

# Palos Verdes Golf Club

Financial Report

Years Ended December 31, 2024 and 2023

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Members  
Palos Verdes Golf Club  
Palos Verdes Estates, California

### **Opinion**

We have audited the accompanying financial statements of Palos Verdes Golf Club (the Club), a California nonprofit corporation, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets and cash flows for the year 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 Palos Verdes Golf Club as of December 31, 2024, and the results of its activities, changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 audit. 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.

#### **Report on Summarized Comparative Information**

We have previously audited the Club's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Glendale, California  
March 31, 2025

## PALOS VERDES GOLF CLUB

### Statements of Financial Position

December 31, 2024 with Comparative Totals for December 31, 2023

	2024			2023
	Operating	Club Improvement Fund	Total	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,018,255	\$ --	\$ 1,018,255	\$ 164,802
Investments	1,591,951	--	1,591,951	2,594,560
Accounts receivable-net of allowance for credit losses of \$19,032 for 2024 and \$20,028 for 2023	756,269	--	756,269	615,346
Inventories (Note 2)	566,156	--	566,156	517,062
Prepaid expenses and other current assets	413,453	39,650	453,103	497,232
Total current assets	<u>4,346,084</u>	<u>39,650</u>	<u>4,385,734</u>	<u>4,389,002</u>
Right of use assets - operating leases	574,544	--	574,544	--
Club facilities and equipment, net (Note 3)	<u>21,729,502</u>	<u>--</u>	<u>21,729,502</u>	<u>18,224,082</u>
Club Improvement Fund (CIF)				
Cash and cash equivalents	--	2,034,795	2,034,795	1,609,079
Investments	--	--	--	2,983,740
Total Club Improvement Fund (Note 4)	<u>--</u>	<u>2,034,795</u>	<u>2,034,795</u>	<u>4,592,819</u>
Total assets	<u>\$ 26,650,130</u>	<u>\$ 2,074,445</u>	<u>\$ 28,724,575</u>	<u>\$ 27,205,903</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ 496,709	\$ 40,844	\$ 537,553	\$ 612,606
Accounts payable - construction	--	--	--	275,553
Accrued expenses	831,167	--	831,167	770,539
Banquet and other deposits	476,031	612,500	1,088,531	1,132,083
Current portion of operating lease obligations	156,026	--	156,026	--
Finance lease obligation	--	--	--	63,751
Deferred initiation fees	--	52,500	52,500	142,500
Total current liabilities	<u>1,959,933</u>	<u>705,844</u>	<u>2,665,777</u>	<u>2,997,032</u>
Operating lease obligations, net of current portion	418,518	--	418,518	--
Member deposits	--	13,800	13,800	17,500
Total liabilities	<u>2,378,451</u>	<u>719,644</u>	<u>3,098,095</u>	<u>3,014,532</u>
Commitments and contingencies (Notes 4, 10 and 17)				
Net assets				
Unrestricted net assets	24,271,679	--	24,271,679	20,425,302
Net assets with restrictions	--	1,354,801	1,354,801	3,766,069
Total net assets	<u>24,271,679</u>	<u>1,354,801</u>	<u>25,626,480</u>	<u>24,191,371</u>
Total liabilities and net assets	<u>\$ 26,650,130</u>	<u>\$ 2,074,445</u>	<u>\$ 28,724,575</u>	<u>\$ 27,205,903</u>

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

## PALOS VERDES GOLF CLUB

### Statements of Activities and Changes in Net Assets

Year Ended December 31, 2024 with Comparative Totals for the year ended December 31, 2023

