

FLAGSTAFF GOLF ASSOCIATION
dba ASPEN VALLEY GOLF CLUB
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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Certified Public Accountants, LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flagstaff Golf Association
dba Aspen Valley Golf Club
Flagstaff, Arizona

We have audited the accompanying financial statements of Flagstaff Golf Association, dba Aspen Valley Golf Club (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of revenues and expenses, changes in membership equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flagstaff Golf Association, dba Aspen Valley Golf Club as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Guest Schutte & Cospers

Guest, Schutte & Cospers
Flagstaff, AZ 86001
October 6, 2016

FLAGSTAFF GOLF ASSOCIATION
 dba ASPEN VALLEY GOLF CLUB
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2015 AND 2014

EXHIBIT A

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 363,996	\$ 385,723
Memberships and Accounts Receivable, Net	52,336	58,199
Associate Contracts Receivable, Current Portion	19,900	20,000
Inventory	37,131	51,453
Prepaid Expenses and Deposits	8,310	10,104
TOTAL CURRENT ASSETS	481,673	525,479
 PROPERTY and EQUIPMENT, Net of Accumulated Depreciation	 2,681,496	 2,647,100
 OTHER ASSETS		
Investment in FGMC II, L.L.C.	212,154	228,698
Associate Contracts Receivable, Net of Current Portion	43,300	69,800
Construction in Progress		18,212
TOTAL OTHER ASSETS	255,454	316,710
 TOTAL ASSETS	\$ 3,418,623	\$ 3,489,289
 LIABILITIES AND MEMBERSHIP EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 44,055	\$ 50,709
Salaries and Taxes Payable	22,752	21,367
Accrued Ground Maintenance Expense	26,575	43,977
Deferred Associate Membership Fees, Current Portion	39,500	100,000
TOTAL CURRENT LIABILITIES	132,882	216,053
 OTHER LIABILITIES		
Deferred Associate Membership Fees, Net of Current Portion	86,000	111,000
TOTAL OTHER LIABILITIES	86,000	111,000
 TOTAL LIABILITIES	 218,882	 327,053
 MEMBERSHIP EQUITY		
Unrestricted	3,199,741	3,162,236
 TOTAL LIABILITIES AND MEMBERSHIP EQUITY	\$ 3,418,623	\$ 3,489,289

See Accompanying Notes and Independent Auditors' Report

FLAGSTAFF GOLF ASSOCIATION
 dba ASPEN VALLEY GOLF CLUB
 STATEMENTS OF REVENUES AND EXPENSES
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

EXHIBIT B

UNRESTRICTED REVENUES	<u>2015</u>	<u>2014</u>
Membership Dues	\$ 1,043,771	\$ 1,003,351
Cart Fees	192,671	197,841
Guest Green Fees	79,588	57,581
Tournament Fees	57,304	70,189
Bag Storage Fees	14,580	15,760
Golf Shop Sales	\$ 155,634	\$ 159,023
Less: Cost of Golf Shop Sales	<u>(147,419)</u>	<u>(122,970)</u>
Bar and Grill Sales	314,435	320,278
Less: Cost of Bar and Grill Sales	<u>(92,458)</u>	<u>(89,486)</u>
Interest	4,145	2,814
Other Income	12,900	12,900
Loss on Equity Investment	(31,975)	(23,948)
Initiation and Transfer Fees	<u>53,450</u>	<u>67,577</u>
TOTAL UNRESTRICTED REVENUE	<u>1,656,626</u>	<u>1,670,910</u>
 EXPENSES	 <u>1,692,621</u>	 <u>1,677,809</u>
 EXCESS OF EXPENSES OVER REVENUE	 <u><u>\$ (35,995)</u></u>	 <u><u>\$ (6,899)</u></u>

FLAGSTAFF GOLF ASSOCIATION
 dba ASPEN VALLEY GOLF CLUB
 STATEMENTS OF CHANGES IN MEMBERSHIP EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

