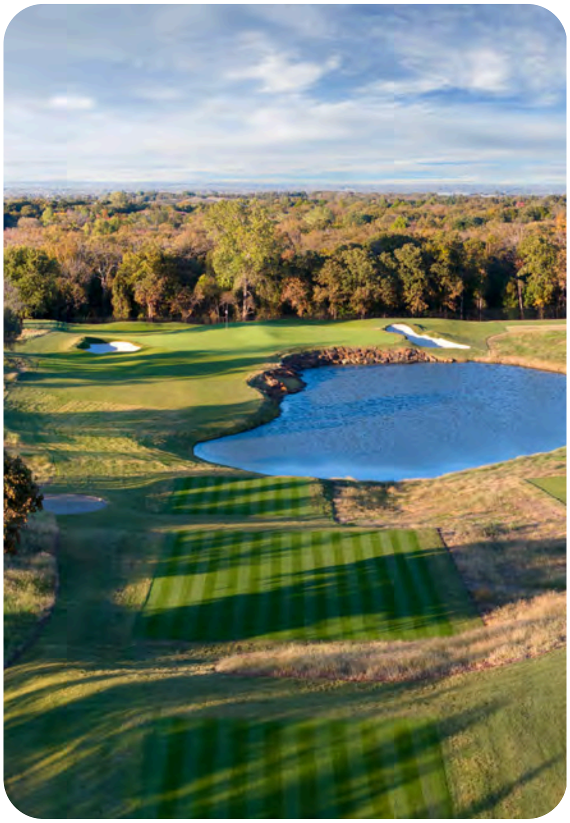
Vaquero

ANNUAL REPORT 2024

table of

CONTENTS

Letter from the General Manager/COO



Dear Vaquero Members,

Seven months ago, when I became the General Manager at Vaquero, one of my primary goals was transparency with the membership, especially concerning the club's financials. With this spirit in mind, I am delighted to provide the membership with this annual report. This annual report contains key information from each committee chair and the full audited financials certified by our independent auditors, Baker Tilly. Please review this report, and know my door is always open for any questions.

Since coming to Vaquero in March 2024, my second goal was to personally engage with the membership and get to know each one of you. Learning about your unique perspectives, expectations, and the Vaquero Way has been enjoyable. I appreciate all your interactions and counsel. When I arrived, there was much to do, and your input has made a significant difference.

The team and I began the yearly budget process in my first month on the job. Our protocol for the last several years is a budget created with a “zero-based” process, which is reviewed, scrutinized, and edited by the Finance Committee and the Board. In May, outside professional club consultants, Club Benchmarking, engaged in a half-day workshop to educate the Board and the Finance Committee. The consultants presented Key Performance Indicators (KPIs), a financial snapshot of the Club’s health, and highlighted the immediate need for capital dues for repair and replacement items. The next collaboration will be to develop a strategic plan and a master plan. Your feedback is critical in this process, so you can expect that I/we will reach out to you for your input on various ideas for the future; after all, it is your Club.

This strategic planning process is vitally important for the club's future success and Vaquero has not had a formal strategic plan since 2017. We must ensure the club has a strong, disciplined plan to protect and preserve the hidden gem we call Vaquero for current and future generations.

During my first Finance meeting in March, the projected loss for the year was expected to be approximately $400,000. Upon year-end, the overall loss was $490,000, which was offset by $305,000 of interest income. Operating revenues (not including transfer fees and debt service income) finished the year at $20.4 Million, exceeding the budget by $311,000. Due to the golf course renovation, guest revenues were much lighter than in previous years, and fewer guest rounds translated into lower retail revenue in the golf shop. For F&B, the total revenue fell shy of the budget by 1%, or $33,000. Expenses aligned with the budget, and the overall loss on F&B (yes, we budgeted for a loss in F&B) finished better than expected.

Other factors contributed to the overall loss for the year in the Agronomy and Landscaping departments. Complete golf course renovations, such as the one Vaquero did last year, are a massive undertaking. Leading up to the opening date and well beyond required a hands-on-deck approach. The maintenance of the new golf course, starting on opening day, was all new to the team. We used all available resources during the first eight months of the course opening to determine how to maintain our new course. As a result, we lost $218,000 in golf agronomy and another $130,000 in landscaping. As of today, you have a brand-new golf course that is, beyond a doubt, a treasure that must be protected as it slowly matures.

Turning now to Club Membership. Membership interest remains robust, and we have a healthy waitlist, as do virtually all other reputable private clubs nationwide. While some clubs' waitlists average ten years or more, our timeframe is significantly less. Gone are the days when we had a healthy waitlist of people wanting to leave Vaquero. We provided some specific information in the membership report that you will find insightful.

Switching gears, I would like to address the recent changes in your annual dues and the introduction of capital dues. Some of you may be wondering what is happening at the Club that requires this significant increase in dues.

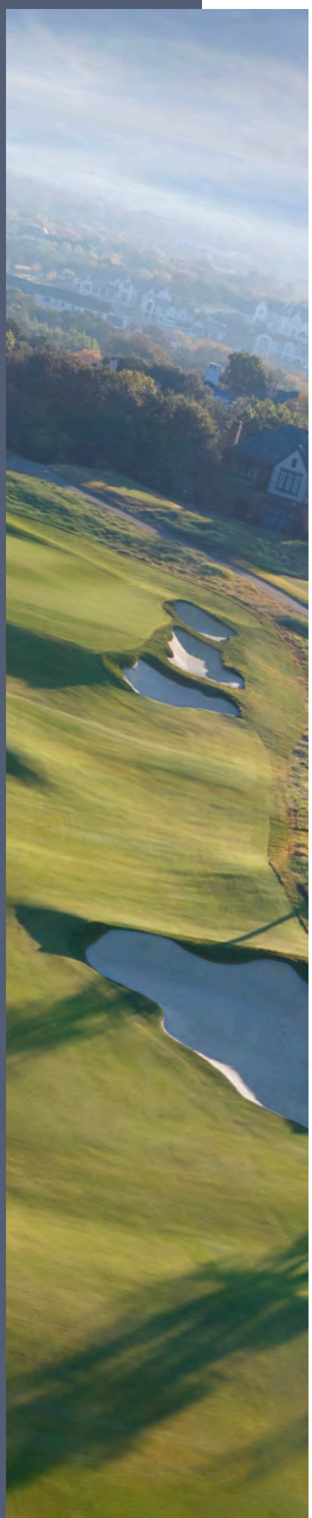
As leader of the organization, I am fully committed, as is my team, to providing best-in-class service across all amenities. During the budgeting process, the management team carefully assessed the new operational demands associated with our recently redesigned golf course, comfort stations, and upgraded racquet facilities. This helped us determine the areas that needed rightsizing to provide the best service. Of course, additional team members cost more money.