	2024			2023
	Operating	Club Improvement Fund	Total	Total
Revenues				
Membership dues	\$ 7,507,713	\$ --	\$ 7,507,713	\$ 6,760,110
Food and beverage	5,344,239	--	5,344,239	5,430,660
Golf activities	2,379,195	--	2,379,195	2,228,352
Lockers and fitness	271,994	--	271,994	207,426
Investment income - operations	152,219	--	152,219	190,894
Other income	113,468	--	113,468	126,911
Total revenues	<u>15,768,828</u>	<u>--</u>	<u>15,768,828</u>	<u>14,944,353</u>
Departmental expenses				
Food and beverage	5,904,071	--	5,904,071	5,542,653
Golf course	2,916,715	--	2,916,715	2,858,200
Golf activities	2,140,458	--	2,140,458	1,942,084
Lockers and fitness	215,029	--	215,029	198,664
General and administrative	2,572,471	38,656	2,611,127	2,424,094
City fee	1,451,803	--	1,451,803	1,384,139
Clubhouse grounds	342,213	--	342,213	245,642
Repairs and maintenance	486,702	--	486,702	495,403
Income taxes - operations	44,324	--	44,324	38,284
Total departmental expenses	<u>16,073,786</u>	<u>38,656</u>	<u>16,112,442</u>	<u>15,129,163</u>
Expenses over revenues before depreciation and CIF activity	<u>(304,958)</u>	<u>(38,656)</u>	<u>(343,614)</u>	<u>(184,810)</u>
Other income (expense) and CIF activity				
Depreciation	(1,753,735)	--	(1,753,735)	(1,629,024)
Lease expenses	(175,714)	--	(175,714)	--
Employee retention credit	466,806	--	466,806	--
Investment income, net - CIP	--	90,406	90,406	161,360
Initiation fees, net	--	2,114,494	2,114,494	2,108,140
Capital fee income	--	1,205,005	1,205,005	799,135
Legal fees	--	(40,314)	(40,314)	(7,978)
Wait list deposits-forfeitures	--	35,000	35,000	--
Refunds paid to outgoing members, net	--	(163,225)	(163,225)	(146,000)
	<u>(1,462,643)</u>	<u>3,241,366</u>	<u>1,778,723</u>	<u>1,285,633</u>
Change in net assets before net assets released from restrictions	(1,767,601)	3,202,710	1,435,109	1,100,823
Net assets released from restrictions	5,613,978	(5,613,978)	--	--
Net assets beginning of year	<u>20,425,302</u>	<u>3,766,069</u>	<u>24,191,371</u>	<u>23,090,548</u>
Net assets end of the year	<u>\$ 24,271,679</u>	<u>\$ 1,354,801</u>	<u>\$ 25,626,480</u>	<u>\$ 24,191,371</u>

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

## PALOS VERDES GOLF CLUB

### Statements of Cash Flows

Year Ended December 31, 2024 with Comparative Totals for the year ended December 31, 2023

	2024			2023
	Operating	Club Improvement Fund	Total	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ (1,767,601)	\$ 3,202,710	\$ 1,435,109	\$ 1,100,823
Adjustment to reconcile change in net assets to net cash (used) by operating activities:				
Depreciation	1,753,735	--	1,753,735	1,629,024
Initiation fees, net	--	(2,114,494)	(2,114,494)	(2,067,903)
Refunds paid to outgoing members, net	--	163,225	163,225	146,000
Capital fees	--	(1,205,005)	(1,205,005)	(799,135)
Write-off of finance lease obligation	(63,751)	--	(63,751)	--
Unrealized gain on investments	(4,397)	--	(4,397)	(47,455)
Change in operating assets and liabilities:				
Accounts receivable	(140,923)	--	(140,923)	(88,320)
Other receivable	--	--	--	--
Inventories	(49,094)	--	(49,094)	(29,090)
Prepaid expenses and other assets	50,329	(6,200)	44,129	(332,185)
Accounts payable	(66,697)	(8,356)	(75,053)	185,891
Accrued expenses	60,628	--	60,628	(46,508)
Member deposits	--	(3,700)	(3,700)	(6,700)
Deferred initiation fees	--	(90,000)	(90,000)	77,500
Banquet and other deposits	(5,052)	(38,500)	(43,552)	(24,006)
Total adjustments	1,534,778	(3,303,030)	(1,768,252)	(1,402,887)
Net cash used by operating activities	(232,823)	(100,320)	(333,143)	(302,064)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net changes in Investments	1,007,006	2,983,740	3,990,746	(5,530,845)
Capital expenditures funded by operations	(53,588)	--	(53,588)	(377,724)
Capital expenditures funded by CIF, net	(5,481,120)	--	(5,481,120)	(3,086,560)
Net cash (used) provided by investing activities	(4,527,702)	2,983,740	(1,543,962)	(8,995,129)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Payments on lease obligation	--	--	--	(30,743)
Capital fees	--	1,205,005	1,205,005	799,135
Proceeds from initiation fees, net	--	2,114,494	2,114,494	2,067,903
Refunds paid to outgoing members, net	--	(163,225)	(163,225)	(146,000)
Net cash provided by financing activities	--	3,156,274	3,156,274	2,690,295
Change in cash and cash equivalents				
before net assets released from restrictions	(4,760,525)	6,039,694	1,279,169	(6,606,898)
Net cash assets released from restrictions	5,613,978	(5,613,978)	--	--
Net increase (decrease) in cash and cash equivalents	853,453	425,716	1,279,169	(6,606,898)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	164,802	1,609,079	1,773,881	8,380,779
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,018,255	\$ 2,034,795	\$ 3,053,050	\$ 1,773,881

