of lots	**50,712**	69,571
Net cash provided by operating activities	**423,885**	405,752
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for construction and purchase of property and equipment	**(290,366)**	(284,625)
Proceeds from sale of assets	**-**	1,200
Net cash used in investing activities	**(290,366)**	(283,425)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance leases	**(72,599)**	(69,453)
Net cash used in financing activities	**(72,599)**	(69,453)
NET INCREASE IN CASH	**60,920**	52,874
Cash, January 1	**1,647,801**	1,594,927
Cash, December 31	**$ 1,708,721**	$ 1,647,801
NON CASH INVESTING AND FINANCING ACTIVITY		
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 1,049,066**	$ -

DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in members' equity	**$ (1,252,311)**	$ (421,304)
Adjustments to reconcile change in members' equity to net cash provided by operating activities:		
Depreciation expense	**898,917**	942,612
Credit loss	**1,408,338**	531,619
Loss (gain) on sale of assets	**-**	(1,200)
(Increase) decrease in assets:		
Member assessments receivable	**(1,257,766)**	(567,304)
Other receivables	**97,172**	226,781
Inventories	**50,364**	(54,528)
Lot inventory	**49,388**	49,200
Prepaid expenses	**(30,587)**	1,417
Deferred income tax	**(329,138)**	(66,242)
Increase (decrease) in liabilities:		
Accounts payable	**27,544**	(330,051)
Credit cards payable	**(3,566)**	(24,182)
Accrued liabilities	**1,729**	12,750
Deferred revenue	**852,852**	80,356
Customer overpayments on account	**(85,235)**	(4,775)
Accrued compensated absences	**(3,816)**	30,603
Total adjustments	**1,676,196**	827,056
Net cash provided by operating activities	**$ 423,885**	$ 405,752

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

NOTES TO FINANCIAL STATEMENTS

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.

Member Assessments Receivable and Allowance for Credit Losses

Member assessments receivable are stated at unpaid balances, less an allowance for credit losses, in accordance with the current expected credit loss (CECL) standard under ASU 2016-13. The Association provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of members to meet their obligations. Receivables are considered impaired if full payments are not received in accordance with the contractual terms. It is the Association's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments Receivable and Allowance for Credit Losses (Continued)

The Association's financial assets subject to the CECL model include trade receivables and contract assets. In accordance with ASU 2025-05, which amended and improved the guidance and measurement of credit losses arising from ASC 606 related revenue transactions, the Association elects the practical expedient to assume the current conditions as of the balance sheet date do not change for the remaining life of the asset. The Association also elects the accounting policy to consider collection activity after the balance sheet date for historical loss considerations. The Association considers collection activity through July 6, 2026, which is the date the financial statements are available to be issued.

The collectability of financial assets is evaluated using a historical loss rate method adjusted for current economic conditions. As of December 31, 2024 and 2023, the allowance for credit losses was $4,195,692 and $3,250,625, respectively.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2024 and 2023.

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, 2024 or 2023.

Certificates of Deposit

Certificates of deposit held for investment that are not debt securities are classified according to maturity. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as other short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as other long-term investments.

Certificates of deposit are not exposed to the market. The certificates of deposit are recorded at cost which approximates fair value. Interest income is reported as an increase in net assets without donor restrictions in the reporting period in which the income is recognized. The Association evaluates for expected credit losses. No allowance was considered necessary based on the history and creditworthiness of the bank.

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.

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, 2024 and 2023. Prepaid expenses totaled $151,968 and $121,381, respectively.

Recently Adopted Accounting Standards

In the year ended December 31, 2023, the Association adopted FASB Accounting Standards Update 2016-13, Financial Instruments – Credit Losses (Topic 326). The main objective is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit by a reporting entity. To achieve this objective, this update replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Association has considered financial assets that fall under the scope of this standard update. The Association adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach. No change was considered necessary to beginning members' equity.

NOTE 2 – MEMBER ASSESSMENTS RECEIVABLE

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

	2024	2023	2022
Member assessments receivable	$ 4,310,712	$ 3,516,217	$ 3,171,636
Less: allowance for credit loss	(4,195,692)	(3,250,625)	(2,941,729)
Member assessments receivable, net	$ 115,020	$ 265,592	$ 229,907

Member assessments receivable is shown net of an allowance for credit loss. 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, 2024 and 2023, the net realizable value totals $400,093 and $449,481, respectively, and is included on the balance sheet. See Note 4 for fair value measurement.

