



FINANCIAL STATEMENTS
PERIODS ENDED DECEMBER 31, 2024 AND 2023

Inverness Golf Club

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Inverness Golf Club
Inverness, Illinois

Opinion

We have audited the accompanying financial statements of **Inverness Golf Club** (the "Club"), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and cash flows for the year 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 Inverness Golf Club as of December 31, 2024, and the changes in its members' equity 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 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 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.

Prior Period Financial Statements

The financial statements of Inverness Golf Club as of December 31, 2023, and for the year then ended, were audited by other auditors whose report dated April 25, 2024, expressed an unmodified opinion on those statements.

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 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 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.

Selden Fox, Ltd.

April 11, 2025

Inverness Golf Club
Statement of Financial Position
December 31,

	<u>2024</u>	<u>2023</u>
Assets		
Current assets:		
Cash	\$ 2,101,292	\$ 2,162,874
Certificate of deposit	-	500,000
Accounts receivable, net of allowance for credit losses of \$13,250 and \$0, respectively	556,386	694,858
Insurance claim receivable	119,159	-
Inventories	249,111	233,813
Prepaid expenses	286,052	243,493
	<u>3,312,000</u>	<u>3,835,038</u>
Total current assets		
Property and equipment:		
Land	193,000	193,000
Land improvements	4,369,434	4,340,200
Buildings and improvements	17,492,746	17,432,499
Furniture, fixtures and equipment	4,712,920	4,675,187
Capital improvements in progress	261,229	-
	<u>27,029,329</u>	<u>26,640,886</u>
Total property and equipment		
Less accumulated depreciation	12,543,611	12,178,982
	<u>14,485,718</u>	<u>14,461,904</u>
Net property and equipment		
Operating lease right-of-use assets	42,679	84,849
	<u>42,679</u>	<u>84,849</u>
Total assets	<u>\$ 17,840,397</u>	<u>\$ 18,381,791</u>

(cont'd)

Inverness Golf Club
Statement of Financial Position (cont'd)
December 31,

	<u>2024</u>	<u>2023</u>
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 210,464	\$ 215,038
Accrued expenses:		
Payroll and related	316,594	316,100
Real estate taxes	443,000	394,000
Other	59,040	22,741
Contract liabilities	77,736	98,704
Current portion of operating lease liability	42,679	42,170
Current portion of long-term debt	329,180	318,667
	<u>1,478,693</u>	<u>1,407,420</u>
Total current liabilities	1,478,693	1,407,420
Operating lease liability, net of current portion	-	42,679
Long-term debt, net of current portion	4,956,206	5,293,739
	<u>6,434,899</u>	<u>6,743,838</u>
Total liabilities	6,434,899	6,743,838
Members' equity	11,405,498	11,637,953
	<u>11,405,498</u>	<u>11,637,953</u>
Total liabilities and members' equity	\$ 17,840,397	\$ 18,381,791

See accompanying independent auditor's report and notes to the financial statements.

Inverness Golf Club
Statement of Activities
For the Year Ended December 31,

	<u>2024</u>	<u>2023</u>
Revenues:		
Membership dues	\$ 3,644,654	\$ 3,176,492
Food and beverages	3,307,789	3,210,775
Sports and recreation:		
Golf operations	1,482,001	1,453,117
Tennis and swimming	210,886	162,170
Locker rooms	105,744	83,819
Entertainment and other recreation	66,652	105,808
Interest income	62,015	16,076
Total revenues	<u>8,879,741</u>	<u>8,208,257</u>
Expenses:		
Food and beverages	3,620,306	3,514,824
Sports and recreation:		
Golf operations	1,180,656	1,010,228
Golf course maintenance	1,368,663	1,153,648
Tennis and swimming	458,783	348,742
Locker rooms	146,678	131,359
Entertainment and other recreation	80,010	47,621
Clubhouse operations	338,053	312,841
Administrative and general	1,860,040	1,467,491
Energy costs	245,849	224,821
Real estate taxes	452,352	229,845
General insurance	169,203	142,484
Total expenses	<u>9,920,593</u>	<u>8,583,904</u>
Loss before depreciation expense and net gain associated with insurance proceeds received	(1,040,852)	(375,647)
Depreciation expense	(777,185)	(729,645)
Net gain associated with insurance proceeds received	430,093	-
Results of operations	<u>(1,387,944)</u>	<u>(1,105,292)</u>
Other changes in members' equity:		
Initiation fees	371,245	759,333
Capital dues	364,865	230,153
Facilities plan capital assessment	610,047	663,768
Equity refund	(10,000)	-
Interest expense	(180,668)	(191,836)
Total other changes in members' equity	<u>1,155,489</u>	<u>1,461,418</u>
Net change in members' equity	(232,455)	356,126
Members' equity, beginning of year	11,637,953	11,281,827
Members' equity, end of year	<u>\$ 11,405,498</u>	<u>\$ 11,637,953</u>

See accompanying independent auditor's report and notes to the financial statements.

Inverness Golf Club
Statement of Cash Flows
For the Year Ended December 31,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net change in members' equity	\$ (232,455)	\$ 356,126
Adjustments to reconcile net change in members' equity to net cash flows from operating activities:		
Depreciation expense	777,185	729,645
Loss on disposal of property and equipment	309	-
Provision for credit losses	15,531	-
Net gain associated with insurance proceeds received	(430,093)	-
Amortization of operating lease right-of-use assets	42,170	41,667
Initiation fees, capital dues, facilities plan capital assessment and equity refund	(1,336,157)	(1,653,254)
Changes in:		
Accounts receivable	122,941	(56,700)
Inventories	(15,298)	(21,928)
Prepaid expenses	(42,559)	(31,265)
Accounts payable	(4,574)	(64,840)
Accrued expenses	85,793	(263,670)
Contract liabilities	(20,968)	77,499
Operating lease liability	(42,170)	(41,667)
Net cash from operating activities	<u>(1,080,345)</u>	<u>(928,387)</u>
Cash flows from investing activities:		
Maturities of certificates of deposit	500,000	500,000
Purchases of certificates of deposit	-	(1,000,000)
Purchases of property and equipment	(801,308)	(522,574)
Insurance proceeds received for replacement of damage to property and equipment	310,934	-
Net cash from investing activities	<u>9,626</u>	<u>(1,022,574)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(327,020)	(387,594)
Initiation fees collected	371,245	759,333
Capital dues collected	364,865	230,153
Facilities plan capital assessment collected	610,047	663,768
Equity refund paid	(10,000)	-
Net cash from financing activities	<u>1,009,137</u>	<u>1,265,660</u>
Net change in cash	<u>(61,582)</u>	<u>(685,301)</u>
Cash, at beginning of the year	<u>2,162,874</u>	<u>2,848,175</u>
Cash, at end of the year	<u>\$ 2,101,292</u>	<u>\$ 2,162,874</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 180,668</u>	<u>\$ 191,836</u>

See accompanying independent auditor's report and notes to the financial statements.

Inverness Golf Club

Notes to the Financial Statements

1. Nature of Operations

Inverness Golf Club (the “Club”), a private member-owned country club located in Inverness Illinois, was incorporated in the State of Illinois in 1954 as a not-for-profit corporation to serve the social and recreational needs of its members.

2. Summary of Significant Accounting Policies

Basis of Presentation – The Club is required to report information regarding its financial position and activities according to two classes of members’ equity, which may also be referred to as net assets: members’ equity without donor restrictions and members’ equity with donor restrictions, based on the existence or absence of donor-imposed restrictions. The Club has no members’ equity with donor restrictions.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events – The Club has evaluated subsequent events through April 11, 2025, the date the financial statements were approved and available for issuance.

Ownership Transactions – Initiation fees, capital dues and capital assessments are accounted for as equity transactions because of the various membership rights and obligations associated with such payments. These ownership transactions are recorded when payment is received. The Board of Directors has designated that these items be used to fund property and equipment purchases and for repayment of debt associated with capital improvement projects.

Prior to 2024, new members were allowed to pay their initiation fee over time. Amounts expected to be collected in each of the next four years under these former installment plans are as follows:

<i>Year ending December 31,</i>	<i>Amount</i>
2025	\$ 49,500
2026	2,000
2027	2,000
2028	2,000
Total	\$ 55,500

Inverness Golf Club
Notes to the Financial Statements(cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Ownership Transactions (cont'd) – The Club's bylaws provide for the issuance of equity certificates to members of the Club to assist in financing capital improvements. The terms and conditions for equity certificate offerings, when applicable, shall be determined by the Board of Directors. An equity certificate holder must surrender their equity certificate for purchase by the Club upon their resignation or transfer to another class of membership. The Club reserves the right to defer the purchase of a member's equity certificate until the resulting vacancy in the membership is filled. A regular member may elect to forfeit all or part of their equity certificate in order to pay the initiation fee of their sponsored legacy member. Currently, the Board of Directors has set the purchase price of outstanding equity certificates equal to twenty percent of the replacement member's initiation fee. At December 31, 2024 and 2023, there were 66 and 67 members with equity certificates outstanding, respectively. One equity certificate was applied to initiation fees of a sponsored legacy member in 2024 and a corresponding equity refund of \$10,000 has been recognized in the statement of activities.

Revenue Recognition – The Club's revenues are primarily derived from membership dues, food and beverages sales, and sports and recreation revenues. The Club's products and services are marketed and sold to its members. The results of operations can be substantially affected by economic conditions and also by member disposable income levels and spending habits.

Nature of Products and Services:

Membership dues are billed in advance and then recognized ratably over the period to which those billings relate, which is when the Club's performance obligation is satisfied.

Food and beverages sales, and sports and recreation revenues like pro shop merchandise sales, guest fees and cart rentals, are recorded upon delivery of these goods and services to the member, which is when the performance obligation is satisfied. Locker room fees, and other golf revenues like bag storage and range fees, are billed in advance and recognized ratably over the period to which the billings relate, which is when the Club's performance obligation is satisfied. Entertainment and other recreation income consists of charges for events and are recorded once the event has occurred, which is when the performance obligation is satisfied.

Total revenues, classified between being recognized at a point in time and over time, were as follows:

	<u>2024</u>	<u>2023</u>
Revenues recognized at a point in time	\$ 4,973,924	\$ 4,710,233
Revenues recognized over time	<u>3,843,802</u>	<u>3,481,948</u>
	<u>\$ 8,817,726</u>	<u>\$ 8,192,181</u>

Interest income is outside the scope of Accounting Standards Codification ("ASC") 606 and therefore excluded from the table above.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)

Sales and use taxes: The Club collects sales and use taxes at the point of sale for retail transactions and reports such amounts under the net method on the statements of activities. Accordingly, these taxes are not included in gross revenues.

Payment terms for dues, fees and goods and services billed to members' accounts are typically net 30 days. In instances where the timing of revenue recognition differs from the timing of the right to bill, the Club has determined that a significant financing component does not exist. The primary purpose of the Club's billing terms is to provide members with simplified and predictable ways of purchasing goods and services and not receive financing from or providing financing to the member. Additionally, the Club has elected the practical expedient that permits it to not recognize a significant financing component if the time between the transfer of a good or service and payment are one year or less.

Transaction Price:

The transaction price of goods and services related to food and beverages sales, golf and other sports and recreation charges is the amount of consideration to which the Club expects to be entitled in exchange for transferring goods and services to the member. These revenues are recorded based on a fixed transaction price.

Contract Balances:

The Club records accounts receivable when it has the unconditional right to issue a bill and receive payment, regardless of whether revenue has been recognized. When consideration is received and revenue has not yet been recognized, a contract liability is also recorded. The Club does not recognize revenue in advance of the right to bill and therefore has not recorded a contract asset. ASC 606 requires that the opening balances of accounts receivable and contract liabilities at January 1, 2023, of \$675,048 and \$58,095, respectively, be disclosed.

Cash – For purposes of the statement of cash flows, the Club considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Financial instruments that potentially subject the Club to a concentration of risk consist principally of cash deposits with a financial institution which, at times, may exceed federally insured limits. At December 31, 2024, the uninsured balance approximated \$1,408,000. Management believes there is minimal risk of loss associated with the Club's cash accounts.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Accounts Receivable – Accounts receivable, consisting primarily of amounts due from members, are carried at the amount billed less an allowance for credit losses that reflects management's estimate of the amount that will not be collected. The determination of the allowance requires management to collectively evaluate receivables by classifying them into pools that share similar risk characteristics, where applicable. Each account balance is individually reviewed when all or a portion of the balance exceeds ninety days from the invoice date. Based on management's assessment of the member's current creditworthiness, an estimate is made of the portion, if any, of the balance that will not be collected. In addition, for balances that are not individually reviewed, management estimates an additional allowance based on available and relevant internal and/or external information about historical loss experience with similar assets, current conditions, and, if applicable, reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets that have an extended contractual term. Receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is not collectible.

Inventories – Food and beverages inventories are reported at the lower of cost or net realizable value, using the first-in, first-out basis. Merchandise inventories are reported at the lower of cost or net realizable value, using the average cost method. Inventories consist of the following:

	2024	2023
Food	\$ 41,496	\$ 59,519
Beverages	41,061	40,920
Merchandise	166,554	133,374
Total	\$ 249,111	\$ 233,813

Property and Equipment – Property and equipment are stated at cost. Expenditures for ordinary repairs and maintenance are charged to operations as incurred, while property and equipment purchases and significant betterments that extend the useful life of an asset are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using the straight-line method based upon estimated useful as follows:

Land improvements	3 – 40 years
Buildings and improvements	5 – 40 years
Furniture, fixtures and equipment	3 – 40 years

The Club evaluates its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying values of any such assets may not be recoverable. An asset is considered impaired when the associated estimated future discounted operating cash flow is less than the asset's carrying value. To the extent an impairment has occurred, the excess of the carrying value of the asset over its estimated fair value would be charged to operations. As of December 31, 2024, management does not believe that the carrying amounts of the Club's property and equipment have been impaired.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Contract Liabilities – Contract liabilities consists of member dues, locker room fees and club storage fees collected in advance of the services being provided.

Income Taxes – The Club is exempt from federal income taxes under Section 501(c)(7) of the Internal Revenue Code. Under this section, unrelated business income and investment income, as defined, are subject to federal and state taxes at corporate rates. As of December 31, 2024, the Club's income tax returns for 2021 and subsequent are open to examination by the Internal Revenue Service ("IRS").

Uncertain income tax positions are required to be recorded in the financial statements at an amount that would most likely be realized assuming a review by the tax authorities. Management has evaluated the Club's income tax positions and has concluded that the Club has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the ASC.

Lease Accounting – Management evaluates the Club's contracts at their inception to determine if an arrangement contains a lease based on whether the Club has the right to control the asset during the contract period and other facts and circumstances. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities. As a lessee, the Club records a right-of-use ("ROU") asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. For leases with a term of less than 12 months, the Club does not record a ROU asset and lease liability and the payments will be recognized in results of operations over the lease term. ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The Club includes lease extensions in the lease term when it is reasonably certain that it will exercise the extension. The discount rates used to determine the ROU asset and lease liability are the lease's implied rate, if readily determinable. If the implied rate is not readily determinable, the discount rate used is the Club's incremental borrowing rate unless the Club has elected the practical expedient to use the risk-free rate as the lease's discount rate, which is applied by asset class. For lease agreements with both lease and non-lease components, the Club elected the practical expedient to account for them as a single lease component. The ROU asset also includes initial direct costs and prepaid lease payments made less lease incentives and deferred rent, if any. The Club's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Reclassifications – Certain reclassifications have been made to the 2023 financial statements to correspond to the 2024 presentation. These reclassifications include adjusting accounts receivable and contract liabilities to exclude pre-billed items where no cash has been collected, classifying grounds supplies on hand not held for resale as a prepaid expense instead of inventory, and to combine certain line items on the statement of activities. These reclassifications had no effect on the change in members' equity or cash flows from operations.

3. Liquidity and Availability

Assets available to meet cash needs for general expenditures within one year, without contractual restrictions, consist of the following at December 31:

	2024	2023
Cash	\$ 2,101,292	\$ 2,162,874
Certificate of deposit	-	500,000
Accounts receivable, net	556,386	694,858
Less amounts designated for capital improvements	(1,348,000)	(1,097,000)
Total	\$ 1,309,678	\$ 2,260,732

The Club bills membership dues at least one month in advance. Dues billed in advance but not collected by December 31 are excluded from accounts receivable, net above because the Club's performance obligation has yet to be satisfied. Membership dues are meant to provide for future operating obligations as they become due. Also, if necessary, the membership can be assessed or the Club can draw upon the bank line of credit described in Note 6 to meet its obligations. Amounts designated for capital improvements represent monies set aside to fund capital improvements and are not considered to be available to meet general expenditures.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

4. Expenses Reported by Function and Nature

The Club's primary program activities consist of its food and beverages operations and its sports and recreation operations. Expenses reported as supporting services are incurred in support of these program activities. Supporting services expenses are generally paid for with membership dues and, therefore, an allocation to program activities is not considered necessary.

Expenses by functional classification consist of the following:

2024				
	Program Activities		Supporting Services	Total
	Food and Beverages	Sports and Recreation		
Cost of sales	\$ 1,047,451	\$ 485,493	\$ -	\$ 1,532,944
Payroll and related	2,384,401	1,843,005	1,437,612	5,665,018
Supplies, services and other	188,454	906,292	1,627,885	2,722,631
	3,620,306	3,234,790	3,065,497	9,920,593
Depreciation expense	-	-	777,185	777,185
Interest expense	-	-	180,668	180,668
	\$ 3,620,306	\$ 3,234,790	\$ 4,023,350	\$ 10,878,446
2023				
	Program Activities		Supporting Services	Total
	Food and Beverages	Sports and Recreation		
Cost of sales	\$ 999,081	\$ 444,988	\$ -	\$ 1,444,069
Payroll and related	2,328,961	1,616,388	1,122,755	5,068,104
Supplies, services and other	186,782	630,222	1,254,727	2,071,731
	3,514,824	2,691,598	2,377,482	8,583,904
Depreciation expense	-	-	729,645	729,645
Interest expense	-	-	191,836	191,836
	\$ 3,514,824	\$ 2,691,598	\$ 3,298,963	\$ 9,505,385

Inverness Golf Club
Notes to the Financial Statements(cont'd)

5. Capital Assessments

In 2020, the membership approved a facilities plan capital assessment to help fund a renovation of the clubhouse and construction of the Centre Court facility. Regular members were given the option of making a one-time payment of \$22,500; a one-time payment of \$7,500 and 120 monthly payments of \$175; or 120 monthly payments of \$275. Other membership categories were assessed proportionately and given similar payment options. Members over the age of 80 were not assessed.

Amounts expected to be collected from members electing to pay in installments over each of the next six years based on membership at December 31, 2024, are as follows:

<i>Year ending December 31,</i>	<i>Amount</i>
2025	\$ 630,000
2026	630,000
2027	630,000
2028	630,000
2029	630,000
2030	420,000
Total	\$ 3,570,000

In August 2024, the membership approved an assessment to fund a bunkers and pool renovation project. Regular members were assessed \$3,500 and other membership classes were assessed proportionately. The entire assessment is expected to approximate \$1,030,000 and be collected in January 2025.

6. Bank Line of Credit

The Club has available a \$1,000,000 bank line of credit that expires on May 25, 2025. Interest on any outstanding borrowing is payable monthly at 1.00% below the bank's prime rate, which was 8.50% and 7.50% at December 31, 2024 and 2023, respectively, subject to a 5.00% minimum bank prime rate. There were no outstanding borrowings on this line of credit at December 31, 2024 and 2023.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

7. Long-Term Debt

In 2021, the Club obtained a \$6,000,000 bank loan to help fund the capital improvement project described in Note 5. The loan requires monthly principal and interest payments of \$42,298, with interest calculated at 3.25% per annum. The loan matures in November 2028, at which time a balloon payment of approximately \$3,963,000 becomes due. The outstanding balance on the loan was \$5,285,386 and \$5,612,406, at December 31, 2024 and 2023, respectively.

Both the bank loan and bank line of credit described in Note 6 are collateralized by all of the Club's assets and include a negative pledge agreement on its land and structures which preclude their encumbrance without lender approval. The loans are also subject to various bank covenants including maintenance of a debt service coverage ratio of 1.10:1, tested annually. The Club was not in compliance with its debt service coverage ratio covenant at December 31, 2024. The bank has agreed to waive noncompliance with this covenant for the period ended December 31, 2024.

Annual principal maturities of long-term debt due over each of the next four years, are as follows:

Year ending December 31,	Amount
2025	\$ 329,180
2026	340,039
2027	351,256
2028	4,264,911
Total	\$ 5,285,386

8. Operating Lease

The Club leases its golf cart fleet under an operating lease that requires monthly payments from May to October each year of \$7,167 through 2025. Operating lease cost, which is recognized on a straight-line basis over the lease term, is included in golf operations expense on the statement of activities and approximated \$43,000 in both 2024 and 2023. The Club uses a 1.2% risk free rate as the discount rate the operating lease right-of-use assets and associated operating lease liability. Remaining lease payments due in 2025 approximate \$43,000, which includes imputed interest of \$321.

Inverness Golf Club
Notes to the Financial Statements(cont'd)

9. Employee Benefit Plan

The Club sponsors a 401(k) plan for employees who have completed one year of service and have obtained 21 years of age. The plan allows employees to contribute a percentage of their annual compensation on a pre-tax basis, subject to annual IRS limitations. The Club currently makes a matching contribution equal to 50% of the first 6% of participant contributions to the plan. Participants are immediately vested in their contributions and over five years for any matching contributions made by the Club. The Club's matching contributions approximated \$41,000 and \$24,000 in 2024 and 2023, respectively.

10. Insurance Claim

In 2024, the Club received insurance proceeds of \$729,351 and recorded an additional \$119,159 receivable for insurance proceeds received after year-end associated with the claim. The claim was a result of significant storm damage to the Club's golf course, paddle tennis facility and other structures. The Club used \$418,417 of the proceeds for mitigation costs and \$310,934 to replace damaged property and equipment. The insurance proceeds received and receivable, net of mitigation costs incurred through December 31, 2024, is presented as a gain of \$430,093 on the 2024 statement of activities.