

Desert Mountain Club ANNUA'L REPORT 2022

SCOTTSDALE, ARIZONA

VISION STATEMENT

Our vision is to become the finest private club and community for golf and recreational lifestyle activities in North America.

MISSION STATEMENT

To create exceptional experiences for our Members by engaged Teammates who integrate our core values into every aspect of our Club.



CREATIVITY INTEGRITY

TEAMWORK WELLBEING

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THRIVE

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INSPIRE

CARE

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LETTER FROM **STEVE HARPER**

Chairman, Board of Directors

DAMON DIORIO CEO, CCM, CCE



Steve Harper | *Chairman* Damon DiOrio | *Chief Executive Officer*

Dear Members,

On behalf of the Board of Directors and our Senior Management Team, we truly appreciate your support. Our collective goal and focus is to make our Club special, meaningful, and memorable for all Members.

2022 was a remarkable year for our Club in many ways. Despite the challenges we continue to navigate with high inflation, supply chain issues, and uncertain economic conditions, we achieved several milestones, and our Club was nationally recognized for the first time as a Top 10 Private Club in America. It is a positive recognition for having a great staff, financial success, and an array of quality programming and facilities that enhance our enjoyment of the Club while also strengthening our reputation nationally.

FINANCIAL STRENGTH

The Club continued its strong fiscal position as we completed our 36th year.

- Total Club revenues in 2022 were the highest ever recorded at \$97.4 million.
- This revenue growth represents a 6% increase over 2021, which was the previous record.
- EBITDA (operating income) of \$14.4 million, exceeded budget expectations and includes:
 - Initiation fees of \$11.8 million and other income from operations of \$2.6 million.
 - We ended 2022 with a cash balance of \$34.6 million, one of the strongest of any private club in America.
 - Nearly \$4 million in cost savings initiatives have been realized in the last 5 years.
 - The Club established a waiting list to join for the first time in history.
 - The success of our Club has a symbiotic relationship with our community, and home values have continued to rise, especially those for sale with a Membership.

CAPITAL INVESTMENT

With Member input, strong initiation fee revenues from new Members, and sound financial planning, we have been able to invest millions of dollars in replacing outdated equipment and facilities while also introducing new amenities that Member surveys have determined are important to our Club's health and continued success.

- The Desert Mountain Honor Health medical clinic has been highly utilized and is an amenity that very few clubs in our country offer.
- The Receiving, Laundry and Recycle Facility has transformed our ability to centralize all laundry operations and it affords efficiencies and bulk purchasing opportunities that have immediately yielded cost savings.



- The Renegade Golf Course re-opened and has been well received by the Membership.
- We have replaced outdated course restrooms on Apache and Renegade while offering consistent course food and beverage opportunities.

GOLF AND AGRONOMY

The Agronomy team has vastly improved the systems, soil health, and quality of our staff resulting in continued improvements in course conditions and consistency. We have new agronomy equipment and several key Superintendent hires in this area have had a positive impact. While more work needs to be done, the positive trajectory we are experiencing under Todd Bohn's leadership in Agronomy and John Lyberger's in Golf Operations is evident and will continue to improve.

• We were awarded the 2026 USGA Men's Amateur Four-Ball Championship and the 2029 USGA Women's Amateur Four-Ball Championship

OUR STAFF

Our employees are our Club's greatest asset, and many positive advances were made with our team.

- The Club was nationally certified as a Great Place to Work_®. Employee morale is high, and we are one of the only hospitality venues in Scottsdale that is fully staffed.
- Despite post-Covid labor challenges in the hospitality industry, our turnover rate reduced by 14% down to 30%, well below the average in our area.
- The onsite medical facility for our staff has been an excellent benefit for our employees, and it also reduced our medical claims experience by \$450K.
- Our Club now has five Certified Club Managers, more than any club in the world (Damon DiOrio, John Lyberger, Gregg Leonard, Arnaldo Cocuzza and Joe Macke).

CLUB OPERATIONS

While many clubs locally and nationally were forced to reduce food service offerings due to labor challenges, we expanded our operations to reduce capacity challenges and add variety and enjoyment to food service.