The next part we examined was expenses. We determined areas in need of improvement and the expenses necessary to enhance those areas. Reductions were made in areas we felt would not affect the overall member experience. As is the case in all clubs, our largest expense item is labor, and for the upcoming year, we made a modest 4% wage adjustment. We remain committed to attracting and retaining the best professionals to provide exceptional service to the membership. The wage adjustment was in line with industry standards.

One area we did not reduce was the Club’s investment in the continued education of our team of professionals. This investment is near and dear to my heart. Investing in our team sets the club up for success to be on the leading side of trends and concepts and not be followers.

Another contributing factor to the dues increase was inflation. In recent years, inflation has affected every part of our economy, as you have noticed in your everyday purchases. The Club was not immune to inflation, and the cost of all supplies saw increases across all departments. This is simply a financial reality.

Without data, you are just another person with an opinion -W. Edwards Deming



UFor golf members, the overall cost of maintaining the renovated golf course was a significant factor in the increase in overall golf dues. The significant increase, besides labor, is the cost of operating the Hydronics machines for an entire fiscal year. I have heard comments that the renovated course was going to cost less to maintain; unfortunately, that is not the case. The full grow in of the golf course will take approximately two more years, and the possible savings will take some time to fully realize. At the end of the budgeting process, after adding up all the adjustments, it became clear that the increase in dues would be significant to cover the entire operation of the Club. Since 2020, when you had the financial misconduct incident, there has not been a typical year of operations due to COVID-19 and the golf course project. While many factors are out of our control, we are confident that the budget we put in place has all the foundational elements to achieve a break-even result at the end of the year. The team and I, with Board oversight, are operating the Club with the members' experience in mind first and foremost while balancing being fiscally responsible. The key is not to jeopardize the experience!

Before discussing our capital dues, I must share one fundamental financial fact: Operating dues are consumed in the operation and are not intended to cover capital. Today, many clubs have a funding mechanism for annual repairs and replacement of their assets. When I arrived at Vaquero, there was not one in place. More recently the Club used the transfer fees for capital. However, it is not considered "best practice" to rely solely on this unpredictable and likely insufficient source of revenue to fund very predictable and routine capital expenses. Looking forward, your new capital dues line item and new member transactions will be used solely to maintain our Club.

My years of club experience have taught me the importance of regular communication. It is also essential that we deal with facts and data. After all, as W. Edwards Deming said, "Without data, you're just another person with an opinion." I encourage everyone to learn the data or ask the management team for the facts, as the data and the facts will drive our future decision-making.

I am proud to share this report with you. It is an important initiative to provide the facts and the financials, and with open dialogue, we can build trust. The only way to build a trusting relationship is to start with a blank piece of paper. We need to put all that has happened in the past behind us and look forward.

In closing, I want to take a moment to thank my fellow team for making me feel at home in such a short period of time. Vaquero is lucky to have such an accomplished team. Together, we look forward to doing great things. Thanks also to the membership for welcoming me and my family to Texas.

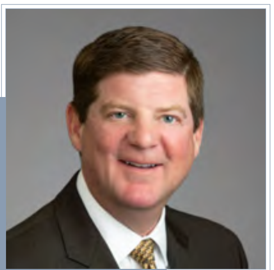
I accept the challenge of setting Vaquero on a course of continued success, and I look forward to seeing you around the Club!

Kind regards,
Robbie Ames
General Manager / COO

BOARD OF DIRECTORS

Mike Bevill

President



John Gallagher III

Vice President
Finance Committee Chair

Dusti Kuehne

Director
Fitness & Racquets Committee Chair

Ron Chase

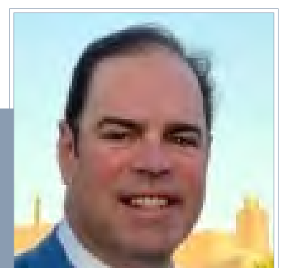
Secretary
Nominating Committee Chair

Jim Wilkinson

Director
Membership Committee Co-Chair

Terri Johnston

Director
Membership Committee Co-Chair



Patrick Barley

Director
Golf Committee Chair

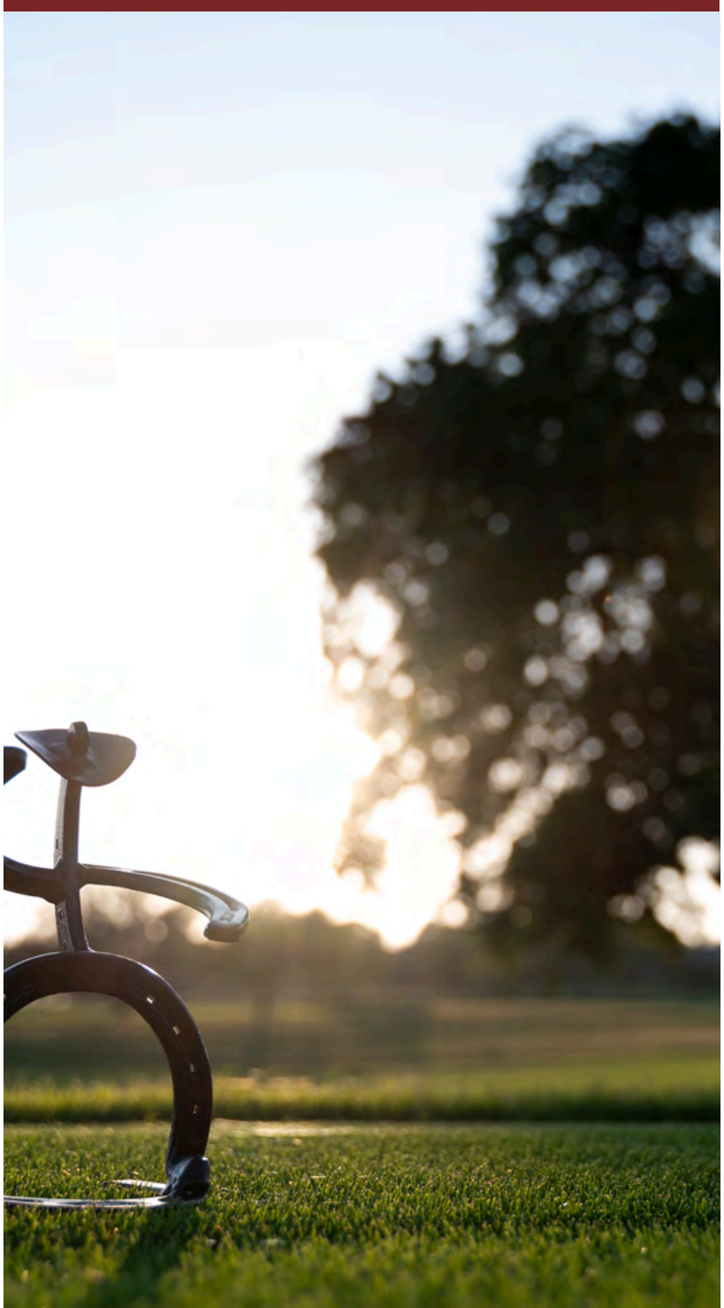
Dr. Brian Flowers

Director

Jim Lentz

Director

CLUB COMMITTEES



GOLF

Patrick Barley, Chair
Mike Bevill
John Blair
Jeff Brown
Carl Bunch
Dr. Brian Flowers
April Gallagher
John Hogan
Jim Lentz
Trip Kuehne
Mike Rawls
Karen Stewart

