

Menlo Country Club

Financial Report

Years Ended January 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Menlo Country Club
Woodside, California 94062

Opinion

We have audited the financial statements of Menlo Country Club (the Club), which comprise the statements of financial position as of January 31, 2023 and 2022, and the related statements of activities and changes in net assets, 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 Menlo Country Club as of January 31, 2023 and 2022, and the changes in net assets and 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 the Club 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 the Club's ability to continue as a going concern within 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 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 the Club'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 the Club'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.

A handwritten signature in black ink that reads "Hatcher and Bloodgood LLP". The signature is written in a cursive, flowing style.

Glendale, California
April 14, 2023

MENLO COUNTRY CLUB

Statements of Financial Position January 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,548,355	\$ 2,911,134
Accounts receivable, net	381,865	377,466
Inventories (Note 3)	374,875	242,258
Prepaid expenses	313,343	246,312
Total current assets	<u>2,618,438</u>	<u>3,777,170</u>
Property and equipment, net (Note 4)	53,376,062	55,523,927
Investments	3,029,336	--
Contingency and Capital Project Reserve (Note 2)		
Cash and cash equivalents	3,849	2,479,148
Investments	1,374,113	1,445,813
	<u>1,377,962</u>	<u>3,924,961</u>
Total assets	<u>\$ 60,401,798</u>	<u>\$ 63,226,058</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 846,658	\$ 391,165
Accrued construction costs	--	3,537,582
Accrued expenses	760,947	488,929
Current portion of finance lease obligations (Note 6)	45,343	44,800
Current portion of notes payable (Note 5)	352,980	341,093
Current portion of construction loan (Note 5)	254,388	--
Deferred entrance fees	225,000	--
Assessment refund payable (Note 12)	--	574,668
Fees billed in advance	2,556	5,376
Total current liabilities	<u>2,487,872</u>	<u>5,383,613</u>
Finance lease obligations, net of current portion (Note 6)	49,164	94,885
Construction loan (Note 5)	9,386,077	11,191,916
Notes payable, net of current portion (Note 5)	1,940,923	2,293,949
Total liabilities	<u>13,864,036</u>	<u>18,964,363</u>
Commitments and contingencies (Notes 5 and 11)		
Net assets		
Undesignated net assets	45,159,800	40,336,734
Board designated net assets	1,377,962	3,924,961
Total net assets	<u>46,537,762</u>	<u>44,261,695</u>
Total liabilities and net assets	<u>\$ 60,401,798</u>	<u>\$ 63,226,058</u>

MENLO COUNTRY CLUB

Statements of Activities and Changes in Net Assets Years Ended January 31, 2023 and 2022

	2023	2022
Operating revenues		
General		
Membership dues and congressional	\$ 7,399,805	\$ 6,723,730
Special purpose funds	203,485	213,837
Other revenue	169,965	30,945
Programs		
Food and beverage	2,374,225	1,547,146
Sport and recreation:		
Golf operations	1,047,070	740,095
Swimming pool and tennis	156,499	111,494
Total operating revenues	<u>11,351,049</u>	<u>9,367,247</u>
Expenses		
Food and beverage	3,747,769	2,720,476
Sport and recreation:		
Golf operations	1,581,539	1,204,651
Golf course maintenance	3,112,004	3,163,985
Swimming pool and tennis	575,343	472,716
Clubhouse	984,122	769,564
Grounds maintenance	94,429	74,153
Utilities	285,252	146,661
Special purpose funds	239,756	205,726
Insurance and property taxes	791,870	376,540
Administrative and general	1,111,555	948,965
Total operating expenses	<u>12,523,639</u>	<u>10,083,437</u>
Loss from operations before other revenues (expenses)	<u>(1,172,590)</u>	<u>(716,190)</u>
Other revenues (expenses)		
Employee retention credit	--	744,517
Depreciation	(2,747,152)	(1,191,350)
Investment and other income (expense)	(117,707)	(268,662)
Interest, net	52,766	(102,500)
Change in net assets before membership activities	<u>(2,812,093)</u>	<u>(817,995)</u>
Membership activities		
Entrance fees, net	5,515,100	4,397,500
Assessment (refunds) revenue, net	(183,750)	530,000
Capital dues	929,400	880,300
Membership activities, net	<u>6,260,750</u>	<u>5,807,800</u>
Change in net assets	<u>2,276,067</u>	<u>4,273,615</u>
Net assets, beginning of year	<u>44,261,695</u>	<u>39,988,080</u>
Net assets, end of year	<u>\$ 46,537,762</u>	<u>\$ 44,261,695</u>