• Angelo's Pizza Kitchen and Sunday night concept

offerings at Café Verde have not only added more options, but they have reduced compaction during peak periods.

• The Renegade Clubhouse construction is on time and will be an exciting new venue for Members to enjoy by the end of the 4th quarter this year.

SONORAN FACILITY

The fastest growing area of our Club continues to be in health, wellness, and outdoor enthusiast activities.

• Our Club was recognized nationally by the Club Management Association of America as a leader in outdoor excursions and these wonderful programs incorporate health, wellness, and education during each adventure.

IN SUMMARY

We are deeply committed to listening to our Members and constantly improving the facilities and programs we offer. We encourage our Members to read our Club publications and stay informed on the facts regarding substantive issues we face. We recognize the uncertainty of the economy, and we will always position our Club for your enjoyment today while being fiscally disciplined to ensure our financial strength going forward. Capital investment always comes with an inconvenience to our Members, but we must keep our facilities in operating order for your enjoyment today, and for the success of our Club, home values and attractiveness to future generations of Members who fund most of this investment.

On behalf of our entire Board of Directors and Senior Management team, we wish you a safe, healthy and prosperous year ahead.

Steve Harper Club Chairman on behalf of the Board of Directors

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Damon DiOrio, CEO, CCM, CCE on behalf of the Senior Management Team

DESERT MOUNTAIN ACCOMPLISHMENTS

Desert Mountain has achieved many milestones in the last six years, which are critical for ensuring the financial future of the Club, while also attracting top-quality prospective Members to join the Club. These accomplishments include adding new amenities, programming, facility enhancements, as well as steady improvement of the Club's financial position. As a result, the demand by prospects to join our Club continues to grow, as demonstrated by the 2022 Wait List for approved applicants, the first time in the Club's history. Without the initiation fees and dues paid by new Members, the Club cannot continue to maintain and improve the level and quality of amenities new Members expect when looking to join a private club. The long-term financial health of our Club is directly impacted by needing new Members to take the place of more than 100 Members each year who decide to exit the Club according to their individual timelines. Without this inbound revenue stream, Desert Mountain would not be able to fund the maintenance and updating of the infrastructure and new amenities necessary to sustain the Club well into the future. Our Board of Directors has a fiduciary responsibility to manage the financial health of the Club, both in the short-term and the long-term. In 2022, Desert Mountain continued to offer an exceptional Member experience with several key highlights.

2022

THE HEALTH OF THE CLUB IS STRONG

Our Club finished 2022 in a strong and healthy position.

MEMBERSHIP HEALTH

Demand to join Desert Mountain remains strong with 41 approved applicants on the Wait List and initiation fees for new Golf Members at \$165,000 effective January I, 2023.

AMENITIES HEALTH

With seven golf courses, 10 restaurants, 42,000 sq. ft. Sonoran Fitness and Spa, and 25 miles of private hiking trails, our Members have countless activities and amenities to help them stay healthy and happy.

In addition, Desert Mountain has achieved many milestones in recent years, which are critical for ensuring the financial future of the Club.

- Our Club has become nearly a \$100M annual gross revenue organization with outstanding golf and recreational facilities.
- Implemented efficiencies and cost saving initiatives of \$500K or more each year since 2018 (totaling nearly \$4.0M cumulatively over five years)
- Refinanced long-term mortgage to provide incremental cash flow for capital investments 20 year fully amortizing loan at a rate of 4.3%
- All Members desiring to exit our Club have been able to do so within 30 days of their request.
 - No Member must replace themselves
 - No Member pays a transfer fee when exiting
 - The Club controls initiation fee pricing and retains 100% of these fees to be used for capital projects
 - Non-Member use of our Club has been eliminated
- The new Membership model has re-coupled homes with Memberships and increased home values for homes available for sale with a Membership.
- We have welcomed 944 new Members to the Club since 2017, thereby helping fund cash reserves for capital projects and incremental operational revenue to ensure the Club continues to offer exceptional year-round service for our Members.
- Spring & Fall Demo Day sales in 2017 were \$386,000 and have risen to \$780,000 in 2022.



• For the first time in our history, Desert Mountain Club was recognized as a Top 10 Platinum Club of America in the Country Club ranking.