FINANCE

John Gallagher, Chair
Mike Bevill
Brian Begley
Jeff Brown
Greg Stevens
Wayne Stoltenberg

NOMINATING

Ron Chase – Chair
John Gallagher
Donnie Marcontell
Damian Gomez
Julie Tompkins

FITNESS & RAQUETS

Dusti Kuehne, Chair
Brian Flowers
Megan Bogue
April Gallagher
Rhonda Gruenewald
Damian Gomez
Torsha Tomlinson

MEMBERSHIP

Terri Johnston, Co - Chair
Jim Wilkinson, Co – Chair
Ron Chase
Tiffany Autrey
Damian Gomez
Dusti Kuehne
Brent Russell

Dear Vaquero Members,

What a remarkable and rewarding year it has been for our club!

First and foremost, we celebrated the grand reopening of our newly re-designed Andrew Green golf course in October 2023. The feedback from both members and guests has been nothing short of exceptional. It is clear that the enhancements have been embraced by our community, and the course continues to mature beautifully. I am eager to see how it evolves over the coming years.

Following Marty's resignation, the Board undertook a thorough and diligent search for a new General Manager/COO. We are delighted to have welcomed Robbie Ames, formerly of Sea Pines, to lead Vaquero. Robbie has quickly immersed himself in the "Vaquero way" and has already made significant strides in ensuring the club continues to operate at the highest level. We are confident that his leadership will guide us to even greater heights.

This year's budgeting process was comprehensive, with our primary goal being to address and secure all necessary capital needs. Over the years, some essential repairs and equipment updates were deferred due to unforeseen expenses, but we are now committed to ensuring these projects move forward. By implementing a dedicated capital dues line, we have positioned ourselves to make critical improvements without further delay.

Our Golf and Social memberships remain in high demand, and we continue to maintain a robust waitlist. Recognizing this interest, we have adjusted the initiation fee, and I'm pleased to report that demand remains strong. Additionally, we have reduced the equity portion for new members to 30%, allowing us to generate transfer fees that will help fund future capital projects. Like many clubs, Vaquero relies on these fees for capital improvements, and while turnover has slowed, we are prepared to address our financial needs effectively.

It has been a true honor to serve on the Board and as President of the Vaquero Club. I am continually inspired by the dedication and passion of our Board and committee members, who work tirelessly to ensure Vaquero remains a place of excellence. We are fortunate to have such an outstanding group of volunteers whose contributions make a meaningful impact.

I would also like to take a moment to recognize the incredible work of our staff. Their commitment to delivering an exceptional member experience is evident every day, and it has been a privilege to work alongside such a talented and dedicated team. The future of Vaquero is in great hands.

As we reflect on this past year, it's clear that we have much to be proud of. I am confident that the year ahead will bring even greater achievements for our club.

Warm regards,
Mike Bevill
President, Vaquero Club

FINANCE COMMITTEE

The Finance Committee (FC) met every month in fiscal year ended June 30, 2024. In addition, the FC held numerous budget meetings to review the Fiscal 2025 budget and related capital spending projections. On a monthly basis the FC:

- Reviews the monthly and year to date financial results vs. budget and the prior year.
- Reviews the forecast for the balance of the year.
- Reviews the cash accounts including the operating account and the capital reserve account including all bank reconciliations with the supporting bank statements.
- Approves spending requests for capital spending.

On an annual basis the FC works closely with the Independent Auditors, Baker Tilley, to ensure that a comprehensive audit of the financial statements and related financial controls are performed in accordance with generally accepted accounting principles.

As you are no doubt aware, Fiscal 2024 was a challenging year with record inflation levels. We had a net operating deficit of approximately $490,000. However, as the interest rate environment began to change, the FC supervised the investment of our excess operating and capital reserve cash in secured money market accounts and treasury bills. As a result, we earned approximately $305,000 in interest income to partially offset the operating deficit.

As you know, in October 2023, we opened the new golf course and comfort stations after an overall investment of $23.5 million. In addition, we spent $850,000 on racquets and golf course restrooms refresh. Proper and continuous reinvestment in the Club’s assets is essential to maintaining a superior member experience. In this regard, in Fiscal 2025, the FC working with the Board, management and an outside expert will prepare a comprehensive strategic plan and a long-term capital plan for the membership.

GOLF COMMITTEE

Golf Operations

New Golf Course Opening

The committee successfully planned and executed the grand opening of the newly renovated golf course following a year-long renovation process. To ensure maximum participation, three planned shotgun starts were implemented during the opening weekend. Additionally, the committee managed subsequent play by scheduling two weeks of tee times, optimizing course usage and maintaining a smooth flow of players.

Development of Aspiring Golf Professionals

The committee established and initiated a development system for aspiring golf professionals (AITs), providing a structured pathway for career advancement. Currently, five AITs are actively pursuing PGA membership. In addition, one AIT hire was successfully promoted to the position of Assistant Professional, reflecting the program's effectiveness in fostering professional growth.

Facility Enhancements

The committee organized the install of the Trackman Range at the Practice Facility and Ranch House to enhance training and practice opportunities.

Golf Car Fleet Management

The committee oversaw the successful delivery and integration of 221 new golf cars to the club and its members. The fleet consisted of 58 fleet cars, 5 utility vehicles, and 168 personal use cars, enhancing both club operations and member experience.

Instruction and Program Development

The committee enhanced the club's instructional offerings by adding three PGA professionals to the staff. This expansion led to full subscription for Ladies clinics and maintained active, engaging Junior Golf programs, further supporting the club's commitment to high-quality instruction for members of all ages.

Agronomy Operations

Golf Course Construction Project Completion

The committee successfully completed the golf course construction project and opened the course to members ahead of the originally scheduled November 1st deadline, demonstrating efficient project management and timely delivery.

