June 2019 Financial Analysis

For results through April 30, 2019

Five Months 2019 Budget Observations

The following observations are from the financial package released for the first five months of 2019. *Keep in mind that observations are based on actuals compared to budget and do not account for seasonal peaks or lows (straight 12-month projections).*

Financial Summary – Page 2
Total Cash & Cash Equivalents – Note that even with the reported $1.5 million added to reserves this year from last year's operations, our total cash and cash equivalent position is $1,511,285 below where we were at this same point last year. This is telling as instead of building reserves, we are actually lowering reserves. This obviously happens when you spend more out of this category than you add back.

Financial Summary – Page 2
Accounts Receivable - Assessments received as well as assessments and penalties billed are both up slightly over the same period for 2018. Although not significant, it continues to indicate a small positive trend. The downside is that the general category is up a total of $142,304 over last year and the majority of the increase is PENALTIES BILLED.

NOTE: Total POA owned lots increased another 6 over last month and now sits at 3,475. We cannot allow this trend to continue without taking specific proactive action to deal with this growing monster. POA is reporting that Total Delinquent Properties is going down but gives no explanation as to why or how. Is it because they have been surrendered to the state and is a false flag?

Financial Summary – Page 3
Operational Revenue – Disturbing trend of revenues running behind 2018 and if this trend continues operational revenues would finish the year $1,223,373 lower than 2018 actuals based on a straight 12-month projection.
Operational Expense – Running slightly higher than 2018 actuals at this point, but not significant at this point. Keep in mind that there are two high-level positions associated with the CMEO position that are not reflected in the expense category.

Golf Revenue – Page 4
All metrics continue to be down which should be expected given the rain but revenue is down $534.39 a DAY over last year at this same point. This should be a very disturbing number and a deep dive into what measures need to be undertaken. Not only are playable days down, but more importantly, the revenue generated per day when they are open should be of great concern.

Comparative Statements of Revenues and Expenses – Page 8
Provision for Bad Debt Expense – Based on results through May and projected through year-end, the current run rate shows that bad debt will result in a year-end of $4,002,840 against a budget of $3,055,000 or $947,840 more than budgeted and $161,776 more than the same time last year. I once again draw attention to page 20 of the audited financial statement for 2018 and the cautionary red flags sent up by EGP. This number continues to escalate and may not be accounted for properly especially as it relates to the budget. This is a ONE-Million-dollar variance.

Food & Beverage
Budget for the year is $1,360,831. Current run rate reflects this operating unit will miss their revenue budget by $300,000.

Golf
Results continue to look extremely dismal. We are currently $631,703 behind where we were at this same period last year. Although we know revenue will pick up in the warmer months, the current straight-line projection shows that we will miss the golf revenue budget by $2,615,766. *The slide in golf revenues continues and it is time for action. While there appears to be some effort to lower expenses, the real issue here is that revenues per playing day is down considerably ($534 a playable day) and a determination as to why needs exploration. B*ased on a straight-line projection the overall impact of the golf losing $3,226,806 in 2019 is a real possibility.

Gross Revenue/Expense
Again, on a straight-line basis, our current results project our year-end gross revenues at $33,062,563 against a budget of $39,571,375 or a difference of $6,508,812. When you consider our bad debt expense issue NET REVENUES look even worse reflecting a net revenue variance of $7,456,652. Expenses against budget currently reflect a projection of being $28,953,408 against a budget of $32,590,870 or $3,637,462 under budget. **NOTE:** Vulnerability here is that unless revenues improve, combined with a higher than budgeted bad debt expense, the financial projection currently looks very bleak. Bottom line is even with the reduced operating costs (which I don't believe will hold), the net impact will be that this budget will miss its bottom-line projection by $3,819,190. If that is not adequate justification for the restatement of the budget, then I don't know what is.

Summary

While five months does a year not make, anyone who has ever lived by profit and loss statements would have already sat up and taken action. There are way too many line items that are missing the mark and at the very least a restatement of the budget is in order.