

**ESTERO COUNTRY CLUB, INC.**  
**FINANCIAL REPORT**  
**OCTOBER 31, 2022 AND 2021**

# **ESTERO COUNTRY CLUB, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

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January 22, 2023

To the Board of Governors  
Estero Country Club, Inc.  
Fort Myers, Florida

### **Opinion**

We have audited the accompanying financial statements of Estero Country Club, Inc., (the "Club"), which comprise the statements of financial position as of October 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Estero Country Club, Inc., as of October 31, 2022 and 2021, and the changes in its net assets 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. 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 Estero Country Club, 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.

### **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 Estero Country Club, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Estero Country Club, 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 Estero Country Club, 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.

  
PHILLIPS HARVEY GROUP, P.A.  
Certified Public Accountants

## **FINANCIAL STATEMENTS**

**ESTERO COUNTRY CLUB, INC.**

**STATEMENTS OF FINANCIAL POSITION  
OCTOBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,658,149	\$ 2,081,323
Less: board designated capital funds (Note 2)	182,573	62,241
	<u>1,475,576</u>	<u>2,019,082</u>
Accounts receivable - members, less allowance for doubtful accounts of \$3,000 in 2022 and 2021, respectively	2,845,149	565,140
Due from Vines Community Association	-	20,000
Inventories	375,879	214,938
Prepaid expenses	<u>94,713</u>	<u>97,447</u>
<b>Total Current Assets</b>	<b>4,791,317</b>	<b>2,916,607</b>
Board designated capital funds (Note 2)	182,573	62,241
Property and equipment, net (Notes 3 and 4)	16,395,756	15,101,346
Deposits	<u>4,470</u>	<u>4,470</u>
<b>Total Assets</b>	<b>\$ 21,374,116</b>	<b>\$ 18,084,664</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 495,186	\$ 135,513
Accrued expenses and other	244,027	225,528
Accrued renovation expenses, including retainage	-	1,011,516
Current maturities of equipment note payable (Note 6)	16,360	16,360
Current maturities of capital lease obligations (Note 4)	150,267	156,293
Current maturities of long-term debt (Note 6)	877,287	270,234
Dues, fees, and charges collected in advance	<u>3,639,223</u>	<u>3,320,084</u>
<b>Total Current Liabilities</b>	<b>5,422,350</b>	<b>5,135,528</b>
Equipment note payable, less current maturities (Note 6)	42,264	58,624
Capital lease obligations, less current maturities (Note 4)	221,518	123,289
Long-term debt, less current maturities (Note 6)	<u>3,052,085</u>	<u>705,482</u>
<b>Total Liabilities</b>	<b>8,738,217</b>	<b>6,022,923</b>
Commitment and contingency (Notes 6, 9, 11, and 12)	-	-
Net Assets	<u>12,635,899</u>	<u>12,061,741</u>
<b>Total Net Assets</b>	<b>12,635,899</b>	<b>12,061,741</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,374,116</b>	<b>\$ 18,084,664</b>

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

**ESTERO COUNTRY CLUB, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Changes in Net Assets:</b>		
<b>Revenues:</b>		
<b>General:</b>		
Membership dues	\$ 3,729,993	3,444,169
Finance charges	2,812	5,606
Other	37,578	48,823
<b>Program:</b>		
Food and beverage:		
Food sales	787,586	513,704
Beverage sales	465,212	282,355
Unused food and beverage minimum and other	37,319	38,525
Sports and recreation:		
Golf pro shop merchandise	455,455	374,410
Greens fees	307,332	266,390
Golf carts, lockers, and other golf	861,947	762,300
Racquets	8,940	160
	<u>6,694,174</u>	<u>5,736,442</u>
<b>Expenses (Note 14):</b>		
<b>Program:</b>		
Food and beverage	1,962,554	1,339,146
Sports and recreation:		
Golf carts, pro shop and locker rooms	954,998	825,360
Golf course maintenance	1,936,079	1,861,118
Racquets	200,895	147,612
<b>Total Program Services</b>	<u>5,054,526</u>	<u>4,173,236</u>
<b>Support:</b>		
Housekeeping	404,205	288,261
Administrative and general	971,785	977,023
Real estate and personal property taxes	69,188	62,858
Insurance	235,589	205,277
<b>Total Supporting Services</b>	<u>1,680,767</u>	<u>1,533,419</u>
<b>Total Expenses</b>	<u>6,735,293</u>	<u>5,706,655</u>
<b>(Deficiency) excess of revenues over expenses before other revenues (expenses) and other changes in net assets</b>	<u>(41,119)</u>	<u>29,787</u>