Coastal Bermuda Grass Restoration

The committee oversaw the reestablishment of coastal Bermuda grass in large voids following the construction, a labor-intensive and slow process due to limited irrigation and rainfall. Additional restoration efforts included cart path tie-ins, re-installing trashcans, and maintaining walk paths to tees and greens. These tasks highlighted the tireless work of the agronomy team in fully restoring the golf course to optimal condition.

Turf Maturation and Surface Quality

The committee accelerated the maturation process of all new turf surfaces through multiple aerification and topdressing applications, promoting a strong root structure and ensuring smooth, level playing conditions. In 2024, the only sod purchased was used to address bentgrass contamination that occurred during the seeding of the new greens during construction.

Tree Restoration Initiative

The committee initiated the annual process of restoring desired tree species in optimal locations across the golf course. To support this ongoing effort, an annual capital allocation of $100,000 has been designated for planting new trees, ensuring the continued enhancement of the course's landscape.

Early Guest Play

The committee approved guest play two months earlier than originally planned, which contributed to an increase in club revenue and enhanced overall course utilization.

FITNESS & RAQUETS COMMITTEE

Fitness

Under the leadership of Fitness Director, Laura Mosier, Vaquero Fitness continues to grow and add additional services and classes designed exclusively for our Vaquero Membership. Highlights from the past year include the Turkey Trot and Pancake Breakfast, 2024 Fitness Challenge, CPR/AED/First Aid Training, Fitness Fair, Golf Stretch & Mobility Class and Self-Defense Class. In addition to the Stretching Program and Red-Light Laser Therapy, we added a new Certified Nutritionist and Wholistic Expert, Sarah Pyles.

Tennis/Pickleball

Racquets highlights for the past year include the expansion project: a new tennis court with a shade structure, two new pickleball courts, and a furnished pickleball pavilion complete with amenities. The three existing pickleball courts were repainted to match the beautiful new courts. The four existing tennis courts gained new custom-branded shade structure canopies, new custom-branded windscreens, new nets, new score boards, and new foam pads around the light and shade structure poles. We also added a way for Members to analyze their game utilizing the Swing Vision App https://swing.tennis/ by purchasing four new mobile device tripods.

Under the guidance of Tennis pros Nathan Byrnes and Matt Munson, tennis added a variety of new offerings including Tennis 105, Intermediate and Advanced Men's Drills, TNT (Tennis-N-No-Time), Stroke Drills, and a Junior Tennis Tournament.

Pickleball pros Tony Kille and Lew Lewis brought a variety of new offerings, including new mixers, Oktoberfest Tournament, Turkey Tournament, Mother's Day Tournament, an Adult Beginner Program, a Junior Program, Lucky 7s, Skill Drills, Paddle Up Open Play, and the addition of a 6th Ladies League Team.

Tennis and Pickleball enthusiasts – be on the lookout for information regarding the upcoming Glow in the Dark Racquets Event to be held on October 25th and many exciting new initiatives!

MEMBERSHIP COMMITTEE

The primary function of the Membership Committee is to support the Director of Membership, Teresa Robinson, regarding the enrollment and approval of new members to the club. The committee is composed of seven Vaquero Club members with diverse backgrounds and interests. Committee members serve as “ambassadors” to provide a warm welcome and an exceptional experience to the applicants during the membership application process. The goal is for prospective members to preview the amazing amenities the club offers and to help facilitate integration into the club experience.

New Memberships

The club recorded a stellar performance in membership in 2024. Demand for the Vaquero Club membership continues to soar. There were 14 new golf members and 7 new social members. The majority of golf membership turnover in FY24 were transfers of memberships with home sales. An unprecedented real estate market with the lure of a private club with a newly renovated golf course and comfort stations, and unparalleled amenities and service continues to bring new home buyers to the Vaquero Community.

One-Time Offer

As the Vaquero Club approached our 25th anniversary, the Board of Directors, , offered a one-time deal for golf members to resign their golf membership and become social members expressing their gratitude for our long-tenured golf members. We had two golf members elect to do so.

Initiation Fee Increase

As good stewards of the Vaquero Club, the Committee is constantly striving to be proactive in decision making for the membership both short and long term. Therefore, prior to approving an increase in the membership initiation fees, the Board consulted with highly regarded industry experts, Club Benchmarking. Upon reviewing various data and acknowledging the uniqueness of the Vaquero Club, the Board voted unanimously to approve the initiation increase for golf membership to $325,000 with 30% equity and social membership to $100,000 with 30% equity for new members. Both changes went into effect on May 19, 2024. After announcing the increase to both the golf and social wait lists there was zero recension.

Membership Wait List

The wait list for club membership has seen unprecedented growth in 2024. We currently have 45 approved applicants on the golf wait list, and 5 applicants in process. Our approved social wait list currently stands at 18, with 2 in process. For context, there were 202 membership inquiries, and 55 tours given. The club had 23 golf and 9 social applicants who applied for membership in FY24. Thus, 58% of tours resulted in applicants for golf or social membership to the club.

The club is in the process of updating our printed marketing materials and website with the photos and updated information on the newly renovated golf course, comfort stations, racquets, and other amenities.
We expect 2025 to be robust for new membership with the continued influx of company headquarters relocating to the DFW area, inquiries and tours have steadily increased in the first quarter of FY25.

Our current statistics FY24 for Resident vs. Non-Resident are the following: 186 or 53% of current golf members are residents, and 167 or 47% of current golf membership are non-residents. For social membership we have 37 or 58% are residents, and 27 or 42% are non-residents. We have 294 homes in the Vaquero Community and 13 lots. Approximately 76% of residents have golf or social membership.

Vaquero

CLUB LIFE

THE ULTIMATE LIFESTYLE EXPERIENCE

Vaquero Club, Inc. and Subsidiary

Consolidated Financial Statements

June 30, 2024 and 2023

Independent Auditors' Report

To the Members and Finance Committee of
Vaquero Club, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Vaquero Club, Inc. and Subsidiary (the Company), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, changes in members' equity and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Company'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Baker Tilly US, LLP