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

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General Information:** Palos Verdes Golf Club (the Club) is a California nonprofit social club, located in Palos Verdes Estates (PVE), California, organized for the use of the members of the Club. The activities of the Club include operation of the golf course and dining and bar facilities.

**Financial Statement Presentation:** The Club reflects members' equity as net assets without donor restrictions and the Club Improvement Fund (CIF) is reflected as net assets with restrictions.

**Operating Income/Performance Measurement:** The Club considers the change in net assets before depreciation, interest, and CIF activity 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. The Club excludes from operations initiation fees, capital fees, and interest income that are temporarily restricted by the Concession Agreement with the City of PVE. This activity is reflected in the CIF.

**Cash and Cash Equivalents:** The Club considers all highly-liquid investments, typically with a maturity of three (3) months or less when purchased, to be cash equivalents.

**Investments:** Investments consist of United States Treasury Bills stated at fair value. The investments are considered Level 1 financial instruments and are valued based on quoted market prices. Investment income consists of interest income, unrealized gains and losses, and net related fees.

**Revenue Recognition:** Revenue is recognized as performance obligations are satisfied. Membership dues and capital fee revenue are recognized at the amount that reflects the consideration received in exchange for membership privileges and access to the Club. Food, beverage, athletic, golf revenues and other fees are recorded as services are provided and the member obtains control of a good or service.

**Membership Transactions:** Initiation fees from Regular and Junior Executive Members (JEM) increase the net assets of the CIF when the initiation fee is billed, and the membership is effective. The Club records initiation fees when billed. Deferred initiation fees represent amounts paid by incoming members prior to the effective date of membership. Regular members are given the option to finance membership fees upon joining the Club. Regular membership fees require a down payment, and the balance of the membership fees are financed in installments. JEMs pay an upfront fee and annual installments until reaching 40 or 45 years of age (based on residency) at which point the balance of the Regular initiation fee is due.

Based on the date a Regular member joined the Club; the member may be entitled to a departure incentive upon resigning Regular membership. Amounts due to active Regular members are included in net assets in the accompanying financial statements and will be paid out and reported as a deduction from the CIF at the time of resignation in accordance with the terms of the by-laws. Any amounts payable to an outgoing member are recognized and paid upon a new Regular member joining the Club. Senior member incentive fees or deposits that are refundable are recorded as a liability.

Based on the Concession Agreement (Note 4), non-residential property owner Regular members may not exceed thirty percent (30%) of the maximum allowable number of Regular members. The Concession Agreement includes a provision that (i) if at any time the Club is not at its authorized maximum Regular Membership and has achieved the 30% limitation, an additional five percent (5%) of non-residential property owners may become eligible for Regular Membership upon certain conditions. Applicants for Regular membership who are owners of residential property in PVE and who fulfill all other requirements of membership have absolute priority to membership over non-residential property owners.

# PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

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## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Receivables:** Member receivables are short term in nature, do not have stated maturities, and are recorded at the amount the Club expects to collect on outstanding balances at year-end. The Club provides for expected credit losses based on management’s evaluation of outstanding accounts receivable at the end of the year. Management considers future economic conditions and also prior history of credit losses.

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

**Club Facilities and Equipment:** The City of PVE owns the real and personal property used by the Club. The Club operates the facilities under the terms of a Concession Agreement for the golf course and the Club’s facilities. The Club’s Concession Agreement with PVE is effective through December 31, 2038. The Agreement grants the Club two (2) successive options to extend the terms for an additional ten (10) year period.

The Club capitalizes and depreciates additions or improvements to the golf course and the clubhouse acquired under the terms of the Concession Agreement. Major capital equipment purchases, as defined in the Concession Agreement, are permitted from the CIF.