	Platinum Club	s® of America	
	Home About Platinum Clubs Platinum Lic	ense Honorable Mention License More	
	Top 150 Country	Clubs 2023-24	
1	Congressional Country Club	Bethesda, Md.	70.12
2	Ocean Reef Club	Key Largo, Fla.	68.88
3	The Vintage Club	Indian Wells, Calif.	66.84
4	Boca West Country Club	Boca Raton, Fla.	66.62
5	Addison Reserve Country Club	Delray Beach, Fla.	66.22
6	John's Island Club	Vero Beach, Fla.	65.98
7	Cherokee Town and Country Club		65.92
8	The Country Club of Virginia	Richmond, Va.	63.09
9	Medinah Country Club	Medinah, Ill.	63.01
10	Desert Mountain Club	Scottsdale, Ariz.	61.96

- As part of the Club's strategic goals, we enhanced the practice facility technology and infrastructure. Both the Apache and Renegade practice ranges were extended in length to accommodate longer shots, and artificial strips of turf as well as FLAGD exact yardage technology were added.
- Receiving, Laundry and Recycling Facility This 8,500 square foot building opened in 2022 and provides streamlined delivery services, storage and distribution of food and beverage products. As a result, it allows Desert Mountain to buy food products in bulk, thereby reducing our cost per item. In addition, it reduces our carbon footprint, and provides a dedicated laundry building versus the outdated and undersized existing laundry facility on the property.
- Desert Mountain Health Clinic by HonorHealth All Club Members and teammates now have an on-site private clinic with a full-time doctor.
- Desert Mountain was certified as a Great Place to Work®, which helped us attract, hire and retain top-quality teammates to serve our Members.
- Desert Mountain Club was awarded the 2026 USGA Men's Amateur Four-Ball Championship and the 2029 USGA Women's Amateur Four-Ball Championship.



DESERT MOUNTAIN ECONOMIC IMPACT



It is important to recognize that Desert Mountain generates \$97.4 million annually in gross revenue as a result of initiation fees, monthly dues and other operating sales. The Club also employs more than 750 teammates who serve our Members. In addition, Desert Mountain annually purchases millions of dollars in food & beverage items, agronomy seed and fertilizer, retail clothing, and many other hard goods, as well as local services such as plumbing, electrical, construction and landscape services.

Products and services purchased by the Club and community residents generate sales taxes which directly benefit the local Arizona economy. Not everyone realizes or appreciates the size and scope of the economic impact Desert Mountain has on both Scottsdale and Maricopa County, as a result of the financial transactions that take place weekly on the Mountain and the number of families dependent on the jobs created by the Club.

Lastly, the real estate value within the Desert Mountain community is directly attributed to the quality and stature of the Club. Homes are worth more because of the Club's national reputation as a desirable place to live and the beauty and maintenance of the Club amenities (golf courses, hiking trails, clubhouses, etc.). In 2022, more than \$500 million in real estate transactions took place in the Desert Mountain community. In turn, higher home values mean greater property taxes, which directly benefit Scottsdale and Maricopa County.

DESERT MOUNTAIN



The generosity of our Members is unmatched with their financial support through CARE and the Desert Mountain Foundation (DMF).

CARE donations in 2022 totaled \$1.2 million to help fund cancer awareness through research and education with HonorHealth and Mayo Clinic. CARE held their annual GALA as well as their golf tournament to help draw attention to cancer research. This helped raise their total over 25 years to \$9.6 million.

Through the 2022-2023 school year, DMF awarded \$417,823 in scholarship grants to Desert Mountain Club employees and their family members who attend four-year universities, community colleges and professional development programs. The DMF Annual Day of Play is the single largest fundraising component with Members staffing displays across The Mountain and encouraging other Members to donate to a great cause. In addition, DMF raises money for the Helping Hands Employee Hardship Fund. This fund provides financial support to Desert Mountain Club and HOA employees and their dependents when they face significant, temporary financial hardship caused by a sudden, unexpected event beyond their control.

In May 2022, Desert Mountain Club was proud to host Tee it Up for the Troops, a fundraising event benefiting the Congressional Medal of Honor Society and its Foundation. The event, which raised more than \$110,000, honored all U.S. Military service members and supported all those who have been wounded and injured in the defense of our nation's freedoms. More than 120 Desert Mountain Members participated in the event by playing golf with Medal of Honor recipients at Outlaw Golf Course or sponsoring portions of the day.