Frisco, Texas
September 26, 2024

Vaquero Club, Inc. and Subsidiary

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 13,854,751	$ 13,305,564
Restricted cash	3,828,715	875,258
Member receivables	3,412,566	2,124,100
Inventory	471,097	393,840
Prepaid expenses and other current assets	552,450	526,744
Total current assets	22,119,579	17,225,506
Property and Equipment, Net	55,337,268	52,513,611
Right-of-Use Asset Operating Lease, Net	2,827,490	1,035,614
Total assets	$ 80,284,337	$ 70,774,731
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	$ 1,638,939	$ 296,996
Accrued expenses	1,204,904	2,236,756
Contract liability membership dues	16,635,360	11,849,107
Current portion of contract liability transfers of memberships	1,758,617	1,564,853
Contract liability of capital assessment revenue	-	1,333,367
Current portion of equipment notes payable	5,337	12,487
Current portion of note payable	668,944	294,074
Current portion of operating lease liabilities	903,847	625,898
Wait list deposits	2,373,700	1,978,700
Other current liabilities	245,382	236,911
Total current liabilities	25,435,030	20,429,149
Contract Liability Transfers of Memberships, Net of Current Portion	7,819,364	7,228,029
Equipment Notes Payable, Net of Current Portion	-	8,578
Note Payable, Net of Current Portion and Debt Discount	12,600,987	11,339,673
Operating Lease Liabilities, Net of Current Portion	1,923,643	409,716
Total liabilities	47,779,024	39,415,145
Members' Equity	32,505,313	31,359,586
Total liabilities and members' equity	$ 80,284,337	$ 70,774,731

See notes to consolidated financial statements

Vaquero Club, Inc. and Subsidiary

Consolidated Statements of Activities
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues		
Member dues and fees	$ 13,073,273	$ 13,074,285
Food, beverage and banquet	3,094,301	3,056,532
Golf, tennis, fitness and spa	1,187,425	1,081,352
Debt service dues	1,919,745	4,514,896
Tennis and golf merchandise	957,701	936,451
Members' services	1,329,106	1,124,927
Service fees and other	752,454	725,621
Transfer fees	1,819,901	2,009,258
Capital assessment revenue	1,312,587	8,584,923
Total revenue	25,446,493	35,108,245
Operating Expenses		
Salaries, wages and benefits	10,339,820	9,812,250
Depreciation	2,269,702	2,467,645
General and administrative	1,805,396	1,687,631
Rent expense	1,069,561	1,140,600
Cost of food, beverages and sundries	1,733,223	1,562,817
Utilities and occupancy	2,217,675	1,844,635
Landscape maintenance	849,744	716,706
Cost of merchandise sales	624,586	575,624
Club supplies	509,042	462,092
Golf operations, special events and tournaments	408,309	255,312
Repairs and maintenance	424,581	465,022
Service fees	740,895	684,367
Linens, laundry and cleaning	92,283	86,523
Total operating expenses	23,084,817	21,761,224
Income from operations	2,361,676	13,347,021
Other Income (Expense)		
Interest expense, net	(147,529)	(248,611)
Excess of revenues over expenses before taxes	2,214,147	13,098,410
Income Tax Expense	(113,420)	(186,918)
Excess of revenues over expenses after tax	$ 2,100,727	$ 12,911,492

See notes to consolidated financial statements

Vaquero Club, Inc. and Subsidiary

Consolidated Statements of Changes in Members' Equity
Years Ended June 30, 2024 and 2023

	Memberships Capital	Accumulated Deficit	Total Members' Equity
Balance, June 30, 2022	$ 64,719,189	$ (46,063,595)	$ 18,655,594
Changes in equity membership, net	(207,500)	-	(207,500)
Excess of revenues over expenses after taxes	-	12,911,492	12,911,492
Balance, June 30, 2023	64,511,689	(33,152,103)	31,359,586
Changes in equity membership, net	(955,000)	-	(955,000)
Excess of revenues over expenses after taxes	-	2,100,727	2,100,727
Balance, June 30, 2024	$ 63,556,689	$ (31,051,376)	$ 32,505,313

See notes to consolidated financial statements

Vaquero Club, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Excess of revenues over expenses	$ 2,100,727	$ 12,911,492
Adjustments to reconcile excess of revenues over expenses provided by operating activities:		
Depreciation	2,269,702	2,467,645
Amortization of debt issuance costs	20,270	15,203
Noncash lease expense	703,388	577,454
Bad debt expense	54,610	-
Changes in operating assets and liabilities:		
Member receivables	(1,343,076)	695,678
Inventory	(77,257)	73,862
Prepaid expenses and other assets	(25,706)	141,998
Accounts payable	1,341,943	(75,151)
Accrued expenses	(1,031,852)	1,045,481
Contract liability membership dues	4,786,253	208,465
Contract liability transfers of memberships	785,099	(229,258)
Contract liability of capital assessment revenue	(1,333,367)	(5,260,273)
Wait list deposits	395,000	560,400
Operating lease liabilities	(703,388)	(577,454)
Other liabilities	8,471	18,397
Net cash provided by operating activities	7,950,817	12,573,939
Cash Flows From Investing Activities		
Purchases of property and equipment	(5,093,359)	(18,833,806)
Net cash used in investing activities	(5,093,359)	(18,833,806)
Cash Flows From Financing Activities		
Payments on note payable	(1,318,166)	(1,011,846)
Proceeds from note payable	2,934,080	3,267,658
Payments on equipment notes payable	(15,728)	(20,281)
Changes in equity memberships, net payments	(955,000)	(207,500)
Net cash provided by financing activities	645,186	2,028,031
Net change in cash and cash equivalents and restricted cash	3,502,644	(4,231,836)
Cash and Cash Equivalents and Restricted Cash, Beginning	14,180,822	18,412,658
Cash and Cash Equivalents and Restricted Cash, Ending	$ 17,683,466	$ 14,180,822
Supplemental Information		
Cash paid for interest	$ 147,529	$ 248,611
Cash paid for taxes	$ 185,462	$ 103,444
Noncash Financing Activities		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 2,766,595	$ 254,523

See notes to consolidated financial statements

1. Description of Business

Vaquero Club, Inc., (the Company or Club), was formed under the Texas Non-Profit Corporation Act, to own and operate a private golf, tennis, fitness, and social club for the recreation, pleasure and benefits of its members and their families and guests.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and footnotes of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of Vaquero Club, Inc. and its wholly owned subsidiary, Vaquero Club Beverages, which maintains the Texas liquor license. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates and Assumptions

The preparation of the consolidated 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the Company adopted the ASU using the modified-retrospective approach. There was no adjustment to retained earnings upon adoption.

Recent Accounting Pronouncements

During December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU No. 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in this ASU require consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU No. 2023-09 is effective for fiscal years beginning after December 15, 2025. Early adoption is permitted. The amendments in this ASU should be applied on a prospective basis. Retrospective application is permitted. The Company is currently assessing the effect that ASU No. 2023-09 will have on its results of operations, financial position and cash flows.

Cash and Cash Equivalents

The Company considers all highly liquid investment instruments with original maturities of three months or less when purchased to be cash equivalents. At various times throughout the fiscal years ended June 30, 2024 and 2023 cash and cash equivalent balances held at some financial institutions were in excess of the federally-insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Restricted Cash

The Company is required to maintain a deposit account held by B1 Bank as additional collateral and security for the draw facility, into which all capital assessment monies received are held. Restricted cash related to capital assessment funds as of June 30, 2024 and 2023 was $165,553 and $875,258, respectively. Additionally, the Company has segregated funds related to routine capital maintenance dues. The restricted cash related to capital maintenance dues as of June 30, 2024 and 2023 was $3,663,162 and $0, respectively.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated financial position that agrees to the amount shown in the consolidated statements of cash flow as of June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	$ 13,854,751	$ 13,305,564
Restricted cash	3,828,715	875,258
Total	$ 17,683,466	$ 14,180,822

Member Receivables and Credit Losses

Member receivables are stated at the amount the Company expects to collect, do not bear interest, and are collateralized to the extent of members' equity account. Member receivables consists of invoices that have not been collected from members for dues invoiced annually, quarterly, or monthly and purchases.

The Company recognizes an allowance for credit losses for member receivables to present the net amount expected to be collected as of the consolidated balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the consolidated balance sheet date. Receivables are written off when the Company determined that such receivables are deemed uncollectible. The Company pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Company measures those receivables individually. The Company also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Company utilizes the loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the member's creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Company considers current and forecasted direction of the economic and business environment.

As of June 30, 2024 and 2023, management reviewed the status of member receivables and determined no allowance for doubtful accounts was necessary. For the fiscal years ended June 30, 2024 and 2023, the Company recorded a bad debt expense of $54,610 and $0, respectively.

The Company also has a right to terminate and reclaim the member's ownership interest in the club if the member's account is over 120 days old. In addition, the bylaws allow the club to net a member's outstanding receivable balance against their member's equity and terminate any future refund rights. No outstanding member receivables were considered severely past due and therefore none have been reclaimed by the Board as of June 30, 2024 and 2023.

Revenue Recognition Policy

The Company derives the majority of its revenues from the provision of goods and services to golf and social club members. The Company accounts for revenue from contracts with customers, which comprises 100% of its revenue, through the following steps:

1) Identification of the contract with a customer

2) Identification of the performance obligations in the contract

3) Determination of the transaction price

4) Allocation of the transaction price to the performance obligations in the contract

5) Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company invoices members for membership and debt service dues in advance either annually, quarterly or monthly. Fees generated from the sale of goods and facility use services are invoiced upon the transfer of the goods and services to the member. Assessment fees for operating or capital project expenditures as well as nonrefundable membership transfer fees are invoiced upon board approval. All member payments, excluding those amounts paid at the point of sale, are generally due within 30 days of the invoice date.

Fixed membership and debt service dues and nonrefundable membership transfer fees are recognized on a straight-line basis over the period that the services are performed. Fixed assessment fees for operational expenditures previously incurred are recognized when the amount has been approved by the board and invoiced to the Company's members.

Capital assessment revenue is compromised of fixed assessment pricing invoiced to each member in three installments for the development of the capital project, the golf course. Performance obligation is the completion of the capital project golf course, which will be accessible to members as built and ready for use. The Company recognizes revenue over time, based on a percentage completion method.

The Company receives variable consideration for the sale of goods and facility use services because the Company charges a fixed rate amount per variable quantity for the transfer of these goods and services. The Company recognizes revenue from the sale of food, beverages and merchandise upon transfer of these goods to the member. The Company recognizes revenue from facility use services over time as the services are performed in accordance with the "right to invoice" practical expedient. As a result, the facility use services revenue is not subject to revenue constraint evaluation.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. Revenue is recognized when the Company satisfies its performance obligations under the contract by transferring the promised products or services to its members.

The Company's contracts generally do not include any material significant financing components.

Performance Obligations

The Company satisfies its membership services and facility use services performance obligations over time as the customer receives and consumes the benefits of the services. The Company satisfies its performance obligations related to the provision of food, beverages and merchandise when control of these goods has been transferred to the member. The Company satisfies its performance obligations related to member assessments for operating expenditures upon board approval.

The Company recognizes the satisfaction of the membership and facility use services performance obligations over time by measuring the progress toward the complete satisfaction of these performance obligations. The Company has determined that the most appropriate method for measuring the progress toward complete satisfaction of these performance obligations is the output method which is determined by directly measuring the value to the customer of the services transferred to date, relative to the remaining services promised in the contract. Utilizing the output method, the Company determines the progress of membership or facility use services that have been provided as a basis for recognizing the standalone selling prices of completed performance obligations. The Company has established a contract liability for billings or payments received in advance of services being provided to members. This contract liability is classified as deferred membership dues in the consolidated statements of financial position. The Company believes it is able to make reasonable estimates of the extent of progress toward completion.

The capital assessment revenue recognizes revenue over time as performance obligations are satisfied, using the cost-to-cost input method, based primarily on contract costs incurred to date compared to total estimated contracted costs. Under this method, revenues, including estimated earned fees are recorded as costs are incurred. Contract costs include direct materials, direct labor costs related to contract performance. These costs are included in construction in progress in property and equipment, net of the consolidated financial position.

As part of the adoption of Topic 606, the Company has elected the following practical expedients provided for in the standard.

1) The Company has elected to not adjust the promised amount of consideration for the effect of a significant financing component if it expects, at contract inception, that the period between the Company's transfer of a promised good or service to a customer and the customer's payment for that good or service will be one year or less.

2) The Company is excluding from its transaction price all sales and similar taxes collected from its customers.

3) The portfolio approach has been elected by the Company as it expects any effects of adoption would not be materially different in application at the portfolio level compared with the application at an individual contract level.

4) The Company has elected the "right to invoice" expedient which states that for performance obligations satisfied over time, if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a "right to invoice".

5) The Company has elected not to disclose information about its remaining performance obligations for any contract that has an original expected duration of one year or less.

Neither the type of service sold nor the location of sale significantly impacts the nature, amount, timing, or uncertainty of revenue and cash flows.

Inventory

Inventory consists primarily of food and beverage; golf, spa and tennis merchandise, and is stated at the lower of cost or net realizable value. The total inventory as of June 30, 2024 and 2023 was $471,097 and $393,840, respectively.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives, which range from three to 40 years. Expenditures for maintenance and repairs are charged to income as incurred. Additions and betterments are capitalized. The cost of property and equipment sold or otherwise disposed of, and the accumulated depreciation thereon, is eliminated from the property and reserve accounts, and gains and losses are reflected in the consolidated statements of activities.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recognized during the fiscal years ended June 30, 2024 and 2023.

Contract Liability Membership Dues

The Company invoices member dues annually, semi-annually, quarterly or monthly at the member's discretion. Contract liability membership dues are amounts billed or collected in advance.

Contract Liability Transfers of Memberships

The Company recognizes transfers of a membership revenue over the estimated life of a membership. The contract liability transfers of memberships are the remaining balances of revenue from transfer income to be recognized over the estimated life.

Contract Liability of Capital Assessment Revenue

Cash received from members in excess of revenue recognized is recorded as a contract liability of capital assessment revenue. The golf course was completed in October 2023.

Debt Financing Costs

In August 2021, the Company entered into a loan and security agreements with B1 Bank (Note 6). In connection with the debt refinancing with B1 Bank, the Company incurred $152,026 of debt issuance costs in connection to bank fees associated with the refinancing. The debt costs were allocated all to the term note. These costs were being capitalized and amortized on a straight-line basis over the terms of the underlying obligation and are included in interest on borrowings, which approximates the effective interest rate method. Deferred financing costs related to the B1 Bank draw facility are presented as a direct reduction to the carrying amount of debt, net of accumulated amortization (Note 6). For the fiscal years ended June 30, 2024 and 2023, total amortization expense related to deferred financing fees were $20,270 and $15,203, respectively.

Income Taxes

The Company accounts for income taxes utilizing the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment. Valuation allowances are established when necessary to reduce the deferred tax assets to the amount that is more likely than not to be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The Company has unused net operating losses which may be used until the statute of limitations expire (which may be as much as 20 years).

The Company's tax positions are subject to income tax audits in the jurisdictions in which it operates. As of June 30, 2024 and 2023, there are no known items which would result in a material accrual related to a federal or state tax position. The Company is no longer subject to U.S. federal, state, local, or non-U.S. income tax examinations by tax authorities for years prior to 2018.

3. Inventory

Inventory consists of the following at June 30, 2024 and 2023:

	2024	2023
Food and beverage	$ 228,161	$ 197,685
Golf, spa and tennis merchandise	242,936	196,155
	$ 471,097	$ 393,840

4. Property and Equipment, Net

Property and equipment consists of the following at June 30, 2024 and 2023:

	2024	2023
Building and improvements	$ 35,893,215	$ 32,338,567
Golf course and water system	35,799,141	14,514,060
Furniture and fixtures	4,063,345	3,501,281
Machinery, equipment and vehicles	8,803,430	8,451,017
Land	8,569,281	8,569,281
Construction in progress	-	20,681,118
	93,128,412	88,055,324
Less accumulated depreciation	(37,791,144)	(35,541,713)
Property and equipment, net	$ 55,337,268	$ 52,513,611

Depreciation expense for property and equipment totaled $2,269,702 and $2,467,645 for the fiscal years ended June 30, 2024 and 2023, respectively.

5. Accrued Expenses

Accrued expenses consist of the following as of June 30, 2024 and 2023:

	2024	2023
Construction in progress materials and equipment received, not yet invoiced	$ -	$ 651,978
Accrued payroll	428,184	391,569
Accrued vacation	194,052	230,397
Property tax accrual	67,958	70,173
Sales, use and other tax accrual	88,941	56,723
Accrued bonus	-	99,167
Gift certificates	93,892	96,243
Other accrued expenses	331,877	640,506
	$ 1,204,904	$ 2,236,756

6. Long-Term Debt

B1 Bank

On August 20, 2021, the Company entered into a new Loan and Security Agreement (LSA) to provide a $20,000,000 draw facility and a $1,000,000 revolving line of credit. The draw facility was used to pay off the existing debt with Plains Capital Bank and provide additional funding for the planned golf course renovation project. The Company drew the first $10,343,724 on the effective date of the loan to pay off the existing Plains Capital debt. During the fiscal years ended June 30, 2024 and 2023, the Company drew additional amounts of $2,934,080 and $3,267,658, respectively. As of June 30, 2024, the Company is no longer able to draw on the facility. The draw facility calls for monthly interest only payments through December 31, 2023. Commencing January 20, 2024, principal and interest payments will be due over an amortization period of 240 months. One final payment for all outstanding principal and interest will be due on August 20, 2031.

Prior to August 20, 2026 or an event of default, all debt facilities bear interest at the lessor of 3.25% or the maximum rate, as defined in the agreement. Commencing on August 20, 2026, all debt facilities bear the fixed interest at the lessor of the maximum rate or the prime rate as of the rate change date plus 0.25%.

At June 30, 2024 and 2023, the outstanding balance on the draw facility was $13,378,883 and $11,762,969, respectively. The balance outstanding on the line of credit was $0 at June 30, 2024 and 2023.

The following is the current and long-term portion of notes payable, net of the current portion and deferred financing costs at June 30, 2024 and 2023:

	2024	2023
Note payable principal outstanding	$ 13,378,883	$ 11,762,969
Less unamortized deferred financing costs	(108,952)	(129,222)
Note payable, net	13,269,931	11,633,747
Less current portion	(668,944)	(294,074)
Note payable, net of current portion	$ 12,600,987	$ 11,339,673

Future principal maturities of the draw facility are as follows:

Years ending June 30:	
2024	$ 668,944
2025	668,944
2026	668,944
2027	668,944
2028	668,944
Thereafter	10,034,163
Total minimum payments	$ 13,378,883

Equipment Notes Payable

In November 2017, February 2018 and February 2020, the Company entered into loan agreements with equipment finance companies for equipment. For the notes, the terms range from 60 to 63 months with monthly payments ranging from $567 to $1,060. The equipment notes are due in January 2025. The balance outstanding for equipment notes payable as of June 30, 2024 and 2023, were $5,337 and $21,065, respectively.

Future principal maturities of equipment notes payable are as follows:

Years ending June 30:		
2025	$	5,337
Total minimum payments	$	5,337

7. Commitment and Contingencies

Operating Leases

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, while lease liabilities represent the Company's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Company's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Company's sole discretion. The Company regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Company uses the rate implicit in the lease, or if not readily available, the Company uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Company's long-lived asset policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Company made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Company:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;
- Allocated consideration in the contract between lease and nonlease components.

The Company does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of June 30:

	2024	2023
Operating lease right-of-use assets	$ 2,827,490	$ 1,035,614
Operating lease liabilities:		
Current	$ 903,847	$ 625,898
Long-term	1,923,643	409,716
Total operating lease liabilities	$ 2,827,490	$ 1,035,614

Below is a summary of expenses incurred pertaining to leases during the years ended June 30:

	2024	2023
Operating lease expense	$ 756,993	$ 612,411
Short-term lease expense	615,062	528,189
Total lease expense	$ 1,372,055	$ 1,140,600

As of June 30, 2024 and 2023, the right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 4.04% and 3.09%, respectively. As of June 30, 2024 and 2023, the weighted average remaining lease term were 3.38 and 2.14 years, respectively.

The table below summarizes the Company's scheduled future minimum lease payments for years ending after June 30, 2024:

Years ending June 30:	
2025	$ 1,004,189
2026	846,444
2027	790,704
2028	385,182
Thereafter	-
Total lease payments	3,026,519
Less present value discount	(199,029)
Total lease liabilities	2,827,490
Less current portion	(903,847)
Long-term lease liabilities	$ 1,923,643

The following table includes supplemental cash flow and noncash information related to the leases for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 756,993	$ 612,411
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	2,766,595	254,523

8. Members' Equity

The Club is composed of members rather than shareholders and therefore has no capital stock. Initiation fees for new golf and social memberships are credited to members' equity. On all matters to be voted upon by the members of the Club, golf members are entitled to two votes per membership and social members are entitled to one vote. As of June 30, 2024, the Club Articles and Bylaws allow for 326 refundable golf memberships, 64 refundable social memberships and, 27 nonrefundable golf memberships. As of June 30, 2023, the Club Articles and Bylaws allow for 325 refundable golf memberships, 60 refundable social memberships, and 28 nonrefundable golf memberships.

The golf refundable memberships, nonrefundable golf memberships, social memberships and membership in treasury are as follows for fiscal years ended June 30, 2024 and 2023:

	Refundable Social Memberships	Refundable Golf Memberships	Nonrefundable Golf Memberships	Treasury in Social Membership	Treasury in Golf Membership
Balance, June 30, 2022	60	322	31	-	32
Social membership issued from treasury	-	-	-	-	-
Golf membership issued from treasury	-	-	-	-	-
Transfer membership from social to golf membership	(4)	4	-	-	-
Transfer membership from golf to social membership	4	(4)	-	-	-
Retired nonrefundable golf memberships in exchange for refundable golf memberships	-	3	(3)	-	-
Balance, June 30, 2023	60	325	28	-	32
Authorized memberships	4	-	-	-	-
Social membership issued from treasury	-	-	-	-	-
Golf membership issued from treasury	-	-	-	-	-
Transfer membership from social to golf membership	(1)	1	-	-	-
Transfer membership from golf to social membership	1	(1)	-	-	-
Retired nonrefundable golf memberships in exchange for refundable golf memberships	-	1	(1)	-	-
Delinquent and terminated members	-	-	-	-	-
Balance, June 30, 2024	64	326	27	-	32

Membership Resignations and Transfers

The Club Articles and Bylaws were amended during the fiscal year ended June 30, 2018 to adjust the refund percentage on new or transferred golf memberships from 80% of their membership contribution to 50% upon resignation and reissuance of the membership. Additionally, the refund percentage for social memberships issued or transferred was also reduced from 80% to 50%. Golf and social memberships issued prior to the amendment are entitled to 80% until the transfer event.

During the fiscal year ended June 30, 2024, the Club Articles and Bylaws were amended to adjust the refund percentage on new or transferred golf memberships from 50% of their membership contribution to 30% upon resignation and reissuance of the membership. Additionally, the refund percentage for social memberships issued or transferred was also reduced from 50% to 30%. Golf and social memberships issued prior to the amendment are entitled to 80% or 50% until the transfer event.

Memberships are transferable through the club for a transfer fee which is recorded as a transfer fee revenue on the consolidated statements of activities. The obligation to refund a member's contribution upon the reissuance of the membership to a new member shall be subject to offset for all amounts due to the club which remain unpaid as of the date of reissuance of resigned membership.

At June 30, 2024 and 2023, the Company had zero members on the resigned list. At June 30, 2024, the Company had a waitlist for 72 potential members (53 golf memberships and 19 social memberships). The waitlist requires a 20% down payment of the membership cost and is deemed nonrefundable once approved by the members of the board. These down payments at June 30, 2024 totaled $2,373,700 on the consolidated statement of financial position.

Delinquent and Terminated Membership

At June 30, 2024 and 2023, the Company had no accounts receivable balances from members which the club did not expect to fully collect.

The board may terminate and void a member's refund should their account become delinquent in excess of 120 days. No members were terminated during the fiscal years ended June 30, 2024 and 2023.

9. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The most significant component of the Company's deferred tax assets and deferred tax liabilities were temporary differences related to net operating income, deferred revenue and depreciation.

The Codification requires the Company to periodically assess whether it is more likely than not that it will generate sufficient taxable income to realize its deferred tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, its deferred tax liabilities, the overall business environment, its historical losses and its outlook for future years. At June 30, 2024 and 2023, management established a full valuation allowance for its net deferred tax assets as realization of the deferred tax assets is not reasonably assured based on a more-likely-than-not threshold.

The provision for income tax expense was $113,420 and $186,918 for the fiscal years ended June 30, 2024 and 2023, respectively. The tax expense was all related to state tax expense.

The tax effects of temporary differences that give rise to significant portions of the deferred taxes consisted of the following at June 30, 2024 and 2023:

	2024	2023
Deferred tax assets (liabilities)		
Depreciation	$ (313,774)	$ 217,971
Deferred income	2,068,126	2,186,510
Other	64,345	105,122
Net operating loss carryforward	73,220	73,220
Section 277 carryforward	372,597	156,707
Total deferred tax assets	2,264,514	2,739,530
Valuation allowance	(2,264,514)	(2,739,530)
Net deferred tax assets (liabilities)	$ -	$ -

The Company's net deferred tax assets include amounts of net operating loss carryforwards totaling $348,669 for federal and state income tax purposes as of June 30, 2024 and 2023 which begins to expire in 2031. The Company also has a section 277 carryforward attribute to transaction with members which do not have an expiration date.

10. Related-Party Transactions

From time to time, the Company purchases services, goods or property from companies owned or affiliated with current and former members or employees. The Company also leases golf carts to certain members under one year noncancelable leases.

The Company entered into various related party services in the normal course of operations from companies associated with nine members that totaled $415,287 for the fiscal year ended June 30, 2024. The Company entered into various related party services in the normal course of operations from companies associated with two members that totaled $30,472 for the fiscal year ended June 30, 2023.

11. Employee Benefit Plan

The Company has a defined contribution retirement 401(k) plan, the (Retirement Plan), which provides a long-term savings program to all eligible employees of the Company. Under the Retirement Plan, employees may contribute a portion of their pre-tax salaries and the Company can, at its discretion, make contributions to the Retirement Plan. Participants may invest their contributions in various publicly traded investment funds. The Retirement Plan is administered by a third-party service provider, and all administrative expense are paid by the Company.

For fiscal years ended June 30, 2024 and 2023, the Company paid matching contribution to the Vaquero Club 401(k) and Profit Sharing Plan totaling $134,356 and $144,295, respectively.

12. Subsequent Events

The Company evaluated all material events or transactions that occurred after June 30, 2024 through September 26, 2024, the date these consolidated financial statements were ready to be issued, and determined there were no events or transactions which would impact these financial statements.

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