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

**ESTERO COUNTRY CLUB, INC.**

**STATEMENTS OF ACTIVITIES (Continued)  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>(Deficiency) excess of revenues over expenses before other revenues (expenses) and other changes in net assets (continued)</b>	<u>(41,119)</u>	<u>29,787</u>
<b>Other revenues (expenses):</b>		
Hurricane expenses (Note 15)	(138,751)	-
Interest expense	(105,770)	(56,394)
(Loss) gain on disposal of property and equipment, net (Note 3)	(77,422)	15,168
Depreciation	<u>(1,131,362)</u>	<u>(920,869)</u>
	<u>(1,453,305)</u>	<u>(962,095)</u>
<b>Deficiency of revenues over expenses before other changes in net assets</b>	<u>(1,494,424)</u>	<u>(932,308)</u>
<b>Other changes in net assets:</b>		
Capital improvement assessment (Note 7)	887,741	871,847
Clubhouse renovation assessment (Note 8)	724,741	706,102
Membership transfers and other membership activity, net (Note 10)	<u>456,100</u>	<u>764,800</u>
	<u>2,068,582</u>	<u>2,342,749</u>
<b>Increase in net assets</b>	574,158	1,410,441
<b>Net Assets, Beginning of Year</b>	<u>12,061,741</u>	<u>10,651,300</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 12,635,899</u></u>	<u><u>\$ 12,061,741</u></u>

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



**ESTERO COUNTRY CLUB, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 574,158	\$ 1,410,441
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,131,362	920,869
Loss (gain) on disposal of property and equipment, net	77,422	(16,768)
Other changes in net assets	(2,068,582)	(2,342,749)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,282,309)	(94,943)
Inventories	(160,941)	(960)
Prepaid expenses	2,734	(4,728)
Increase (decrease) in:		
Accounts payable	83,164	(144,338)
Accrued expenses and other	18,499	14,365
Dues, fees and charges collected in advance	319,139	444,172
Net Cash (Used In) Provided By Operating Activities	(2,305,354)	185,361
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	-	1,600
Disbursements for construction in progress	(494,259)	(3,467,526)
Disbursements for property and equipment	(2,486,037)	(81,500)
Net Cash (Used In) Investing Activities	(2,980,296)	(3,547,426)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on capital lease obligations	(165,702)	(182,584)
Principal payments on long-term debt	(546,344)	(243,475)
Principal payments on equipment note payable	(16,360)	(6,817)
Borrowings from clubhouse renovation loan	3,500,000	-
Repayment of refundable deposit agreements due to members	-	(24,000)
Proceeds from capital improvement assessment	887,741	871,847
Proceeds from clubhouse renovation assessment	724,741	706,102
Proceeds from issuance of membership certificates	495,000	765,000
Refund of membership certificates	(16,600)	(29,200)
Net Cash Provided By Financing Activities	4,862,476	1,856,873
(Decrease) in cash	(423,174)	(1,505,192)
Cash, beginning of the year	2,081,323	3,586,515
Cash, end of the year	\$ 1,658,149	\$ 2,081,323

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

**ESTERO COUNTRY CLUB, INC.**

**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 105,770</u>	<u>\$ 56,394</u>
<b>Noncash Investing Activities</b>		
Acquisition of construction in progress through accounts payable and accrued expenses	<u>\$ 276,509</u>	<u>\$ 1,011,516</u>
Equipment acquired through capital lease obligations	<u>\$ 257,905</u>	<u>\$ -</u>
Equipment acquired through note payable	<u>\$ -</u>	<u>\$ 81,800</u>

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

# **ESTERO COUNTRY CLUB, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Organization**

Estero Country Club, Inc. (the "Club") was organized as "a corporation not-for-profit" under the laws of the State of Florida on July 26, 1989. The primary purpose of the Club is to operate the Club facilities for the benefits of its members.