The Desert Mountain agronomy team continues to raise the benchmark across the club industry with its scientific approach to water and turf management. With seven golf courses encompassing almost 1,500 feet of elevation changes, it is critical to use the correct combination of turf, fertilizer and water for each specific course, in order to offer our Members year-round golfing availability. While other clubs in Arizona need to shut down half or all of their entire golf course inventory for overseeding twice a year, Desert Mountain Members always have a choice of golf courses to enjoy any week of the year.

Water conservation and proper management is critical in the desert environment we call home. Our agronomy team has made great progress in a relatively short time to reduce water usage for our seven golf courses. In addition, our use of reclaimed water puts less strain on the limited water resources provided by the City of Scottsdale.

Here are a few of their 2022 accomplishments:

CONSTRUCTION

- Finished construction on the new Renegade driving range and wedge range. Installed new varieties (Tiff Tuff and Tahoma 31) of Bermudagrass that are 30-40% more drought tolerant and are superior playing surfaces.
- Installed a brand-new variety of zoysia grass called Stadium Zoysia that has shown tremendous drought tolerance and superior playing conditions on the new target greens to monitor for a possible new turf variety for future projects.
- Completed the renovation work on Renegade Golf
 Course and converted the course to Ryegrass.
 - The design on hole #1 was changed to make it more playable and help protect the new parking lot area for the new clubhouse. Also made slight changes to the white greens on holes #1, 5, & 9 to help with playability and make the greens more receptive to shots. All tee boxes were leveled and returned to traditional desert tees, adding 2.5 acres of teeing ground.
- Apache driving range tee was expanded with 10,000 sq. ft. of additional teeing ground and new Bermudagrass variety called Tahoma 31 that is a superior drought resistant turf.

WATER MANAGEMENT

- Desert Mountain saved approximately 5% (40 50 million gallons) of our normal irrigation water usage by implementing water saving strategies.
- Utilized moisture meters that informed us when the turf and soil needed water based on data reports.
- Followed ET (Evapotranspiration) rates and only applied what the turf needed.
- Applied wetting agents to help soil retain and utilize water more efficiently.
- Upgraded irrigation software to maximize water usage and control individual heads where possible.
- Hand-watered select areas that required additional moisture on an as-needed basis.
- Conducted routine maintenance on pump stations and water telemetry system to help eliminate water waste due to broken pipes or pumps.
- Converted playing surfaces to newer varieties of turf that are more drought tolerant than older varieties.
- Employed regular irrigation audits on all facilities to ensure that irrigation heads operated properly and are distributed water as needed.

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DESERT MOUNTAIN CLUB HIGHLIGHTS



Dining, catering and social events play an important role in our Members' lives at Desert Mountain. Families, friends and guests enjoy spending holidays, special celebrations, weddings, birthday parties and fun activities together which help build lifetime memories. In 2022, the Club developed several capacity enhancements to allow Members even more opportunities to spend quality time together at Club restaurants or at home in intimate settings. To review a complete list of these initiatives, visit the Capital Enhancement section on the website under "My Club".

2022 F&B COVER COUNTS:

- Served 310,212 Covers Total
- Restaurant Covers = 274,782
- Catering Covers = 35,430
- C/G served 412 meals on Thanksgiving Day to Members and their families
- Apache sold out their Thanksgiving inventory of 80 to-go turkeys to Members hosting guests at home
- \$17.0 million in total revenue

CATERING HIGHLIGHTS

- The Club held 23 weddings
- 60 Family Events were held
- \$3.2 million in catering revenue

NEW FOOD & FAMILY CONCEPTS

- Sushi Night
- Chinese Takeout
- Ramen Night
- Asian Street Food at Seven
- Angelo's Pizza Kitchen
- Wine Sale with the addition of a Food Truck and Art Social
- Fall Family Carnival at Sonoran



DESERT MOUNTAIN GOLF HIGHLIGHTS



With seven golf courses, our Members have the opportunity year-round to play a lot of golf: for fun, in league play, and in numerous tournaments.

GOLF:

- Total Rounds = 184,243
- Guest Rounds = 27,077 (15% of total rounds)
- There were 7,559 tournament rounds
- 2,793 lessons provided by the professionals at the Jim Flick Golf Performance Center
- 383 club fittings by Master Club Fitter at |im Flick Golf Performance Center
- I43 Holes-in-one (3I of those were at No. 7 and 69 were part of the Hole-In-One Club)
- Practice Facilities were enhanced by adding FLAGD distance technology, Renegade and Apache added an artificial grass strip and the Apache practice tee was expanded. Renegade's new practice facility also includes a new wedge game area that will help Members sharpen skills and could result in more holes-in-one in 2023!

RETAIL

- Best of the Best, Association of Golf Merchandisers
- Platinum Award Winner, Association of Golf Merchandisers
- Spring and Fall Demo Days generated \$780,000 in retail sales
- Total Inventory Items Received = 109,858 units
- Ship Sticks = 1,072 total golf bags shipped/received for Members





DESERT MOUNTAIN SONORAN CLUBHOUSE HIGHLIGHTS



The Sonoran Clubhouse is truly the heart of the entire Club. With its commitment to wellness, Sonoran touches all of our Members in a variety of ways.

FITNESS

- The personal training staff increased to 16 teammates. This resulted in a record number of almost 14,000 Member individual training sessions.
- Our personal training team continues to expand their offerings by increasing their professional knowledge and certifications. We invested almost \$6,000 in this initiative in 2022.
- With Member and Teammate safety as our top priority, we initiated CPR/AED training classes for our Members in 2022 and received great positive feedback.
- Fitness capital purchases included 22 Ferrari Red Technogym group cycle bikes which provide information to Members regarding their individual workout level and intensity.
- We offered 3,400 fitness classes, increasing the participation in the two studios, and expanding the classes in the afternoon.

RACQUET SPORTS | Tennis & Pickleball

- Hired Rich Slivocka, USTA National President
- 809 Tennis lessons
- 838 Members participated in tennis clinics
- 141 family Members participated in junior tennis programs
- 63 family Members participated in junior tennis clinics
- 811 pickleball lessons
- 66 pickleball special events
- More than 700 Members participated in pickleball league play



THE SPA at DESERT MOUNTAIN

- 15,980 total services
- 7,742 hair & nail services
- 2,367 facials
- 5,871 massages
- Replacement of pedicure chairs
- Redesign of service offerings for more customizations for our Members
- Updated Member reservation policies to expand capacity and improve accurate availability

LIFESTYLE ACTIVITIES \mid Bocce & Croquet

- Bocce league participation grew from 1,608 (2021) to 1,904 (2022) participants.
- Introduced a second style of league play for bocce: Cholla League & Tumbleweed League.
- Hired a new Recreation Attendant to assist with all bocce & croquet programming due to an increase in participation.
- Invited Golf Croquet professional Cheryl Bromley to offer golf croquet clinics & tournaments to our Members.
- Held monthly croquet IOI classes, tournaments, and wine $\boldsymbol{\delta}$ wickets.
- Offered 4-person bocce tournaments |uly September when no league play was happening (52 participants).

YOUTH & FAMILY ACTIVITIES

- Growth in Kids Camp participation from 522 (2021) to 650 (2022).
- Growth in Kids and Family Event participation from 580 (2021) to 838 (2022).
- Based on increased Member usage, a new Youth Activities Coordinator as well as two new Youth Attendants were hired to assist with programming.
- Introduced a new week-long structure to our Kids Summer Camps due to increased demand from young families remaining on property.
- Enhanced program offerings during holiday break Kids Camps to include outside entertainment vendors and unique game experiences.





OUTDOOR ADVENTURES

- The Outdoor Adventure team worked on three main areas of focus in 2022:
 - Active adventures on and off property events such as hiking, kayaking, rafting, etc.
 - Educational events off property trips to conservation centers/sanctuaries as well as speaker events on property.
 Star Tours (offered 2 events in the spring) averaged over I30 Members in attendance.
 - Private outings ranging from day trips with an active adventure coupled with off-property dining experience.
- 2022 Member participation increased 237% over 2021.
- