

The Club at Cobble Creek Third Quarter 2022 Summary

The net income through the third quarter for 2022 is currently at \$13,510.34. This includes a depreciation adjustment for tax purposes in the amount of \$41,201.69 for equipment. This depreciation is primarily for tractors, mowers, and other course and common area maintenance equipment.

As mentioned previously throughout the past few months, we have seen several unexpected expenditures and increases for 2022. The largest was for repairs of pump station motors and drives, which impacted the delivery of water to both the golf course and common areas, as well as delivery to patio homes.

Increasing costs also has had an impact. In 2021, we were able to avoid fertilizer costs due to credits given for poor product quality at delivery. We were able to still utilize the product but were not charged in 2021. The budgeted amount was roughly \$30,000 for 2022 based on previous years' amounts. Increases in fuel prices have a rollover effect on fertilizers, which through November has brought costs up to \$43,500. Fuel prices have also jumped in 2022, resulting in higher utility costs and higher costs for operating tractors and small equipment.

Golf rounds are expected to come in at roughly the same level as 2021. With weather having an impact in early spring and during the past few weeks, overall green fee revenue has been impacted, as well. Three weeks of poor weather recently has cut green fees alone more than \$5,000 compared to last year. Carts, merchandise, and food sales are impacted, as well. This has somewhat curtailed the anticipated continued growth if the weather trend continues through year end.

Cash flow has been a late season concern as higher levels of inventories in the golf shop and sales not meeting expectations means there is cash tied up in merchandise that will not see realized revenues until mid-spring 2023. Golf equipment buying plans require purchases of merchandise in the early season. The objective is to sell the majority of the inventory through the golf season through in-stock purchase or special orders. At the end of season, the unsold merchandise is returned to the manufacturer and a credit is given for the balance. These credits can later be used for other purchases. Inventory levels before adjustments through November 11th are at \$87,696, while credit book and gift certificate balances are only at \$32,356.

While some of the difference will be made up in cash sales, a large amount of carryover to credit with manufacturers will not be seen until after the year end, and likely purchases will be limited until the next season begins. This overall has a significant impact on cash flow through the end of the year, in addition to any unexpected repair and other item costs.