MENLO COUNTRY CLUB

Statements of Cash Flows Years Ended January 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,276,067	\$ 4,273,615
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,747,152	1,191,350
Unrealized (gain) loss on investments	(86,444)	54,192
Net membership and assessment activities	(6,260,750)	(5,807,800)
Change in operating assets and liabilities:		
Accounts receivable, net	(4,399)	(14,625)
Inventories	(132,617)	(44,936)
Prepaid expenses	(67,031)	62,737
Accounts payable	455,493	150,756
Accrued expenses	272,018	78,422
Fees billed in advance	(2,820)	(387)
Total adjustments	(3,079,398)	(4,330,291)
Net cash used by operating activities	(803,331)	(56,676)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases	(3,000,000)	(1,500,005)
Other changes in investments	128,808	--
Purchase of property and equipment	(4,132,470)	(22,712,340)
Net cash used by investing activities	(7,003,662)	(24,212,345)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(341,139)	(1,141,409)
Proceeds from notes payable	--	2,856,000
Principal payments on finance lease obligations	(45,178)	(30,577)
Proceeds from construction loan	--	11,382,593
Principal payments on construction loan	(1,551,451)	--
Debt issuance costs	(4,399)	(43,550)
Deferred entrance fees	225,000	--
Assessment refund payable	(574,668)	56,600
Net membership activities	6,260,750	5,807,800
Net cash provided by financing activities	3,968,915	18,887,457
Net decrease in cash and cash equivalents	(3,838,078)	(5,381,564)
Cash and cash equivalents, beginning of year	5,390,282	10,771,846
Cash and cash equivalents, end of year	\$ 1,552,204	\$ 5,390,282
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash and cash equivalents operating	\$ 1,548,355	\$ 2,911,134
Cash and cash equivalents - contingency and capital project reserve	3,849	2,479,148
	\$ 1,552,204	\$ 5,390,282
SUPPLEMENTAL DISCLOSURES - STATEMENTS OF CASH FLOWS:		
Cash paid for interest	\$ 1,043,234	\$ 105,472
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment, including construction in progress, accrued at end of year	\$ --	\$ 3,537,582

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

MENLO COUNTRY CLUB

Notes to Financial Statements
January 31, 2023 and 2022

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: Menlo Country Club (the Club) is a not-for-profit organization located in Woodside, California. The Club provides golf, tennis, swimming, and social facilities for the use of its members and their families and guests.

Basis of Presentation: The financial statements of the Club are prepared on the accrual basis. As of January 31, 2023 and 2022, all the Club's net assets are unrestricted.

Operating Loss/Performance Measurement: The Club considers the change in net assets before other revenues (expenses) on the accompanying statements of activities to be operating loss for performance measurement purposes, as this is the line item budgeted for financial management and internal reporting purposes.

Concentration of Credit Risk: The Club has cash deposits in domestic bank accounts. As of January 31, 2023, deposits held in noninterest-bearing transaction accounts and interest bearing deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of January 31, 2023, the Club had cash accounts that were approximately \$1,000,000 in excess of FDIC insured limits.

Cash Equivalents: For cash flow reporting purposes, the Club considers all liquid, temporary cash investments with original maturities, generally, of three (3) months or less (when purchased) to be cash equivalents.

Investments: As of January 31, 2023, investments consist of United States Treasury Bills and Notes. As of January 31, 2022, investments consist of investments in a municipal bond fund. Investments are reported at fair value based on unadjusted quoted prices in active markets and are considered Level 1 financial instruments.

Member Receivables and Allowance for Doubtful Accounts: Member receivables mainly consist of member dues and charges and are subject to credit risk. Risk associated with receivables is mitigated by periodic review of delinquent accounts. When necessary, the Club provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to the allowance for doubtful accounts based on assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts. As of January 31, 2023 and 2022, the Club considers accounts receivable to be fully collectible and has not recorded an allowance for doubtful accounts.

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

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 period. Actual results could differ from those estimates.