The Club presents its financial statements under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). A summary of the Club's significant accounting policies follows:

#### **Basis of presentation**

A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions. The Club has no net assets with donor restrictions.

#### **Accounting estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

#### **Accounting standard adoption**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that superseded existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2020-05 that deferred the effective date for the Club until annual periods beginning after December 15, 2019. The amendments in this update were required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Club adopted this standard on November 1, 2020. There was no impact to beginning net assets as a result of this adoption.

#### **Recent accounting pronouncements**

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize at the commencement date for all leases (with exception of short-term leases): (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. On June 3, 2020, the FASB issued ASU 2020-05 which amended the effective date of the lease standard previously issued by FASB. The Board of FASB deferred the effective dates of these standards as a result of the effects and disruptions caused by coronavirus (COVID-19) pandemic.

## **ESTERO COUNTRY CLUB, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Recent accounting pronouncements (continued)**

Accordingly, the Club opted to delay the adoption of this standard until the required effective date presented in ASU 2020-05 which is fiscal 2023 for the Club. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. During preliminary evaluation, the Club does not believe the standard will have a material impact on the financial statements.

##### **Revenue recognition**

Membership dues are recognized as revenue ratably over the fiscal year as performance obligations are satisfied over time. Food, beverage and sport related revenues are recognized when the performance obligation is satisfied which is at the time of purchase of related goods or the completion of the service purchased by the member.

##### **Capital contributions**

The Club has determined that initiation fees and capital assessments (including the renovation assessment) received from members are considered ownership transactions and therefore are not considered revenue from a contract with a customer under Accounting Standard Update 2014-09 and are recorded as an equity transaction once received as other changes in net assets in the accompanying statements of activities.

##### **Operating income/performance measurement**

The Club considers the excess of revenues over expenses before other revenues (expenses) and other changes in net assets on the accompanying statements of activities to be operating income for performance measurement purposes as this is the line item budgeted for financial management and internal reporting purposes.

##### **Cash and concentration of risk**

For purposes of reporting cash flows, the Club considers Board designated capital funds to be cash. The Club maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Club has not experienced any losses on such accounts. The Club believes it is not exposed to any significant risk on its cash.

##### **Board designated capital funds**

The Board of Directors has agreed to designate the use of certain funds solely for capital purchases, capital projects, and debt payments. The Club has reserve cash which includes renovation assessments, maintenance reserve fees, and member initiation fees which are separate cash accounts maintained for this purpose.

# ESTERO COUNTRY CLUB, INC.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Accounts receivable**

Accounts receivable are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts and equity membership balances on a monthly basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. Member receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The Club, in accordance with the bylaws, deducts any unpaid balances from the member's equity certificate upon redemption. Interest is charged at 1.5% per month on accounts over 30 days outstanding, and is recognized as revenue when charged.

#### **Inventories**

Inventories, consisting of food, beverage, and golf shop merchandise, are stated at the lower of cost (first-in, first-out method) or net realizable value.

#### **Property and equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets:

	<b><u>YEARS</u></b>
Land improvements	5-25
Buildings improvements	3-40
Furniture, fixtures, and equipment	3-20

It is the Club's policy to include amortization of assets acquired through capital lease obligations with depreciation on owned assets. Assets under capital lease obligations are amortized over the shorter of their estimated useful life or term of the lease.