Capitalized Club facilities and equipment are recorded at cost. Interest is capitalized in connection with major projects and is amortized over the asset’s estimated useful life. Maintenance and repairs are expensed when incurred. Renewals and replacements, which extend the useful life of facilities and equipment, are capitalized.

Depreciation and amortization are provided on the straight-line method over the following estimated useful lives of the related assets or the remaining term of the Concession Agreement with PVE:

Golf carts	4 years
Equipment and furnishings	5-15 years
Golf course and land improvements	10-30 years
Building improvements	10-39 years

Capitalized Club facilities and equipment are reviewed for impairment when an event or change in circumstances indicates the carrying amount of an asset or group of assets may not be recoverable. An impairment review includes comparison of future cash flows expected to be generated by the asset or group of assets with the associated asset’s carrying value. If the carrying value of the asset or group of assets exceeds the expected future cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying amount of the asset exceeds its fair value. No impairment loss was recognized in 2024 and 2023.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 future results could differ from these estimates.

**Leases:** Leases are categorized at their inception as either operating or financing leases. Operating leases are included as right-of use assets, current portion of lease liabilities, and long-term lease liabilities on the statements of financial position. Finance leases are included as a fixed asset, current liabilities, and long-term liabilities on the statements of financial position.

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Reclassifications:** Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. These reclassifications have no effect on net assets, or the change in net assets, as previously reported. The most significant reclassification was the presentation of the City Fee as one line item on the Statement of Activities. For the year ended December 31, 2023 the City Fee was included in the respective department that generated the expense.

**Subsequent Events:** The Club has evaluated subsequent events through March 31, 2025, 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.

### NOTE 2. INVENTORIES

Inventories consist of the following at December 31:

	2024	2023
Pro shop merchandise	\$ 270,422	\$ 243,280
Food	87,303	86,007
Beverage	198,280	173,824
Snack bar	<u>10,151</u>	<u>13,951</u>
	<u>\$ 566,156</u>	<u>\$ 517,062</u>

### NOTE 3. CLUB FACILITIES AND EQUIPMENT

At December 31, Club facilities and equipment consist of the following:

	2024	2023
Building improvements	\$ 17,701,563	\$ 15,952,262
Land improvements	10,610,267	7,566,747
Equipment and furnishings	5,604,902	4,385,507
Utility and other carts	327,499	169,358
Finance lease – golf carts (Note 13)	<u>--</u>	<u>341,143</u>
	34,244,231	28,415,017
Less accumulated depreciation	<u>14,319,233</u>	<u>12,905,641</u>
	19,924,998	15,509,376
Construction in progress	<u>1,804,504</u>	<u>2,714,706</u>
Club facilities and equipment – net	<u>\$ 21,729,502</u>	<u>\$ 18,224,082</u>

During the years ended December 31, 2024, the Club wrote off or disposed of assets with a historic cost of \$341,143 and accumulated depreciation of \$341,143. During the year ended December 31, 2024, the Club had no asset disposals.

As of December 31, 2024, construction in progress includes approximately \$919,000 in costs incurred in connection with the clubhouse expansion, approximately \$378,000 in costs incurred in connection with a solar power installation project, approximately \$327,000 in costs incurred in connection with a recycled water installation project, approximately \$89,000 in costs incurred in connection with the bridges project, and costs incurred in connection with various other projects totaling approximately \$91,000. As of December 31, 2023, construction in progress includes approximately \$1,871,000 in costs incurred in connection with a kitchen expansion project, approximately \$378,000 in costs incurred in connection with a solar power installation project, approximately \$225,000 costs incurred in connection with the clubhouse expansion, approximately \$139,000 in costs incurred in connection with a recycled water installation project, and costs incurred in connection with various other projects totaling approximately \$102,000.

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 4. CONCESSION AGREEMENT

The Club manages and uses its facilities under a Concession Agreement (Agreement) with PVE. The Agreement requires that the Club pay ten percent (10%) of its gross receipts, as defined by the Agreement, to PVE as a fee (City Fee). For the years ended December 31, 2024 and 2023, the City Fee was \$1,451,803 and \$1,384,139, respectively. The City Fee is reflected as an expense in the various operating departments in the Statements of Activities and Changes in Net Assets.

The Agreement defines “gross receipts,” generally, as all money received by the Club from operation of the clubhouse and golf course. Excluded from “gross receipts” are (as more fully described in the Agreement):

- membership initiation fees or assessments
- sales taxes collected
- credits and refunds
- workers’ compensation premium refunds
- sale of golf merchandise
- proceeds from golf lessons
- club storage fees
- service charges or gratuities, as defined in the 2016 restatement of the Concession Agreement, from food or beverage sales paid to employees. The exempted portion on private party sales shall not exceed eighteen percent (18%).

The Agreement also requires the maintenance of a CIF. The CIF is used for capital improvements and to refund certain assessments to members (Note 7). For the years ended December 31, 2024 and 2023, the Agreement required all member initiation fees, net of referral fees, be contributed to the CIF as well as a monthly Capital Fee contribution that is charged to the membership based on the Club’s annual capital budget. The CIF reverts to PVE upon the termination of the Agreement.

The Agreement allows referral credits of \$1,000, reducing the initiation fee that is contributed to the CIF to any current regular member referring a new regular member. Effective January 1, 2020, the Club may also designate \$1,000 per membership sold, reducing the initiation fee contributed to the CIF, for such expenses as marketing, sales commissions, and administrative expenses. In November 2024, the allocation was increased to allow up to \$2,500 per new membership. For the years ended December 31, 2024 and 2023, the allocation was \$48,256 and \$31,000, respectively.

The CIF is maintained as follows as of December 31:

	2024	2023
Non-interest bearing deposit accounts	\$ 554,008	\$ 982,182
U.S. Treasury bills	--	2,983,740
Interest bearing deposit accounts	<u>1,480,787</u>	<u>626,897</u>
	<u>\$ 2,034,795</u>	<u>\$ 4,592,819</u>

For the years ended December 31, net transfers from the CIF to Operations were:

	2024	2023
Capital expenditures funded by CIF, net	\$ 5,481,120	\$ 3,086,560
Payments on lease obligation	175,714	30,743
Transfer from operations for membership commissions	<u>(42,856)</u>	<u>(72,850)</u>
Net cash transfers from CIF to Operations	<u>\$ 5,613,978</u>	<u>\$ 3,044,453</u>

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 4. CONCESSION AGREEMENT (Continued)

For the years ended December 31, 2024 and 2023, activity in the CIF was as follows:

	2024	2023
Beginning balance	<u>\$ 4,592,819</u>	<u>\$ 4,684,595</u>
Additions		
Capital fees	1,205,005	799,135
Interest income, net	90,406	137,542
Deferred initiation fees and deposits – decrease	(128,500)	121,000
Wait list deposits - forfeitures	35,000	--
Accounts payable – decrease	(10,356)	(3,430)
Initiation fees and non-refundable senior deposits, net of referral credits	<u>2,114,494</u>	<u>2,108,140</u>
Total additions	<u>3,306,049</u>	<u>3,162,387</u>
Deductions		
Capital expenditures	5,481,120	3,086,560
Payments on lease obligation	175,714	30,743
Refund of senior deposits	3,700	6,700
Legal fees	40,314	7,978
Refunds and assessments paid to members, net	<u>163,225</u>	<u>146,000</u>
Total deductions	<u>5,864,073</u>	<u>3,277,981</u>
	2,034,795	4,569,001
Unrealized gain on investments	<u>--</u>	<u>23,818</u>
Ending balance	<u>\$ 2,034,795</u>	<u>\$ 4,592,819</u>

### NOTE 5. EMPLOYEE RETIREMENT PLAN

On January 1, 1999, the Club adopted the Palos Verdes Golf Club, Inc. 401(k) Retirement Plan. Effective January 1, 2022, the plan was amended to include all employees, Highly Compensated and Non-Highly Compensated, in the Safe Harbor Match provisions. For the years ended December 31, 2024 and 2023, the Club matched 100% of eligible employee salary deferrals for the first 3% and then 50% for the next 2% of salary as a Safe Harbor Match. For the years ended December 31, 2024 and 2023, the expense related to the matching was \$125,076 and \$117,508, respectively.

### NOTE 6. INCOME TAXES

The Club has been granted exemption from Federal and California taxes on income as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(7) and Section 23701g of the California Revenue and Taxation Code. As a tax exempt social club, the Club is limited in the amount of revenue that can be generated from nonmember sources. However, the Tax Reform Act of 1969 provides for the assessment of taxes on what is termed unrelated business income and investment income, including rental income. The Club only generates a tax obligation from investment income and any related income tax is provided for in general and administrative expenses in the accompanying financial statements.

The Club recognizes tax positions in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. The Club believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that would require recognition or disclosure as of December 31, 2024 and 2023. As of December 31, 2024, the Club's annual tax filings for the prior three (3) and four (4) years are open for audit by Federal and state tax agencies, respectively.

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 7. REFUNDABLE CAPITAL CONTRIBUTIONS AND ASSESSMENTS

Refundable capital contributions represent amounts paid by regular members who joined the Club prior to January 1, 1983, and after the amendment of the Concession Agreement (Note 4).

During the year ended December 31, 1987, the Club financed a renovation of its facilities by assessing its regular membership. The assessment will be repaid to the member upon termination of their membership and is contingent upon the admission of another regular member. The refundable capital and assessments are required to be paid from the CIF. Refundable capital contributions and assessments are as follows:

	Capital Contributions	Assessments	Total
Balance, December 31, 2022	\$ 10,600	\$ 89,225	\$ 99,825
Refunds – 2023	<u>          --</u>	<u>     (10,000)</u>	<u>     (10,000)</u>
Balance, December 31, 2023	10,600	79,225	89,825
Adjustments – 2024	--	(29,825)	(29,825)
Refunds – 2024	<u>          --</u>	<u>     (8,000)</u>	<u>     (8,000)</u>
Balance, December 31, 2024	<u>\$ 10,600</u>	<u>\$ 41,400</u>	<u>\$ 52,000</u>

During the year ended December 31, 2024, the refundable assessments totaling \$29,825 were identified as no longer payable and the balance adjusted.

### NOTE 8. RELATED PARTY TRANSACTIONS

In the normal course of business, the Club periodically enters into transactions with members, or companies with which members are affiliated. Management believes the terms of such transactions are comparable to those which could be obtained with unrelated parties. During the years ended December 31, 2024 and 2023, the amounts of such transactions totaled approximately \$228,000 and \$200,000, respectively.

### NOTE 9. CONCENTRATIONS OF RISK

The Club's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and member receivables.

The Club has cash deposits at a financial institution located in Southern California that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of December 31, 2024, the Club had deposits in checking and savings accounts, and money market accounts. As of December 31, 2024, the Club maintained deposits of approximately \$2,700,000 in excess of FDIC insured limits.

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 10. COMMITMENTS AND CONTINGENCIES

**Litigation:** Periodically, the Club is involved in litigation in the normal course of business. As of December 31, 2024, the Club was not a party to litigation that would be expected to have a material adverse effect on the Club's financial condition.

**Commitments:**

*Water Agreement:* During the year ended December 31, 2022, the Club entered into an agreement with West Basin (an urban water wholesaler) and Cal Water (investor-owned utility) (Water Agreement). The purpose of the Water Agreement is to jointly pursue a recycled water project to deliver approximately 218 acre feet per year of recycled water for irrigation at the Club. The Water Agreement includes the design and construction of a conveyance pipeline that extends to the Club, a pump station, and lateral pipelines to other sites within the city of Torrance. In connection with the Water Agreement, the Club is obligated to reimburse West Basin for \$500,000 in costs and to implement certain modifications, as detailed in the Water Agreement, to comply with regulations and to pay all costs associated with such modifications. In December 2024, the agreement was amended to increase the reimbursement obligation to \$700,000 based on revised cost estimates. As of December 31, 2024, and 2023, the Club had incurred approximately \$327,000 in costs and \$139,000 in indirect costs, respectively, in connection with the Water Agreement.

*Solar Agreement:* In October 2023, the Club entered into an agreement with Spreck Energy, Inc. for the installation of a solar energy system at the Club. The total contract price is approximately \$1,471,000, with payments structured based on a contractual payment schedule. As of December 31, 2024, and 2023, the Club had incurred approximately \$378,000 in costs related to the solar project.

### NOTE 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Club's financial assets as of December 31:

	2024	2023
Cash and cash equivalents – all funds	\$ 3,053,050	\$ 1,773,881
Investments – all funds	1,591,951	5,578,300
Accounts receivable, net	<u>756,269</u>	<u>615,346</u>
Financial assets at year-end	5,401,270	7,967,527
Less CIF funds, primarily intended for capital expenditures and other expenses as provided by the Concession agreement	<u>2,034,795</u>	<u>4,592,819</u>
Financial assets available to meet cash needs for general expenditure within one (1) year	<u>\$ 3,366,475</u>	<u>\$ 3,374,708</u>

### NOTE 12. EMPLOYEE RETENTION CREDIT

In connection with COVID-19, certain payroll tax credits, the Employee Retention Credit (ERC), were made available to employers that continued 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. For the year ended December 31, 2024, the Club recognized approximately \$467,000 in ERC and is reflected as other income on the accompanying financial statements.

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 13. OPERATING AND FINANCE LEASES

During the year ended December 31, 2024 the Club entered into two new operating lease agreements for golf carts and golf course equipment. The terms of the leases range from three (3) to four (4) years. During the year ended December 31, 2023, the Club extended a finance lease for golf carts through January 1, 2024.

To determine the present value of the lease payments, the Club made a policy election available to non-public entities to use a risk-free borrowing rate which is aligned with the related lease terms. As of and for the year ended December 31, the weighted-average remaining lease term and discount rate are:

Weighted-average remaining lease term	2024	2023
Operating leases	3.50 years	-- years
Finance leases	-- years	-- years
Weighted-average discount rate		
Operating leases	4.01 %	--%
Finance leases	-- %	4.66 %

Future lease obligations for operating leases are as follows:

Year Ending December 31,			
	2025	\$	175,631
	2026		175,631
	2027		175,631
	2028		<u>87,816</u>
Total minimum lease payments			614,709
Less amount representing interest			<u>40,165</u>
Present value of minimum lease payments			574,544
Less current portion			<u>156,026</u>
		\$	<u>418,518</u>
		2024	2023
Operating lease cost			
Fixed rent expense-operating equipment		\$	<u>175,714</u>
		\$	<u>--</u>
Finance lease cost			
Amortization		--	75,060
Interest expense		--	<u>5,935</u>
Total finance lease costs		--	<u>80,995</u>
Total lease costs		\$	<u>175,714</u>
		\$	<u>80,995</u>

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

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### NOTE 14. INVESTMENTS

As of December 31, 2024, the Club held U.S. Treasury Bills with maturities in March 2025. The investments are considered Level 1 financial instruments. Investments consist of the following:

December 31, 2024	Cost	Fair Value
United States Treasury Bill - CIF	\$ --	\$ --
United States Treasury Bill - Operating	<u>1,587,554</u>	<u>1,591,951</u>
	<u>\$ 1,587,554</u>	<u>\$ 1,591,951</u>
December 31, 2023	Cost	Fair Value
United States Treasury Bill - CIF	\$ 2,959,922	\$ 2,983,740
United States Treasury Bill - Operating	<u>2,570,923</u>	<u>2,594,560</u>
	<u>\$ 5,530,845</u>	<u>\$ 5,578,300</u>

### NOTE 15. MEMBER INITIATION FEES – EXPECTED FUTURE BILLINGS

Upon joining the Club, Regular members may elect to pay their initiation fee over time in installments. The Club's Junior Executive Member Program (JEM Program) allows for installment payments to be applied to Regular membership at the time of conversion. Expected future billings for initiation fees being paid related to the JEM Program are as follows:

Years ending December 31,	Amount
2025	\$ 277,250
2026	111,000
2027	229,500
2028	151,000
2029	64,000
Thereafter	<u>835,500</u>
Total	<u>\$ 1,668,250</u>

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 16. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

As of December 31, 2024 and 2023, accrued constructions costs, in the amount of \$0 and \$275,553, respectively are treated as non-cash transactions for purposes of the Statements of Cash Flows.

During the years ended December 31, 2024 and 2023, cash paid for income taxes was approximately \$0 and \$51,000, respectively.

Supplemental cash flow information related to leases is as follows for the years ended December 31, 2024 and 2023:

Cash paid for amounts included in measurement of lease liabilities		
Operating cash outflows-payments on operating leases	<u>\$ 175,715</u>	<u>\$ --</u>
Right-of-use assets obtained in exchange for new lease obligations		
Finance leases	<u>\$ --</u>	<u>\$ --</u>
Operating leases	<u>\$ 724,446</u>	<u>\$ --</u>

### NOTE 17. CENTENNIAL PROJECT

During the year ended December 31, 2024, the membership voted and approved the Centennial Project (the Project) in connection with clubhouse renovations and additions, with a total project budget of \$20 million. As part of the Centennial Project, during the year ended December 31, 2024 the Club completed the Driving Range and Short Game Area (DR\SGA) project. The capitalized cost for the DR\SGA was approximately \$2,300,000.

The project will be funded through a refundable membership assessment and member loans. The refundable membership assessment of \$5,000 is payable on June 20, 2025 or upon member resignation. The member loan of \$18,000 will be repaid over 12 years at an annual interest rate of 6% per annum, with the first \$9,000 due on August 20, 2025, and the remaining \$9,000 due on March 20, 2026, based on the project commencement date. As of December 31, 2024, there were no amounts billed or collected from the assessment or loan.

In 2024, the Club entered into a contractual commitment, of approximately \$1,150,000, for architectural design services. In addition, the Club entered into a contractual commitment for project management services for approximately \$400,000. As of December 31, 2024, the Club had capitalized approximately \$620,000 in design costs related to the Project. The Club's intention is to begin the bid process for the General Contractor and move forward with the Project during 2025.

## PALOS VERDES GOLF CLUB

Notes to Financial Statements  
December 31, 2024 and 2023

### NOTE 18. EXPENSES BY NATURE AND FUNCTION

The Club's primary program activities are golf, and food and beverage. Expenses reported as supporting activities are incurred in support of these primary program activities. Supporting activity expenses are paid for with membership dues and therefore allocation to Club programs is not considered necessary. Operating expenses incurred for the following Club programs and support services were as follows:

#### Year Ended December 31, 2024

	Club Programs			Support Services		Total
	Cost of sales	Payroll and related	Operating	Payroll and related	Other	
Food and beverage	\$ 1,847,780	\$ 3,488,956	\$ 567,335	\$ --	\$ --	\$ 5,904,071
Golf course	--	1,840,476	1,076,239	--	--	2,916,715
Golf activities	658,095	1,259,163	223,200	--	--	2,140,458
Lockers and fitness	--	195,847	19,182	--	--	215,029
General and administrative	--	--	--	1,427,612	1,183,515	2,611,127
City fee	--	--	1,451,803	--	--	1,451,803
Clubhouse operations	--	34,653	307,560	--	--	342,213
Facilities maintenance	--	317,458	169,244	--	--	486,702
Income taxes-operations	--	--	44,324	--	--	44,324
Total departmental expenses	2,505,875	7,136,553	3,858,887	1,427,612	1,183,515	16,112,442
Depreciation	--	--	1,753,735	--	--	1,753,735
Lease expense	--	--	175,714	--	--	175,714
Legal fees	--	--	40,314	--	--	40,314
Refunds paid to outgoing members	--	--	--	--	163,225	163,225
Totals	<u>\$ 2,505,875</u>	<u>\$ 7,136,553</u>	<u>\$ 5,828,650</u>	<u>\$ 1,427,612</u>	<u>\$ 1,346,740</u>	<u>\$ 18,245,430</u>

#### Year Ended December 31, 2023

	Club Programs			Support Services		Total
	Cost of sales	Payroll and related	Operating	Payroll and related	Other	
Food and beverage	\$ 1,837,827	\$ 3,150,370	\$ 554,456	\$ --	\$ --	\$ 5,542,653
Golf course	--	1,797,110	1,061,090	--	--	2,858,200
Golf activities	635,202	1,088,068	218,814	--	--	1,942,084
Lockers and fitness	--	179,039	19,625	--	--	198,664
General and administrative	--	--	--	1,481,186	942,908	2,424,094
City fee	--	--	1,384,139	--	--	1,384,139
Clubhouse operations	--	22,942	222,700	--	--	245,642
Facilities maintenance	--	255,026	240,377	--	--	495,403
Income taxes-operations	--	--	38,284	--	--	38,284
Total departmental expenses	2,473,029	6,492,555	3,739,485	1,481,186	942,908	15,129,163
Depreciation	--	--	1,629,024	--	--	1,629,024
Legal fees	--	--	7,978	--	--	7,978
Refunds paid to outgoing members	--	--	--	--	146,000	146,000
Totals	<u>\$ 2,473,029</u>	<u>\$ 6,492,555</u>	<u>\$ 5,376,487</u>	<u>\$ 1,481,186</u>	<u>\$ 1,088,908</u>	<u>\$ 16,912,165</u>