Presentation of Certain Taxes: The Club collects sales and occupancy taxes and remits these amounts to the applicable taxing authorities. The Club's accounting policy is to exclude these taxes from revenues and expenses.

MENLO COUNTRY CLUB

Notes to Financial Statements
January 31, 2023 and 2022

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs: Debt issuance costs are reported in the statements of financial position as a direct reduction in the debt balance. Debt issuance costs are amortized using the straight-line method over the term of the related obligation, which approximates the effective interest method.

Property and Equipment: Property and equipment are recorded at cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected on the statements of activities. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and improvements are capitalized. Construction-period interest is deferred and amortized over the life of the related asset on a straight-line basis. Assets other than land are depreciated using the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Building and improvements	3 -30
Golf course and land improvements	3 -30
Furniture, fixtures, and equipment	3 -10
Swimming pool	3 -50
Tennis courts	2 -10

Revenue Recognition: Revenue is recognized as performance obligations are satisfied. Membership dues and assessment revenue is recognized at the amount that reflects the consideration received in exchange for membership privileges and access to the Club. Food and beverage, golf shop, tennis, and swim revenue are recognized at the time the service is provided or merchandise is tendered, and the member obtains control of a good or service.

Membership Transactions: Entrance fees are recorded on the effective date of the membership, as approved by the Club, and the candidate complies with all admission provisions. Membership certificate payments to outgoing members are recorded as a reduction of entrance fees on the statements of activities. Capital dues and assessments are recorded as billed.

Income Taxes: The Internal Revenue Service and the State of California Franchise Tax Board have determined that the Club is qualified as tax exempt under Section 501(c)(7) of the Internal Revenue Code and Section 23701g of the California Revenue and Taxation Code, respectively. As a result, the Club is exempt from federal and state income taxes on member-related business. The Club is subject to Federal and state income taxes with respect to any taxable unrelated business income and income not related to its exempt function (investment income).

The Club identifies and evaluates all uncertain tax positions and believes that positions taken are more likely than not to be sustained upon examination for all open tax years. The Club's tax returns are subject to examination by federal taxing authorities for a period of three (3) years from the date they are filed and a period of four (4) years for California taxing authorities.

Reclassifications: Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation. These reclassifications have no effect on net assets, or the change in net assets, as previously reported.

Subsequent Events: The Club has evaluated subsequent events through April 14, 2023, the date on which the financial statements were available to be issued and has determined no events require recognition or disclosure in these financial statements.

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Notes to Financial Statements
January 31, 2023 and 2022

NOTE 2. CONTINGENCY AND CAPITAL PROJECT RESERVE

The Club established the Contingency and Capital Project Reserve. The funds maintained in the Contingency and Capital Project Reserve will be used to finance capital improvement projects. As of January 31, 2023 and 2022, the Contingency and Capital Project Reserve are earmarked as follows:

	2023	2022
Future projects	\$ 1,377,962	\$ 1,445,813
Clubhouse and pool facilities project	<u>--</u>	<u>2,479,148</u>
	<u>\$ 1,377,962</u>	<u>\$ 3,924,961</u>

NOTE 3. INVENTORIES

Inventories consist of the following at January 31:

	2023	2022
Food	\$ 26,539	\$ 22,541
Beverage	140,632	123,494
Golf shop	<u>207,704</u>	<u>96,223</u>
	<u>\$ 374,875</u>	<u>\$ 242,258</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at January 31:

	2023	2022
Land	\$ 50,721	\$ 50,721
Buildings and improvements	44,482,426	44,471,116
Golf course and land improvements	15,937,555	15,937,556
Furniture, fixtures, and equipment	3,981,591	3,704,885
Swimming pool	1,100,118	946,972
Tennis courts	<u>582,009</u>	<u>573,970</u>
Total property and equipment	66,134,420	65,685,220
Less accumulated depreciation	<u>13,247,441</u>	<u>10,500,289</u>
	52,886,979	55,184,931
Construction in progress	<u>489,083</u>	<u>338,996</u>
Property and equipment, net	<u>\$ 53,376,062</u>	<u>\$ 55,523,927</u>

During the year ended January 31, 2022, in connection with the Clubhouse and Pool Facilities Project (CPFP), interest in the amount of approximately \$272,000 was capitalized and is included in buildings and improvements. No interest was capitalized during the year ended January 31, 2023.

MENLO COUNTRY CLUB

Notes to Financial Statements
January 31, 2023 and 2022

NOTE 5. NOTES PAYABLE, CONSTRUCTION LOAN, AND LINE OF CREDIT

Notes Payable: On October 24, 2014, the Club entered into a \$1.4 million note payable (Note). The Note was payable in monthly principal and interest installments and accrued interest at a fixed rate of 3.875% per annum with a maturity date of November 1, 2029. During the year ended January 31, 2022, the Club refinanced the Note and the refinanced Note is payable in monthly principal and interest installments and accrues interest at a fixed rate of 2.875% per annum and the maturity date was extended to December 1, 2031. Borrowings are secured by a deed of trust, as defined in the agreement.

During the year ended January 31, 2022, the Club entered into a \$2,000,000 loan agreement to finance the Turf Conversion and Irrigation Wiring Project (TCIWP Loan). The TCIWP Loan is payable in monthly principal and interest installments and accrues interest at a fixed rate of 3.25% per annum with a maturity date of March 3, 2028. Borrowings in connection with the TCIWP Loan are unsecured.

Future minimum principal payments are as follows:

Year Ending January 31,	Note	TCIWP Loan	Total
2024	\$ 78,269	\$ 274,711	\$ 352,980
2025	79,601	283,833	363,434
2026	81,920	293,196	375,116
2027	84,307	302,869	387,176
2028	86,763	312,860	399,623
Thereafter	<u>363,447</u>	<u>52,127</u>	<u>415,574</u>
Total	774,307	1,519,596	2,293,903
Less current portion	<u>78,269</u>	<u>274,711</u>	<u>352,980</u>
Long-term portion of notes payable	<u>\$ 696,038</u>	<u>\$ 1,244,885</u>	<u>\$ 1,940,923</u>

Construction Loan: In November 2019, the Club entered into a Construction Loan Agreement (Agreement) to finance the CPFP. The Agreement allowed for borrowings up to \$17,000,000 during a two (2) year period (construction period) with an original maturity date of December 3, 2021. During the construction period, interest only was payable at the Prime rate less 1.25% per annum and under no circumstances was the interest rate to be less than 4.625% per annum or more than (except for any higher default rate shown below) the lesser of 12.625% per annum or the maximum rate allowed by applicable law. Borrowings are collateralized by a construction deed of trust on the Club's real property.

During the year ended January 31, 2022, the Club paid a one-time fee to extend the maturity date and convert to permanent financing during the year ended January 31, 2023. The Club also entered into a Forward Rate Lock Agreement (FRL Agreement) that converts the construction period borrowings to a permanent ten (10) year fixed loan (Permanent Loan) upon completion of the project. The Permanent Loan will accrue interest at 3.69% per annum and mature ten (10) years after conversion of the construction borrowings and amortize over a twenty-five (25) year period.

During the year ended January 31, 2023, construction borrowings of \$10,000,000 were converted as the Permanent Loan and the Club paid back \$7,000,000 of the \$17,000,000 in allowable borrowings triggering a lender obligation to the Club in the amount of \$548,000 which is included in interest, net on the statements of activities.

MENLO COUNTRY CLUB

Notes to Financial Statements
January 31, 2023 and 2022

NOTE 5. NOTES PAYABLE, CONSTRUCTION LOAN, AND LINE OF CREDIT (Continued)

Construction Loan (continued): Future minimum principal payments are as follows:

Year Ending January 31,

2024	\$ 254,388
2025	263,935
2026	273,841
2027	284,118
2028	294,781
Thereafter	<u>8,464,478</u>
Total	9,835,541
Less current portion	254,388
Less unamortized loan fees	<u>195,076</u>
Long-term portion	<u>\$ 9,386,077</u>

Line of Credit: The Club maintains a \$1,000,000 revolving line of credit. Any borrowings accrue interest at the prime interest rate but in no event shall the in the interest rate be less than 4.00% per annum. The line of credit matures July 3, 2023. There were no borrowings on the line of credit during the years ended January 31, 2023 and 2022.

NOTE 6. FINANCE LEASE OBLIGATIONS

The Club leases golf course equipment under finance leases with implicit interest rates ranging from approximately 4.00% to 7.00%. Capitalized equipment under these leases amounted to \$195,327 and \$195,327, less accumulated amortization of \$80,424 and \$39,159, as of January 31, 2023 and 2022, respectively. Assets and liabilities under these finance leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. Future minimum lease payments under finance leases are as follows:

Year Ending January 31,

2024	\$ 48,731
2025	35,821
2026	<u>14,925</u>
	99,477
Less amount representing interest	<u>4,970</u>
Present value of minimum lease payments	94,507
Less current portion	<u>45,343</u>
	<u>\$ 49,164</u>

NOTE 7. RELATED PARTY TRANSACTIONS

In the normal course of business, the Club will periodically enter into transactions with members or companies with which members are affiliated. The Club's Board of Directors and management believe that transaction terms are equivalent to or better than customary terms available to the Club through other vendors.

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Notes to Financial Statements
January 31, 2023 and 2022

NOTE 8. LIQUIDITY AND AVAILABILITY

The following reflects the Club's financial assets as of January 31, 2023 and 2022. The Club also maintains an available line of credit for \$1,000,000 (Note 5). As of January 31, 2023 and 2022, there are no amounts unavailable for general use due to contractual or donor-imposed restrictions within one (1) year.

	2023	2022
Cash and cash equivalents	\$ 1,552,204	\$ 5,390,282
Investments	4,403,449	1,445,813
Accounts receivable, net	<u>381,865</u>	<u>377,466</u>
Financial assets at year-end	6,337,518	7,213,561
Less Contingency and Capital Project Reserve, primarily intended for capital expenditures	<u>1,377,962</u>	<u>3,924,961</u>
Financial assets available to meet cash needs for general expenditure within one (1) year	<u>\$ 4,959,556</u>	<u>\$ 3,288,600</u>

NOTE 9. CAPITAL DUES

The Club bills capital dues of \$200 per month per Proprietary member, and \$100 per member for all other membership categories, except the Non-Residents who pay \$50 per month. Proceeds from capital dues were added to capital funds prior to completion of the CFPF, and thereafter, are directed to debt service.

NOTE 10. PENSION PLAN

The Club sponsors a 401(k) profit sharing plan for the benefit of all employees who meet the plan eligibility requirements. Under the terms of the plan, a participant may defer no more than 100% of qualified compensation. The Club makes Safe-Harbor "Non-Elective" contributions equal to 3.00% of qualified compensation, plus a matching contribution up to 3.00% of qualified compensation based on employee deferrals. For the years ended January 31, 2023 and 2022 the Club made matching and discretionary contributions of approximately \$317,000 and \$166,000, respectively.

MENLO COUNTRY CLUB

Notes to Financial Statements
January 31, 2023 and 2022

NOTE 11. COMMITMENTS AND CONTINGENCIES

COVID-19: The Club is subject to risks and uncertainties as a result of COVID-19. As of January 31, 2023, the Club has not suffered any material negative financial impact due to COVID-19 and the Club does not believe it will experience any long term negative impact due to COVID-19. In connection with COVID-19, certain payroll tax credits, the Employee Retention Credit (ERC), were made available to employers that continue to employ and compensate employees during the period of limited operations as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and extended by The Taxpayer Certainty and Disaster Tax Relief Act of 2020.

Earthquake Insurance: As a result of current insurance market conditions, the Club has been unable to obtain earthquake insurance coverage for the Club's premises and property at a reasonable cost. If uninsured earthquake damages are sustained, it is possible that the Club's financial position could be adversely affected.

Self-Insurance Workers Compensation: The Club was a member of the California Restaurant Mutual Benefit Corporation (CRMBC) beginning in 2010. The Club terminated its membership in the CRMBC as of December 31, 2016. The Club remains jointly and severally liable for the expenses and obligations of the group and for the workers' compensation liability for all members incurred while a member. The Club joined CRMBC in 2010; therefore, should any deficiencies arise in the future relating to claims that originated between 2010 and 2016, the Club will be liable for such deficiencies.

NOTE 12. REFUNDABLE ASSESSMENTS

Golf Course Assessment: In August 2010, the membership approved the renovation of the golf course, tennis courts, and tennis building. The projects were partially financed through a membership assessment. As of January 31, 2023 and 2022, \$7,500 is refundable to Proprietary at resignation, death, or transfer to another membership category and upon a new Proprietary member joining the Club. Proprietary members that joined the Club in or after March 2013 did not pay any assessment and, therefore, are not entitled to any assessment refund.

Clubhouse Assessment: In connection with the CPFP, members were assessed (the Clubhouse Assessment) in the amount of \$55,000 per Proprietary member, \$27,500 per Emeritus, Auxiliary and Social members, and \$13,750 per Non-Resident member.

Refundable assessments are summarized as follows at January 31:

	2023	2022
Golf Course	\$ --	\$ 253,125
Clubhouse	--	<u>321,543</u>
Total	<u>\$ --</u>	<u>\$ 574,668</u>

Based on the Club's bylaws, refunds will not be made before September 2025, unless authorized by the Board of Directors, and only when a new member joins the Club. During the year ended January 31, 2023, the Board of Directors approved a motion to pay out all accrued member refunds and to pay out refundable assessments as members resign and new members are admitted to the Club.

MENLO COUNTRY CLUB

Notes to Financial Statements
January 31, 2023 and 2022

NOTE 13. EXPENSES BY NATURE AND FUNCTION

The Club's primary program activities are golf, and food and beverage. The Statements of Activities present expenses by departments used for financial management of the Club. Program service expenses are those departments directly related to the Club's primary purpose. Expenses reported as supporting activities are incurred in support of these primary program activities. Supporting services expenses are paid for with membership dues and therefore allocation to club programs is not considered necessary.

Year Ended January 31, 2023

	Club Programs			Support Services		
	<u>Cost of sales</u>	<u>Payroll and related</u>	<u>Operating</u>	<u>Payroll and related</u>	<u>Other</u>	<u>Total</u>
Food and beverage	\$ 1,113,140	\$ 2,120,661	\$ 513,968	\$ --	\$ --	\$ 3,747,769
Golf operations	402,022	764,857	414,660	--	--	1,581,539
Golf course maintenance and water	--	1,473,223	1,638,781	--	--	3,112,004
Swimming pool and tennis	--	325,955	249,388	--	--	575,343
Administrative and general	--	--	--	857,296	254,259	1,111,555
Clubhouse	--	697,272	286,850	--	--	984,122
Grounds maintenance	--	81,117	13,312	--	--	94,429
Utilities	--	--	285,252	--	--	285,252
Special purpose funds	--	--	239,756	--	--	239,756
Insurance and property tax	--	--	791,870	--	--	791,870
Total operating expenses	1,515,162	5,463,085	4,433,837	857,296	254,259	12,523,639
Depreciation	--	--	2,747,152	--	--	2,747,152
Interest	--	--	495,234	--	--	495,234
Total expenses	<u>\$ 1,515,162</u>	<u>\$ 5,463,085</u>	<u>\$ 7,676,223</u>	<u>\$ 857,296</u>	<u>\$ 254,259</u>	<u>\$ 15,766,025</u>

Year Ended January 31, 2022

	Club Programs			Support Services		
	<u>Cost of sales</u>	<u>Payroll and related</u>	<u>Operating</u>	<u>Payroll and related</u>	<u>Other</u>	<u>Total</u>
Food and beverage	\$ 663,869	\$ 1,667,558	\$ 389,049	\$ --	\$ --	\$ 2,720,476
Golf operations	269,500	548,208	386,943	--	--	1,204,651
Golf course maintenance and water	--	1,412,762	1,751,223	--	--	3,163,985
Swimming pool and tennis	--	292,827	179,889	--	--	472,716
Administrative and general	--	--	--	743,276	205,689	948,965
Clubhouse	--	583,933	185,631	--	--	769,564
Grounds maintenance	--	74,153	--	--	--	74,153
Utilities	--	--	146,661	--	--	146,661
Special purpose funds	--	--	205,726	--	--	205,726
Insurance and property tax	--	--	376,540	--	--	376,540
Total operating expenses	933,369	4,579,441	3,621,662	743,276	205,689	10,083,437
Depreciation	--	--	1,191,350	--	--	1,191,350
Interest	--	--	102,500	--	--	102,500
Total expenses	<u>\$ 933,369</u>	<u>\$ 4,579,441</u>	<u>\$ 4,915,512</u>	<u>\$ 743,276</u>	<u>\$ 205,689</u>	<u>\$ 11,377,287</u>