#### **Income taxes**

The Club is exempt from federal income taxes under Section 501(c)(7) of the Internal Revenue Code. The Tax Reform Act of 1969 imposed a corporate income tax on the "unrelated business taxable income," including investment income, of an otherwise tax-exempt club. Any applicable income taxes are included in the accordance with these statutes.

The Club has evaluated its tax positions and concluded that the Club has taken no uncertain tax positions that require adjustment to the financial statements to comply with the Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

#### **Subsequent events**

The Club evaluated subsequent events through January 22, 2023, the date on which the financial statements were available to be issued. No subsequent events requiring disclosure were identified.

### **NOTE 2 - BOARD DESIGNATED CAPITAL FUNDS**

The Club maintains board designated capital funds for future capital projects and replacements. Board designated capital funds totaled \$182,573 and \$62,241 as of October 31, 2022 and 2021, respectively.

## ESTERO COUNTRY CLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 3 - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net as of October 31, 2022 and 2021, is summarized as follows:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Land improvements	\$ 8,688,833	\$ 8,456,006
Buildings and improvements	12,228,066	8,698,967
Furniture, fixtures and equipment	<u>4,760,224</u>	<u>3,036,469</u>
	25,677,123	20,191,442
Less: accumulated depreciation	<u>(10,052,135)</u>	<u>(9,821,091)</u>
	15,624,988	10,370,351
Construction in progress	<u>770,768</u>	<u>4,730,995</u>
	<b><u>\$ 16,395,756</u></b>	<b><u>\$ 15,101,346</u></b>

During the years ended October 31, 2022 and 2021, the Club disposed of property and equipment with a total original cost of \$977,741 and \$315,465 and accumulated depreciation of \$900,319 and \$298,033, respectively. The Club did not receive any proceeds in fiscal 2022 resulting in a loss of \$77,422 on disposition of property and equipment in the accompanying statements of activities for the year ended October 31, 2022. The Club received proceeds of \$1,600 and received equipment with a value of \$31,000 resulting in a gain of \$15,168 on disposition of property and equipment in the accompanying statements of activities for the year ended October 31, 2021.

Construction in progress of \$770,768 as of October 31, 2022 consisted of costs incurred primarily related to the irrigation project. Construction in progress of \$4,730,995 as of October 31, 2021 consisted of costs incurred related to the clubhouse renovation project. As a result of the clubhouse renovation project, the Club accrued retainage payable of \$312,450 and a progress billing from the general contractor of \$699,066 totaling to \$1,011,516 of accrued expenses relating to the clubhouse renovation project as of October 31, 2021. The clubhouse renovation project was completed and placed into service during fiscal 2022.

Total depreciation expense was \$1,131,362 and \$920,869 for the years ended October 31, 2022 and 2021, respectively.

#### **NOTE 4 - CAPITAL LEASES**

The Club entered into capital lease obligations for golf course maintenance and fitness equipment through September 2026. Capitalized assets included in property and equipment and the related accumulated amortization as of October 31, 2022 and 2021, were as follows:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Cost	<u>\$ 1,047,630</u>	<u>\$ 951,271</u>
Accumulated amortization	<u>\$ 571,793</u>	<u>\$ 577,657</u>

## ESTERO COUNTRY CLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 4 - CAPITAL LEASES (Continued)**

The following is a schedule by years of future minimum lease payments under the capital leases together with the present value of the minimum lease payments as of October 31, 2022:

<b><u>YEAR ENDING</u></b> <b><u>OCTOBER 31</u></b>	
2023	\$ 169,254
2024	108,650
2025	71,502
2026	<u>61,798</u>
Minimum Lease Payments	411,204
Less: Amount representing interest	<u>(39,419)</u>
Total present value of minimum lease payments	371,785
Less: current maturities of capital lease obligations	<u>(150,267)</u>
Capital lease obligations, less current maturities	<u>\$ 221,518</u>

#### **NOTE 5 - REFUNDABLE DEPOSIT AGREEMENTS DUE TO MEMBERS**

During 1995, the membership approved the purchase of 50 membership certificates from the Developer, thereby reducing the total number of equity golf memberships available to 350. The purchase of 50 memberships was funded by a capital assessment, which was structured as a refundable noninterest-bearing amount payable to members.

