

## MGC Fall Financial Update – November 2024

### **“Keeping us All on the Same Page”**

As this should be hitting your mailbox right around Thanksgiving, we thought a good theme would be “Things We Are Thankful For” -- and there is a lot for MGC to be thankful for as we close out the 2024 season.

For those still counting, this is edition lucky number 7 in our series to keep our members on the same financial page! If you are new to MGC, or simply need a financial refresher, previous versions are archived on our website (access instructions at the bottom). Updates are published twice a year, with the “Fall Financial Update” discussing how the season went financially, and the “Interim (spring) Update” sharing how we managed operational surplus from the previous year, along with other pertinent financial considerations.

So, here are “7 lucky MGC blessings” to be thankful for:

1. **Our Incredible 2024 Financial Results:** The Heritage geese are an annual messy nuisance, but our Golden Greywalls Goose continues to provide for her MGC flock. This season is on track to be yet another record year, with external play again being the primary driver. When Greywalls was conceived, the premise was for external play to primarily finance our operation, allowing us to sustain community access to a recreational resource at a reasonable price. It’s taken 20 years for this vision to gain traction, but we have been able to keep member dues the same for the past three years and we should all be thankful we don’t have to raise them again for 2025! There are not many items in our household budgets that haven’t increased in cost over the past 4 years, so MGC is proud to be a true “inflation fighter” on behalf of our membership.
2. **Additional Allocations Made to our Capital Investment Fund:** Our golden year allowed the Finance Committee (FC) and board to enhance our Capital Investment Fund (CIF) structure as well. From the fall FC meeting, a recommendation was approved at the October board meeting to fund a \$500,000 annual Capital Investment Fund (see summary - Appendix A) objective. The CIF was established in 2023 to finance facility upgrades and chisel away at deferred maintenance projects. Going forward, grounds equipment purchases will now be funded directly from this account as well, rather than leasing, which has been done out of financial necessity for decades. Buying equipment outright from this fund saves the lease interest amount. More importantly, it frees up would-be annual lease payments, which will be applied to our primary debt instead. Another good thing for everyone MGC going forward.
3. **Capital Investment List Items We’ve Knocked out Since our Last Update:** Speaking of chiseling away at the Capital Investment list. Here are the items recommended by our managers and approved by our board since our spring update
  - ☐ Renovation of the shack in the back parking lot to be used for storage
  - ☐ New truck for club (*old truck is being held together with duct tape and will be transitioned to a plow truck*)
  - ☐ Steam cleaner/pressure washer for grounds equipment (*no longer rentable*)

- ☐ New furniture for clubhouse bar area
- ☐ Simulator for winter lessons, club fittings and practice time
- ☐ New overhead door for Cart Barn D
- ☐ New printer for pro shop
- ☐ Marketing metal plaques and table tents

4. **The Heritage Irrigation Project is now Fully Funded.** Talk about something to be thankful for! Our spring report told you this project was *almost* fully funded and we are now there! Given our bountiful 2024 hatch, the board was able to approve the final \$350,000 allocation from the FC to close this one out. See Appendix B for a summary of the Heritage Irrigation Fund. For more details on this project, see the October 5<sup>th</sup> Newsletter with great information from Craig about this significant achievement.
  5. **We are now positioned to pay down our debt:** Next Spring, we will figuratively and literally bury the Heritage irrigation elephant for practical eternity. Our Heritage irrigation project account is now fully funded and we are positioned to pay installation invoices when presented. With that milestone achievement fading in the rear-view mirror, it's time to start digging a grave for our primary debt. Our projected loan balance at maturity on April 1, 2026 will be approximately \$2,300,000. Based on recent annual surplus numbers, it is not unreasonable for us to accumulate \$500,000 toward reducing our loan balance to \$1,800,000 (or lower) by renewal time. We are renaming the "Heritage Irrigation Project" money market account "Unallocated Reserves", but for the next few years it will accumulate surplus to eliminate debt, both before and after loan renewal. We've got this!
  6. **Additional Paving on Greywalls.** Since our last update, the amount of paving approved for Greywalls has increased. The work is underway and won't we all be thankful for that! The October 25<sup>th</sup> Newsletter details each of the areas to be paved. Nothing like the smell of blacktop in the morning!
  7. **Us:** There is no other 36-hole facility in the world, with a Superior venue like Greywalls, managed by an incredibly committed staff, assisted by numerous volunteers, and supported by wonderful members. Now that is *everything* to be thankful for!
- ☐ El Nino and unprecedented demand from outside play created the perfect storm that will drive 2024 revenue over \$4,000,000 with our Christmas season. Given that we are approaching Greywalls capacity and should return to our normal weather pattern, revenue is expected to contract somewhat going forward. Our revenue explosion over the past five years has obscured the fact that expenses have increased by more than \$500,000 over the same period. Upward inflationary pressure on expenses will necessitate increased scrutiny in order to preserve profit margins sufficient to support our mission going forward. Expense control never ends for successful businesses.
  - ☐ Paying off our debt as soon as practical takes on more urgency as we become subject to federal income tax. Our red ink for two decades created a loss position for tax purposes that will finally be used up this year. The good news is that the Heritage irrigation project will offset any tax liability in 2025, and should allow us to recapture any income tax we pay for 2024. Eventually, we will be replacing our annual bank payment with an annual income tax payment, so having only one of them as soon as possible is the objective.

- With our outside play now pushing Greywalls to capacity, we reached a tipping point this season where our two worlds collided – members and guests. Now we have to find a balance point. As critical as our external guests are to balancing the checkbook, our members constitute our community culture and we can never lose sight of that. Pace of play has been a member survey topic annually and efforts have been made to address this issue, with admittedly limited success. The fact our members will *always* play faster than outsiders creates a logistical challenge we try to manage with tee time spacing and reasonable expectation from our members. However, five hour plus rounds do not constitute reasonable expectation, confirming there is work yet to be done on this issue.
- Members accessing tee times has become an increasing concern this season and will be evaluated over the winter for improvement opportunities. Our burgeoning success brought a full case of growing pains that we continue to address as circumstances necessitate. Never a dull moment at MGC as the only constant for the last few years has been constant change. We thank you for your understanding as we forge a new path for MGC together.

As we do with all our financial updates, here are 5 things we'd like you to remember:

1. Past success does not guarantee future success as economies slow and interests change. We must and will continue to practice sound financial stewardship to best ensure the long-term viability of MGC.
2. Outside play is a fortunate necessity for club finances, member dues rates, and our community economy. It is also a balancing act to be closely managed toward maximizing member access and thus 2025 membership dues were not raised, but outside play rates were and those outside players should continue to drive merchandise and clubhouse sales.
3. We are committed to keeping members apprised of our financial status, the reasons behind the decisions we make, and all things MGC.
4. As members of MGC, you have access to 36 beautiful holes of golf, a clubhouse to enjoy after golf, and truly dedicated managers and staff who make every effort to provide a great experience every time you set foot on the property. So, please thank our managers and staff the next time you see them and maybe even thank one of those “stay & play” folks – they’re keeping your dues down.
5. We are truly **thankful** for every one of you for being a critical part of the exciting future of MGC. If you have any questions or concerns regarding our finances, please contact a board member.

**MGC Board of Directors and Finance Committee**

## Appendix A

2024 Capital Investment Fund Summary		
Transactions	Amount	Notes
2023 Greenskeeper Revenge Proceeds	\$24,863	
2023 First Allocation for CI Account:	\$100,000	
2024 Second Allocation for CI Account	\$100,000	Board Approved: 3/20/2024
2024 Third Allocation for CI Account	\$50,000	Board Approved: 8/9/2024
2024 Fourth Allocation for CI Account	\$250,000	Board Approved: 10/16/2024
2024 YTD Interest*	\$8,989	* Through September
2024 Greenskeeper Revenge Proceeds	\$26,152	
Less Total Already Approved/Committed*	(\$235,669)	* Through October
<b>2024 Remaining Funds</b>	<b>\$324,335</b>	
2024 Remaining Projected Interest	\$1,800	
<b>2024 Projected Year-End Balance*</b>	<b>\$326,135</b>	*Excludes Nov & Dec Approved/Committed Dollars

## Appendix B

2024 Heritage Irrigation Funding Details		
Heritage Irrigation Funding	Amount	Notes
Total Actual Funded to Date	\$1,234,735	Previously approved allocations and interest
Final Funding Allocation from 2024 Operating Surplus	\$350,000	Board Approved: 8/9/2024
2024 YTD Interest*	\$21,351	* Through September
2024 Remaining Projected Interest	\$4,414	
2024 Projected Funding	\$1,610,500	
Heritage Irrigation Contract	(\$1,610,500)	
Projected Variance	\$0	Project is fully funded!

**How to Access Financial Updates from the “Member Home” Section of our Website:** Go to:  
[“golfgreywalls.com”](http://golfgreywalls.com)

- ☐ Click on “Member Home”
- ☐ Enter the password
- ☐ If you do not know the password, please contact the Business Office at 906-225-0721, ext. 3
- ☐ Select the box titled “Current Financial Update” or “Archived Financial Updates”