NOTE 4 – FAIR VALUE MEASUREMENT

Fair value of an asset measured at December 31, 2024 is as follows:

	Fair Value Measurements at the End of the Reporting Period Using			Current Year Loss
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Nonrecurring fair value measurement				
Lot inventory - held for sale	$ -	$ 470,698	$ -	$ 1,324

Fair value of an asset measured at December 31, 2023 is as follows:

	Fair Value Measurements at the End of the Reporting Period Using			Current Year Gains
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Nonrecurring fair value measurement				
Lot inventory - held for sale	$ -	$ 528,801	$ -	$ 20,371

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 2024 and 2023, 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.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	Additions	Disposals	Transfers	2024
Building and improvements	$ 10,721,006	$ -	$ -	$ 252,956	$ 10,973,962
Equipment	3,059,469	-	-	24,164	3,083,633
Furniture and fixtures	1,067,328	-	-	-	1,067,328
Cars and trucks	212,129	-	-	-	212,129
Computers and software	320,133	-	-	-	320,133
Land improvements	3,669,174	-	-	13,246	3,682,420
Land	107,553	-	-	-	107,553
Construction in progress	79,613	298,504	(8,139)	(290,366)	79,612
Total	19,236,405	$ 298,504	$ (8,139)	$ -	19,526,770
Less: accumulated depreciation	(12,593,975)				(13,492,891)
Property and equipment, net	$ 6,642,430				$ 6,033,879

	2022	Additions	Disposals	Transfers	2023
Building and improvements	$ 10,580,902	$ -	$ -	$ 140,104	$ 10,721,006
Equipment	2,958,669	-	-	100,800	3,059,469
Furniture and fixtures	1,067,328	-	-	-	1,067,328
Cars and trucks	212,129	-	-	-	212,129
Computers and software	309,376	-	-	10,757	320,133
Land improvements	3,168,444	-	-	500,730	3,669,174
Land	107,553	-	-	-	107,553
Construction in progress	547,334	296,119	(11,449)	(752,391)	79,613
Total	18,951,735	$ 296,119	$ (11,449)	$ -	19,236,405
Less: accumulated depreciation	(11,651,364)				(12,593,975)
Property and equipment, net	$ 7,300,371				$ 6,642,430

Depreciation expense for the years ending December 31, 2024 and 2023 totals $898,917 and $942,612, respectively.

Construction in progress at December 31, 2024 and 2023 consists of projects related to the renovation of kitchen flooring, the pier reconstruction, and the golf course pump replacement.

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:

	2024	2023
Current tax benefit (expense)	$ (4,702)	$ -
Deferred tax benefit (expense)	333,840	66,242
Net income tax benefit (expense)	$ 329,138	$ 66,242

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

	2024	2023
Income (loss) before income taxes	$ (1,538,623)	$ (530,372)
Permanent differences:		
Travel and entertainment	16,115	15,051
Net taxable book income (loss)	$ (1,522,508)	$ (515,321)
Tax Reconciliation:		
Tax benefit (expense) at statutory rates	$ 319,727	$ 108,217
Valuation allowance for NOL	9,404	(43,014)
Variance	7	1,039
Total current year tax	$ 329,138	$ 66,242

NOTE 7 - INCOME TAXES (Continued)

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

	2024	2023
Deferred tax liabilities:		
Temporary depreciation differences	$ (539,005)	$ (651,956)
Temporary differences in using cash basis for tax purposes	554,476	331,423
Temporary differences in basis for repossessed lots	(52,915)	(60,154)
Total deferred tax liabilities	(37,444)	(380,687)
Deferred tax assets:		
Temporary difference in taxability of employee retention credit	120,653	120,653
Net operating loss carryover (NOL)	200,379	219,186
Less valuation allowance	(100,189)	(109,593)
Total deferred tax assets	220,843	230,246
Net deferred tax asset (liability)	$ 183,399	$ (150,441)

The valuation allowance is based on fifty percent of the net operating loss carryover. This allowance changed by a decrease of $9,404 from December 31, 2023.

