First Half 2019 Financial Analysis

For results through June 30, 2019

Six Months 2019 Budget Observations

The following observations are from the financial package released for the first six 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 – Have been attempting to inform property owners that while money is being transferred from cash to the reserve account, the overall position of this category is down year-over-year. Last year we had $6,286,888 in Cash Available for Operations. This year we have $4,357,609 for a difference of $1,929,279. So while we are reporting that reserves are increasing, cash is decreasing, so this is nothing more than right-pocket, left-pocket exchanges.

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 $175,898 over last year and the majority of the increase is **PENALTIES BILLED.**

NOTE: Total POA owned lots increased another 2 over last month and now sits at 3,477. We cannot allow this trend to continue without taking specific proactive action to deal with this growing issue.

Financial Summary – Page 3

Operational Revenue – Disturbing trend of revenues running behind 2018 and if this trend continues operational revenues would finish the year $1,264,822 lower than 2018 actuals based on a straight 12-month projection. This revenue shortfall is nearly equal to the projection from last month.

Operational Expense – The good news is that operational expenses are being kept in check and should this trend continue, the projected negative impact is $285,286.

Golf Revenue – Page 4

All metrics continue to be down which should be expected given the rain but revenue is down $422.03 a DAY over last year at this same point. This continues be a very disturbing number and requires a deeper 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. **Every revenue metric in this area is negative.**

Comparative Statements of Revenues and Expenses – Page 8

Provision for Bad Debt Expense – Based on results through June and projected through year-end, the current run rate shows that bad debt will result in a year-end number of $4,057,982 against a budget of $3,055,000 or $1,002,982 more than budgeted and $250,409 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. While revenues are running ahead of last year, so are costs to deliver this service. Based on the first six months of operation this unit will reflect a loss of $507,589. **This is another ½ Million-dollar variance.**

Golf

Results continue to look extremely dismal. We are currently $650,193 behind where we were at this same period last year. Although the revenue picture improved slightly in June, the current straight-line projection shows that we will miss the golf revenue budget by $1,912.747. *B*ased on a straight-line projection the overall impact of the golf losing $2,840,204 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 $35,578,056 against a budget of $39,571,375 or a difference of $3,993,319. When you consider our bad debt expense issue NET REVENUES look even worse reflecting a net revenue variance of $4,896,301. Expenses against budget currently reflect a projection of being $29,269,162 against a budget of $32,590,870 or $3,321,708 under budget. **NOTE:** Vulnerability here is that unless revenues improve, combined with a higher than budgeted bad debt expense, the financial projection currently looks bleak. The good news is that we did show some improvement this month over last months results.

Summary

We are now halfway through 2019 and our revenue trend continues to look fragile. The only saving grace is that expenses are less than projected and it tempers the overall impact. However, considering restaurant operations showing a current subsidy of over ½ million dollars, combined with the golf subsidy projected at $2.8 million, along with bad debt expense tracking at over $1 million higher than projected, I don't see how we can assume anything other than we have issues that need to be dealt with. **These three items along combine for a $4.3 million dollar variance.**