In connection with the purchase of the 50 equity golf certificates from the Developer, the Developer also agreed to reduce the sports equity and social equity certificates available for sale from 150 each to 100 each.

The repayment of the Refundable Deposit Agreements Due to Members would be made upon the repurchase of the membership by the Club and issuance of the membership to a new purchaser, on June 30, 2045, or the date of dissolution of the Club, whichever occurs first. However, during fiscal 2021, the Club approved to write-off the refundable deposits of members who have downgraded their membership since joining the Club. As a result, the Club wrote-off \$84,000 and paid back \$24,000 during the year ended October 31, 2021. Therefore, the Club did not owe any refundable deposits as of October 31, 2021.

## ESTERO COUNTRY CLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 6 - DEBT

##### **Equipment Note Payable:**

The Club entered into a non-interest bearing note payable with an equipment company for golf course maintenance equipment. The note is for four years with monthly payments of \$1,363. The Club has an outstanding note payable of \$58,624 and \$74,984, of which \$16,360 is short-term, as of October 31, 2022 and 2021, respectively. Future minimum principal payments required on the equipment note payable as of October 31, 2022, are as follows:

<u>YEARS ENDING</u> <u>OCTOBER 31</u>	
2023	\$ 16,360
2024	16,360
2025	16,360
2026	<u>9,544</u>
Total	<u>\$ 58,624</u>

**Golf Renovation Loan:** During fiscal 2018, the Club entered into a construction loan agreement with a financial institution to provide borrowings up to \$2,000,000 with interest at a fixed rate of 4.88%. The note was used to finance a portion of the cost of the golf course restoration and other capital expenditures. The loan was drawn upon from June 12, 2018 through the conversion date (June 12, 2019); and thereafter, converted to a term loan maturing June 12, 2025. The terms of the agreement require interest payable on a monthly basis through maturity. At the conversion date, the Club began making semi-annual payments of principal plus accrued monthly interest through maturity.

During the year ended October 31, 2020, the Club switched financial institutions and refinanced the original loan. The Club paid off the remaining outstanding balance on the original loan and entered into a new term loan agreement with a financial institution to provide borrowings up to \$1,375,000 with interest at a fixed rate of 3.50%. The terms of the agreement require monthly payments of principal and interest with each payment in the amount of \$25,045. The loan will mature on October 5, 2025.

**Clubhouse Renovation Loan:** On September 24, 2020, the Club entered into an advancing term loan agreement with a financial institution to provide borrowings up to \$3,500,000 with interest at a fixed rate of 3.50%. The note was used to finance the renovations and improvements to the Club's clubhouse and surrounding areas. The terms of the agreement require monthly payments of accrued interest only from November 15, 2020 through April 15, 2022, and then commencing on May 15, 2022, the agreement require monthly payments of principal and interest with each payment in the amount of \$58,456. The loan will mature on October 15, 2027.



## ESTERO COUNTRY CLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 6 - DEBT (Continued)**

The following is a summary of the long-term renovation debt outstanding as of October 31, 2022 and 2021:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Golf renovation loan	\$ 719,992	\$ 989,759
Clubhouse renovation loan	3,209,390	-
Less: unamortized debt issuance costs	<u>-</u>	<u>(14,043)</u>
Outstanding loan, less unamortized debt issuance costs	3,929,382	975,716
Less: principal due within one year	<u>(877,287)</u>	<u>(270,234)</u>
Total Long-Term	<b><u>\$ 3,052,095</u></b>	<b><u>\$ 705,482</u></b>

Future minimum principal payments required on long-term debt as of October 31, 2022, are as follows:

<b><u>YEARS ENDING OCTOBER 31</u></b>	
2023	\$ 877,287
2024	908,752
2025	790,166
2026	663,829
2027	<u>689,348</u>
Total	<b><u>\$ 3,929,382</u></b>

#### **Line of Credit:**

The Club renewed their line of credit agreement with the financial institution on December 2, 2021 to provide short-term borrowings up to \$1,500,000 with a floating interest rate as defined in the agreement subject to a floor of 3.00%. During fiscal 2021, the Club maintained their previous line of credit agreement entered into on September 24, 2020 to provide short-term borrowings up to \$1,500,000 with interest at LIBOR plus 2.20%, subject to a floor of 2.38%. The agreement requires monthly payments of accrued interest and is due in full on the maturity date. As of October 31, 2022 and 2021, there were no outstanding line of credit borrowings, respectively. Subsequent to year end, the Club renewed their line of credit agreement.

All debt agreements are collateralized by substantially all Club assets and future assessments, and is subject to contain financial covenants, including maintaining a debt service coverage ratio of no less than 1.15:1.00 and liquidity of \$1,000,000 at the end of each fiscal year.

The Club was in compliance with its debt covenants at October 31, 2022 and 2021, respectively.

## **ESTERO COUNTRY CLUB, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 7 - CAPITAL IMPROVEMENT ASSESSMENTS**

During the years ended October 31, 2022 and 2021, the Club assessed equity golf, sports and social members \$2,400, \$940 and \$470, respectively, to help fund the cost of capital expenditures. During the years ended October 31, 2022 and 2021, the Club collected \$887,741 and \$871,847, respectively, in capital assessments.

#### **NOTE 8 - CLUBHOUSE RENOVATION ASSESSMENT**

During the year ended October 31, 2020, the Club approved an assessment of \$109 per month, per member, which commenced on June 30, 2020 and will continue for 84 consecutive months or until the clubhouse renovation loan (see Note 6) is full satisfied, whichever occurs first. The purpose of the assessment is to fund the master plan renovations to the clubhouse. The Club collected \$724,741 and \$706,102 related to this assessment during the years ended October 31, 2022 and 2021, respectively.

#### **NOTE 9 - RETIREMENT PLAN**

The Club sponsors a 401(k) employee savings and retirement plan for the benefit of its employees. All employees 21 years of age or older who have been with the Club for at least one year and worked a minimum of 1,000 hours are eligible to participate in the plan. The Club annually elects to match the employee contribution and historically has matched 100% up to 3% of the employee's gross pay. Retirement expense recognized in the statements of activities was \$29,601 and \$31,541 for the years ended October 31, 2022 and 2021, respectively.

#### **NOTE 10 - RESIGNED MEMBERS' EQUITY**

In accordance with the Club's bylaws, there are three types of equity memberships: golf, sports and social. The maximum number of equity memberships issued will be limited to 625. On March 7, 2011, the Club amended their bylaws to increase the limit on social equity member certificates from the 100 certificate limit. The total number of golf, sports and social memberships issued are limited to 325, 100 and 200, respectively. There were 343 and 346 golf equity certificates, 46 and 45 sports equity certificates, and 168 and 160 social equity certificates outstanding as of October 31, 2022 and 2021, respectively.

A member who has notified the Club that he or she has resigned membership in the Club is obligated to pay dues and assessments until the repurchase of their membership. In the alternative, these amounts owed to the Club by a resigned member may accrue with additional charges for nonpayment in a total amount not to exceed the amount which the resigned member is entitled to receive from the Club upon the repurchase of the resigned member's membership.

The Club's bylaws do not provide for the refund of a resigned member's membership certificate until a replacement/new member is obtained and purchases the certificate, from which the funds are remitted to the resigned member after paying all required fees.

## ESTERO COUNTRY CLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 11 - OPERATING LEASES**

The Club leases golf course, office, and kitchen equipment through operating lease agreements having terms expiring through fiscal 2026. Approximate future minimum lease payments are as follows:

<b><u>YEARS ENDING OCTOBER 31</u></b>	
2023	\$ 60,774
2024	3,636
2025	2,676
2026	<u>2,230</u>
Total	<u>\$ 69,316</u>

Rental expense for the years ended October 31, 2022 and 2021 totaled \$70,265 and \$88,973, respectively.

#### **NOTE 12 - INSURANCE MATTERS**

Where possible, the Club attempts to mitigate the risk of hurricane damage through insurance. The Club's insurance policies were through October 31, 2023 and December 1, 2023 for the wind policies. The Club's named storm deductible is 5% per occurrence per item. The total insured value is \$14,531,984 and the deductible of 5%, minimum per occurrence of \$15,000 (all other schedules buildings/items) and \$100,000 (Clubhouse and Pro Shop), would apply separately to each insured item. Golf course property is specifically limited to coverage of \$150,000. Due to the Club's deductibles, losses from future catastrophic weather events may require special member assessments, if such funds are available.

#### **NOTE 13 - LIQUIDITY AND AVAILABILITY**

Assets available to meet cash needs for general operating expenditures within one year, without contractual or donor restrictions as of October 31, 2022 and 2021, consist of the following:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash	\$ 1,658,149	\$ 2,081,323
Accounts receivable, net	2,845,149	565,140
Due from Vines Community Association	<u>-</u>	<u>20,000</u>
	4,503,298	2,666,463
Less: board designated capital funds	<u>(182,573)</u>	<u>(62,241)</u>
	<u>\$ 4,320,725</u>	<u>\$ 2,604,222</u>

The Club is required to maintain liquidity of no less than \$1,000,000 at the end of each fiscal year as further described in Note 6. Board designated capital funds are not available for general use as described in Note 2. The Club also has an available line of credit as described in Note 6.

## ESTERO COUNTRY CLUB, INC.

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 14 - FUNCTIONAL EXPENSES**

As a not-for-profit entity, the Club is required to present expenses by functional classification for program and supporting activities. The Club's primary program activities are food and beverage and sports and recreation. Expenses reported as supporting activities are incurred in support of these primary program activities.

Expenses by functional classification for the year ended October 31, 2022, consist of the following:

	<b>PROGRAM ACTIVITIES</b>		<b>SUPPORTING ACTIVITIES</b>	<b>TOTAL</b>
	<b>FOOD AND BEVERAGE</b>	<b>SPORTS AND RECREATION</b>		
Costs of sales	\$ 566,355	\$ 359,300	\$ -	\$ 925,655
Payroll and related	1,055,766	1,527,713	861,263	3,444,742
Supplies, services, and other	340,433	1,167,622	856,841	2,364,896
	<u>\$ 1,962,554</u>	<u>\$ 3,054,635</u>	<u>\$ 1,718,104</u>	<u>\$ 6,735,293</u>

Expenses by functional classification for the year ended October 31, 2021, consist of the following:

	<b>PROGRAM ACTIVITIES</b>		<b>SUPPORTING ACTIVITIES</b>	<b>TOTAL</b>
	<b>FOOD AND BEVERAGE</b>	<b>SPORTS AND RECREATION</b>		
Costs of sales	\$ 345,875	\$ 287,527	\$ -	\$ 633,402
Payroll and related	739,156	1,480,663	807,253	3,027,072
Supplies, services, and other	254,115	1,065,900	726,166	2,046,181
	<u>\$ 1,339,146</u>	<u>\$ 2,834,090</u>	<u>\$ 1,533,419</u>	<u>\$ 5,706,655</u>

#### **NOTE 15 - HURRICANE IAN**

In September 2022, the Club was impacted by a major hurricane which hit southwest Florida. The Club incurred and recorded related damages and expenses of \$138,751 during the year ended October 31, 2022. These hurricane related amounts are included as other expenses in the statements of activities for the year ended October 31, 2022. Additionally, the Club submitted claims for damages sustained from this hurricane through their insurance policies. The Club continues to work with its insurance carriers to possibly recover additional damages. Subsequent to year end, the Club continued to incur additional expenses related to damages and other expenses as a result of this hurricane.

## **SUPPLEMENTARY INFORMATION**



Nathan A. Phillips, CPA  
Stephanie J. Feldman, CPA  
Deborah L. Harvey, CPA (Decd)

David N. Phillips, CPA, MBA  
Michelle V. Schalmo, CPA  
Shannon Huber, CPA  
Courtney L. Cound, CPA  
Keith S. Boyle, CPA

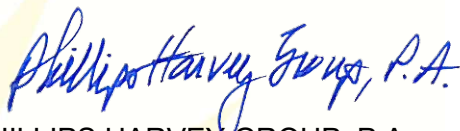
**INDEPENDENT AUDITORS' REPORT**  
**ON SUPPLEMENTARY INFORMATION**

January 22, 2023

To the Board of Governors  
Estero Country Club, Inc.

We have audited the financial statements of Estero Country Club, Inc. as of and for the years ended October 31, 2022 and 2021, and our report thereon dated January 22, 2023, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole.

The departmental schedules of revenues and expenses are presented for purposes of additional analysis and are not a required part 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 audits 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.



PHILLIPS HARVEY GROUP, P.A.  
Certified Public Accountants

**ESTERO COUNTRY CLUB, INC.**

**DEPARTMENTAL SCHEDULES OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

	2022					2021				
	REVENUES	COST OF SALES	PAYROLL AND RELATED EXPENSES	OTHER EXPENSES	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	REVENUES	COST OF SALES	PAYROLL AND RELATED EXPENSES	OTHER EXPENSES	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES
Revenues:										
General revenues:										
Membership dues	\$ 3,729,993	\$ -	\$ -	\$ -	\$ 3,729,993	\$ 3,444,169	\$ -	\$ -	\$ -	\$ 3,444,169
Interest revenue and finance charges	2,812	-	-	-	2,812	5,606	-	-	-	5,606
Other	37,578	-	-	-	37,578	48,823	-	-	-	48,823
	<u>3,770,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,770,383</u>	<u>3,498,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,498,598</u>
Program activities:										
Food and beverage, including unused food and beverage minimum	1,290,117	566,355	1,055,766	340,433	(672,437)	834,584	345,875	739,156	254,115	(504,562)
Sports and recreation:										
Golf activities	1,624,734	359,300	426,060	169,638	669,736	1,403,100	287,527	408,429	129,404	577,740
Golf maintenance	-	-	976,010	960,069	(1,936,079)	-	-	941,709	919,409	(1,861,118)
Racquets	8,940	-	125,643	75,252	(191,955)	160	-	130,525	17,087	(147,452)
	<u>2,923,791</u>	<u>925,655</u>	<u>2,583,479</u>	<u>1,545,392</u>	<u>(2,130,735)</u>	<u>2,237,844</u>	<u>633,402</u>	<u>2,219,819</u>	<u>1,320,015</u>	<u>(1,935,392)</u>
Supporting activities:										
Housekeeping	-	-	157,899	246,306	(404,205)	-	-	109,459	178,802	(288,261)
Administrative and general	-	-	703,364	268,421	(971,785)	-	-	697,794	279,229	(977,023)
Real estate and personal property taxes	-	-	-	69,188	(69,188)	-	-	-	62,858	(62,858)
Insurance	-	-	-	235,589	(235,589)	-	-	-	205,277	(205,277)
	<u>-</u>	<u>-</u>	<u>861,263</u>	<u>819,504</u>	<u>(1,680,767)</u>	<u>-</u>	<u>-</u>	<u>807,253</u>	<u>726,166</u>	<u>(1,533,419)</u>
(Deficiency) excess of revenues over expenses before other revenues (expenses) and other changes in net assets	<u>\$ 6,694,174</u>	<u>\$ 925,655</u>	<u>\$ 3,444,742</u>	<u>\$ 2,364,896</u>	<u>\$ (41,119)</u>	<u>\$ 5,736,442</u>	<u>\$ 633,402</u>	<u>\$ 3,027,072</u>	<u>\$ 2,046,181</u>	<u>\$ 29,787</u>