EXHIBIT C

	Number of Certificates	Membership Equity	Accumulated Excess of Expenses Over Revenue	Total
BALANCE, DECEMBER 31, 2013	376	\$ 4,608,000	\$ (1,460,365)	\$ 3,147,635
Excess of Expenses Over Revenue			(6,899)	(6,899)
Membership Certificates Issued	23	20,500	-	20,500
Associate Contract(s) Completed	2	18,500	-	18,500
Membership Certificates Redeemed	(25)	(21,500)	-	(21,500)
Membership Assessment	-	4,000	-	4,000
BALANCE, DECEMBER 31, 2014	376	4,629,500	(1,467,264)	3,162,236
Excess of Expenses Over Revenue			(35,995)	(35,995)
Membership Certificates Issued	14	113,000	-	113,000
Associate Contract(s) Completed	5	30,000	-	30,000
Membership Certificates Redeemed	(19)	(73,500)	-	(73,500)
Membership Assessment	-	4,000	-	4,000
BALANCE, DECEMBER 31, 2015	376	\$ 4,703,000	\$ (1,503,259)	\$ 3,199,741

FLAGSTAFF GOLF ASSOCIATION
dba ASPEN VALLEY GOLF CLUB
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

EXHIBIT D

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Expenses Over Revenue	\$ (35,995)	\$ (6,899)
Adjustments to Reconcile Excess of Expenses Over Revenue to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	159,693	150,743
Loss on Equity Investment	31,975	23,948
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Memberships and Accounts Receivable, Net	5,863	(38,936)
Associate Contracts Receivable	26,600	31,300
Inventory	14,322	(2,607)
Prepaid Expenses and Deposits	1,794	(1,975)
Increase (Decrease) in:		
Accounts Payable	(6,654)	27,178
Salaries and Taxes Payable	1,385	6,338
Accrued Ground Maintenance Expense	(17,402)	3,872
Net Cash Provided by Operating Activities	181,581	192,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(175,877)	(84,460)
Capital Contributed to FGMC II, L.L.C.	(15,431)	(16,214)
Net Cash Used in Investing Activities	(191,308)	(100,674)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred Associate Membership Fees	(85,500)	(19,500)
Membership Certificates, Net	73,500	21,500
Net Cash Used in Financing Activities	(12,000)	2,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,727)	94,288
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	385,723	291,435
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 363,996	\$ 385,723

FLAGSTAFF GOLF ASSOCIATION
dba ASPEN VALLEY GOLF CLUB
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A summary of the Flagstaff Golf Association's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Nature of Operations

The Flagstaff Golf Association (the "Association") is a private, not-for-profit association, incorporated under the laws of the state of Arizona, which was organized to promote and encourage the game of golf for the pleasure and recreation of its members, their families, and their guests. The Association owns, and is responsible for the operation and maintenance of, an existing championship golf course known as Aspen Valley Golf Club. Clubhouse amenities include a golf shop, bar and grill, and golf car rental facilities.

Financial Statement Presentation

As required by the Presentation of Financial Statements Topic for Not-for-Profit Entities of the FASB Accounting Standards Codification, the Association reports information regarding its financial position and activities according to three classes of membership equity: unrestricted membership equity, temporarily restricted membership equity, and permanently restricted membership equity. The Association had only unrestricted membership equity in 2015 and 2014.

Basis of Accounting

The Association records financial transactions using the accrual method. Revenues and other increases in equity are recognized when they are earned, and expenses and other decreases in equity are recognized when they are incurred.

Income Taxes

The Association is a not-for-profit organization exempt from income taxes under Section 501(c)(7) of the Internal Revenue Code; therefore, no provision or liability for federal or state income taxes is made in the financial statements.

The Association files information tax returns with the U.S. federal and Arizona state governments. With few exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012 (federal) and 2011 (Arizona). Federal tax year 2011 and Arizona tax year 2010 were open as of December 31, 2014.

Sales Taxes

The Association collects Arizona state and city sales taxes, when applicable, on their golf shop merchandise and food and beverage sales. It is the Association's policy to record sales net of sales tax and to book all sales tax collections and payments to a sales tax liability account.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with original maturities of one year or less to be cash equivalents

Inventory

Inventory is carried at the lower of cost or net realizable value. Golf shop inventory consists of standard merchandise such as golf clubs, golf shoes and other golf accessories that retain their retail sale value from

FLAGSTAFF GOLF ASSOCIATION
dba ASPEN VALLEY GOLF CLUB
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory (continued)

year to year. There are also some clothing items that must be discounted at the end of each year due to changing fashions.

Property and Equipment and Depreciation

Property and equipment are recorded at cost or, if donated, at fair market value at the date of receipt. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes. The estimated useful lives of the assets range from 3 to 40 years. Expenditures for maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Investments

As required by the Investments – Debt and Equity Securities Topic for Not-for-Profit Entities of the FASB Accounting Standards Codification, the Association reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Membership Certificates and Transfer Fees

In 2012, the Company changed to a market based pricing system which allows the member to determine the selling price of the membership certificate. The member is charged a transfer fee of \$2,500 and an administrative fee of \$500.

Membership Dues

Annual membership dues for 2015 and 2014 were \$2,294 and \$2,205 for a single membership, respectively, and \$3,060 and \$2,943 for a family membership, respectively. Membership dues are recognized as revenue over the golfing season (April 1-October 31).

Memberships and Accounts Receivable, Net

Memberships and Accounts Receivable consist primarily of amounts billed to members for dues and assessments. According to the Bylaws of the Association, a member is delinquent when the charges are 60 days past the due date, which is the end of the subsequent month from the date charges are incurred. If the delinquency remains unpaid for 120 days the member must pay the entire outstanding balance in full within 30 days from the date of written notification from the Board or the membership will be terminated and the unpaid balance will be paid with the Member's equity. Therefore an allowance for doubtful accounts is not required.

Date of Management's Review

Management has reviewed events subsequent to December 31, 2015 up through October 6, 2016, the date the financial statements were available to be issued, to evaluate their effect on the fair presentation of the financial statements. As of the date the financial statements were available to be issued, there have been no events subsequent to December 31, 2015 that are required to be disclosed in order to present fairly the financial position and changes in membership equity of the Association.

FLAGSTAFF GOLF ASSOCIATION
 dba ASPEN VALLEY GOLF CLUB
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 and 2014

NOTE 2 - 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 results could differ from those estimates.

NOTE 3 - CASH IN EXCESS OF FEDERALLY INSURED LIMITS

The Association maintains cash balances at several financial institutions located in Arizona. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. These cash balances can fluctuate greatly during the year. The Association monitors this regularly in an attempt to keep this potential risk to a minimum.

NOTE 4 - SUPPLEMENTAL INFORMATION ABOUT CASH FLOWS

Operating activities reflect interest paid \$168 and \$0 for 2015 and 2014, respectively.. The association had no non-cash financing transactions during 2015 or 2014.

NOTE 5 - PROPERTY & EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Land	\$ 1,411,363	\$ 1,411,363
Buildings and Improvements	805,763	695,846
Course Improvements	721,481	676,567
Irrigation and Pumping	188,475	188,475
Front 9 Irrigation System	731,448	731,448
Back 9 Irrigation System	1,080,933	1,080,933
Bar, Grill and Office Equipment	230,826	191,568
Total	5,170,289	4,976,200
Less Accumulated Depreciation	(2,488,793)	(2,329,100)
Property and Equipment, Net	\$ 2,681,496	\$ 2,647,100

NOTE 6 - INVESTMENT IN FLAGSTAFF GOLF MAINTENANCE COMPANY II L.L.C.

Flagstaff Golf Association has a 50% ownership interest in the Flagstaff Golf Maintenance Company. The Flagstaff Golf Maintenance Company (FGMC II, L.L.C.) was specifically established to provide grounds maintenance to Aspen Valley and Continental Country Club golf courses. All golf course maintenance is provided by FGMC II, L.L.C. and each course is billed accordingly. The equity method of accounting is used to reflect Flagstaff Golf Association's investment in FGMC II, L.L.C. FGMC II, L.L.C. incurred net losses of \$63,950 and \$47,896 in 2015 and 2014, respectively. Of these amounts, the Association's share was \$31,975 and \$23,948 in 2015 and 2014, respectively.