At December 31, 2024 and 2023, the Association had net operating loss carryforwards totaling approximately $954,178 and $1,042,468, 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:

	2024	2023	2022
Deferred revenue	$ 2,468,525	$ 1,615,673	$ 1,535,317

NOTE 8 – CONTRACT REVENUE RECOGNITION (Continued)

Revenue recognized on contracts for member assessments for the years ended December 31, 2024 and 2023 totals $2,554,428 and $3,394,558, 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, 2024 and 2023 totals $1,306,234 and $1,152,335, 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 $50,695 and $44,934 were made for the years ending December 31, 2024 and 2023, 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, 2024 and 2023, the Association's uninsured cash balances total $1,426,672 and $1,284,555, respectively.

NOTE 12 – LEASES

Lessee

The Association leases some of its equipment for various terms under long-term, non-cancelable operating lease agreements. Two of these leases expired at various dates through 2024. During 2024, the Association entered into one new operating lease for equipment used in operations which is included as right-of-use assets on the balance sheet.

NOTE 12 – LEASES (Continued)

Lessee (Continued)

The agreement generally requires 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. The Association has four finance leases for equipment used in operations which are included as right-of-use asset equipment in property and equipment.

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 the policy 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.

The Association has elected the policy under ASC 842 that allows using a risk-free discount rate for lease measurements when a rate in a lease is not readily determinable. This election applies by class of asset and is applied consistently to all leases in that class. The Association will use a rate implicit in a lease when readily determinable. The risk-free rate used is based on the U.S. Treasury rate yield curve.

Total lease costs for the year ended December 31, 2024 are summarized as follows:

Finance lease cost, interest	$ 6,563
Finance lease cost, amortization	73,934
Total finance lease cost	80,497
Operating lease cost	217,291
Short-term and variable lease cost	107,184
Total operating lease cost	324,475
Total lease cost	$ 404,972

NOTE 12 – LEASES (Continued)

Lessee (Continued)

Other lease information for the year ended December 31, 2024 is summarized as follows:

Operating cash flows from finance leases	$	6,563
Operating cash flows from operating leases		217,291
Financing cash flows from finance leases		72,599
Cash paid for amounts included in the measurement of lease liabilities	$	296,453
Right-of-use assets obtained in exchange for new operating lease liabilities	$	1,049,066
Weighted-average remaining lease term—finance leases		1.72 years
Weighted-average remaining lease term—operating leases		3.42 years
Weighted-average discount rate—finance leases		4.65%
Weighted-average discount rate—operating leases		4.54%

Total lease costs for the year ended December 31, 2023 are summarized as follows:

Finance lease cost, interest	$	9,710
Finance lease cost, amortization		73,934
Total finance lease cost		83,644
Operating lease cost		173,304
Short-term and variable lease cost		93,173
Total operating lease cost		266,477
Total lease cost	$	350,121

Other lease information for the year ended December 31, 2023 is summarized as follows:

Operating cash flows from finance leases	$	9,710
Operating cash flows from operating leases		173,304
Financing cash flows from finance leases		69,453
Cash paid for amounts included in the measurement of lease liabilities	$	252,467
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%

NOTE 12 – LEASES (Continued)

Operating Leases

As of December 31, 2024, operating leases right-of-use assets consists of the following:

Operating leases right-of-use assets	$	1,049,066
Less: accumulated amortization		(165,254)
Operating leases right-of-use assets, net	$	883,812

As of December 31, 2023, operating leases right-of-use assets consists of the following:

Operating leases right-of-use assets	$	368,802
Less: accumulated amortization		(342,355)
Operating leases right-of-use assets, net	$	26,447

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, 2024:

Year ending December 31,	Present Value	Discount	Total
2025	$ 251,273	$ 34,939	$ 286,212
2026	262,921	23,291	286,212
2027	275,109	11,103	286,212
2028	94,509	895	95,404
Total	$ 883,812	$ 70,228	$ 954,040

Finance Leases

As of December 31, 2024, the right-of-use equipment consist of the following:

Right-of-use equipment	$	517,541
Less: accumulated amortization		(262,400)
Right-of-use equipment, net	$	255,141

NOTE 12 – LEASES (Continued)

Finance Leases (Continued)

As of December 31, 2023, the right-of-use equipment consist of the following:

Right-of-use equipment	$	517,541
Less: accumulated amortization		188,465
Right-of-use equipment, net	$	329,076

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

The following is a maturity analysis for the finance lease liabilities as of December 31, 2024:

Year ending December 31,	Principal	Interest	Total
2025	$ 73,623	$ 3,462	$ 77,085
2026	33,779	406	34,185
2027	794	136	930
Total	$ 108,196	$ 4,004	$ 112,200

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.

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.

NOTE 12 – LEASES (Continued)

Lessor (Continued)

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be receive as of December 31, 2024:

Year Ending December 31,	Amounts
2025	$ 78,000
2026	78,000
2027	78,000
2028	45,500
	$ 279,500

Rental income for the years ended December 31, 2024 and 2023 totals $101,110 and $97,663, 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.

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.

NOTE 13 – RISKS AND UNCERTAINTIES (Continued)

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

As of December 31, 2024 and 2023, designated members' equity consists of $73,378 and $371,882, 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.

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. In August 2023, the Association received an employee retention credit totaling $446,724, which is included in the statements of revenues, expenses and changes in members' equity.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 6, 2026, 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, 2024

	Food & Beverage	Golf	Tennis	Marina	Recreation	Total
Sales	$ 3,191,732	$ 2,869,066	$ 82,938	$ 117,933	$ 46,224	$ 6,307,893
Cost of sales	(1,276,945)	(310,559)	(2,943)	(30,852)	-	(1,621,299)
Gross profit	1,914,787	2,558,507	79,995	87,081	46,224	4,686,594
Expenses						
Advertising	6,125	12,668	-	187	-	18,980
Automobile	-	123	28	-	702	853
Casual labor	3,480	11,863	4,509	-	5,730	25,582
Contract services	36,840	27,731	-	-	-	64,571
Credit card discounts	56,619	51,578	333	592	52	109,174
Depreciation	287,634	311,435	51,387	83,274	111,818	845,548
Discount members	280,686	11,207	48	-	-	291,941
Dues and subscriptions	5,197	10,540	1,032	-	55	16,824
Entertainment	72,506	-	-	-	-	72,506
Freight	-	1,057	-	-	-	1,057
Gas and oil	-	30,861	-	-	-	30,861
Insurance	15,078	1,230	604	7,021	7,597	31,530
Interest	-	6,563	-	-	-	6,563
Miscellaneous	-	15,508	7,899	10	225	23,642
Office supplies and postage	8,711	10,373	717	559	531	20,891
Professional fees	1,196	-	-	-	-	1,196
Promotional	9,917	66	-	-	-	9,983
Rental and lease	43,348	253,234	-	-	-	296,582
Repairs and maintenance	112,594	97,653	9,585	915	20,700	241,447
Salaries and related	1,658,584	1,379,159	82,616	62,725	179,517	3,362,601
Small tools	5,926	8,973	1,675	104	6,275	22,953
Supplies	104,485	340,822	1,484	1,059	60,031	507,881
Taxes and licenses	58,952	7,258	-	705	-	66,915
Telephone	299	2,151	-	-	363	2,813
Travel	-	2,535	-	-	-	2,535
Uniforms	7,535	3,888	-	-	-	11,423
Utilities	142,660	71,947	15,894	12,930	102,194	345,625
Total operating expenses	2,918,372	2,670,423	177,811	170,081	495,790	6,432,477
Club operating loss	$(1,003,585)	$ (111,916)	$ (97,816)	$ (83,000)	$ (449,566)	$ (1,745,883)

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, 2023

	Food & Beverage	Golf	Tennis	Marina	Recreation	Total
Sales	$ 3,324,204	$ 2,792,808	$ 74,337	$ 104,942	$ 56,323	$ 6,352,614
Cost of sales	(1,293,692)	(319,846)	(1,813)	(38,299)	-	(1,653,650)
Gross profit	2,030,512	2,472,962	72,524	66,643	56,323	4,698,964
Expenses						
Advertising	6,670	12,679	-	-	-	19,349
Automobile	56	620	380	-	159	1,215
Bank fees	25	25	-	-	25	75
Casual labor	6,843	26,335	5,650	-	1,510	40,338
Communications	100	-	-	-	-	100
Contract services	33,000	22,376	1,430	-	652	57,458
Credit card discounts	61,504	67,325	280	2,606	7,060	138,775
Depreciation	292,682	311,256	83,849	92,396	109,740	889,923
Dues and subscriptions	3,670	13,398	906	-	544	18,518
Entertainment	58,609	-	-	-	-	58,609
Freight	-	416	-	136	-	552
Gas and oil	-	30,914	-	-	-	30,914
Insurance	9,010	1,721	356	6,304	7,261	24,652
Interest	-	9,710	-	-	-	9,710
Miscellaneous	-	9,769	9,534	369	676	20,348
Office supplies and postage	6,946	11,015	722	978	886	20,547
Promotional	6,712	2,056	-	-	-	8,768
Rental and lease	719	265,758	-	-	-	266,477
Repairs and maintenance	74,582	122,474	9,583	5,653	17,292	229,584
Salaries and related	1,621,672	1,346,660	80,918	68,120	200,724	3,318,094
Small tools	6,973	2,831	339	1,410	1,456	13,009
Supplies	163,825	269,595	3,273	3,682	68,016	508,391
Taxes and licenses	70,775	2,092	30	130	-	73,027
Telephone	575	2,176	-	104	945	3,800
Travel	320	864	-	-	-	1,184
Uniforms	6,198	6,327	-	532	1,304	14,361
Utilities	153,271	84,400	16,251	13,752	103,430	371,104
Total operating expenses	2,584,737	2,622,792	213,501	196,172	521,680	6,138,882
Club operating loss	$ (554,225)	$ (149,830)	$ (140,977)	$ (129,529)	$ (465,357)	$ (1,439,918)

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, 2024

	Building Maintenance	Grounds Maintenance	Administration	Total
Expenses				
Automobile	$ 786	$ 190	$ 89	$ 1,065
Bank fees	25	-	14,494	14,519
Casual labor	-	3,250	23,845	27,095
Contract services	-	-	83,892	83,892
Credit card discounts	-	-	12,248	12,248
Depreciation	1,554	21,924	29,891	53,369
Discount members	-	-	2,259	2,259
Dues and subscriptions	184	-	3,749	3,933
Insurance	7,041	30,760	-	37,801
Interest	794	-	548,956	549,750
Office supplies and postage	355	-	12,476	12,831
Penalties	744	200	18,830	19,774
Professional fees	-	-	204,416	204,416
Promotional	-	-	84,288	84,288
Rental and lease	-	26,139	1,754	27,893
Repairs and maintenance	6,898	34,784	56,844	98,526
Salaries and related	301,486	240,646	724,398	1,266,530
Small tools	898	4,710	669	6,277
Supplies	4,209	35,324	20,039	59,572
Taxes and licenses	-	-	10,327	10,327
Telephone	2,549	-	1,713	4,262
Travel	-	-	4,283	4,283
Uniforms	422	570	-	992
Utilities	13,715	7,044	16,814	37,573
Total other operating expenses	$ 341,660	$ 405,541	$ 1,876,274	$ 2,623,475

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, 2023

	Building Maintenance	Grounds Maintenance	Administration	Total
Expenses				
Automobile	$ 24	$ 12	$ 675	$ 711
Bank fees	25	-	13,487	13,512
Casual labor	-	-	22,768	22,768
Communications	-	-	52	52
Contract services	-	-	86,073	86,073
Depreciation	1,681	21,924	29,084	52,689
Discount members	-	-	373,781	373,781
Dues and subscriptions	149	1,723	10,116	11,988
Entertainment	-	-	250	250
Gas and oil	8,303	30,967	-	39,270
Insurance	829	-	428,767	429,596
Miscellaneous	-	-	19,110	19,110
Office supplies and postage	189	36	24,608	24,833
Professional fees	-	-	286,503	286,503
Promotional	-	-	207,243	207,243
Repairs and maintenance	10,100	34,179	81,954	126,233
Salaries and related	315,457	235,624	784,107	1,335,188
Small tools	1,556	3,193	1,867	6,616
Supplies	4,464	25,266	15,875	45,605
Taxes and licenses	24	24	2,641	2,689
Telephone	2,808	-	2,195	5,003
Travel	-	-	7,111	7,111
Uniforms	231	2,900	-	3,131
Utilities	16,874	8,246	17,582	42,702
Total other operating expenses	$ 362,714	$ 364,094	$ 2,415,849	$ 3,142,657

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