FLAGSTAFF GOLF ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 7 - FAIR VALUE MEASUREMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

NOTE 8 - OPERATING LEASE

In April 2014 the Association leased its golf cars under a non-cancelable operating lease which expires March 2019. Rent expense under this lease was \$62,314 for the year ended December 31, 2015. Rent expense was \$51,040 for the year ended December 31, 2014.

Minimum future rental payments under this operating lease for each of the next five years and in the aggregate are:

<u>Year</u>	<u>Amount</u>
2016	\$62,314
2017	62,314
2018	62,314
2019	<u>15,579</u>
Total minimum future rental payments	<u>\$ 202,521</u>

NOTE 9 - RELATED PARTY TRANSACTIONS

As explained in Note 6, the Association is a 50% owner in the Flagstaff Golf Maintenance Company. Certain members of the Board of Directors of the Association are also members of the Board of Directors of the Flagstaff Golf Maintenance Company.

NOTE 10 - COMPENSATED ABSENCES

Company policy provides for sick leave and paid vacation for full-time employees. Sick leave and vacation pay accrue from the employee's anniversary date of hire and both are required to be used in the year earned. As of December 31, 2015 and 2014, there were no material compensated absences earned but not taken. Therefore, no accrual for such is reflected in the accompanying financial statements.

NOTE 11 - EMPLOYEE RETIREMENT PLAN

Commencing on March 1, 2007, the Association sponsored a SIMPLE IRA retirement plan, which covers substantially all qualified full-time employees. Participation in the plan is voluntary and employer contributions are determined on an annual basis. Currently employer contributions are being made at the rate of 3% of the employees' compensation for the year. The Association's contribution to the IRA plan was \$3,239 and \$3,564 for the years ended December 31, 2015 and 2014, respectively.

FLAGSTAFF GOLF ASSOCIATION
 dba ASPEN VALLEY GOLF CLUB
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 and 2014

NOTE 12 - FUNCTIONAL EXPENSES

	2015		
	Program Services	Support Services	Total
Accounting & Consulting	\$ -	\$ 17,023	\$ 17,023
Bad Debt Expense	-	3,598	3,598
Course Maintenance	600,551	-	600,551
Depreciation & Amortization	159,693	-	159,693
Insurance	33,910	-	33,910
Interest Expense	-	168	168
Lease Expense	63,331	-	63,331
Other Expenses	6,548	-	6,548
Payroll & Related Expenses	458,290	62,494	520,784
Printing, Postage & Office	32,899	-	32,899
Property Taxes	15,720	-	15,720
Reclaimed Water	63,002	-	63,002
Repairs & Maintenance	11,288	-	11,288
Retirement Plan	2,850	389	3,239
Supplies & Services	-	56,504	56,504
Tournament Expenses	38,510	-	38,510
Utilities & Telephone	65,853	-	65,853
Total	\$ 1,552,445	\$ 140,176	\$ 1,692,621

	2014		
	Program Services	Support Services	Total
Accounting & Consulting	\$ -	\$ 11,790	\$ 11,790
Bad Debt Expense	-	1,632	1,632
Course Maintenance	606,872	-	606,872
Depreciation & Amortization	150,743	-	150,743
Insurance	31,758	-	31,758
Lease Expense	51,040	-	51,040
Other Expenses	12,198	-	12,198
Payroll & Related Expenses	459,826	62,704	522,530
Printing, Postage & Office	29,750	-	29,750
Property Taxes	14,625	-	14,625
Reclaimed Water	65,624	-	65,624
Repairs & Maintenance	13,830	-	13,830
Retirement Plan	3,136	428	3,564
Supplies & Services	-	52,379	52,379
Tournament Expenses	44,695	-	44,695
Utilities & Telephone	64,779	-	64,779
Total	\$ 1,548,876	\$ 128,933	\$ 1,677,809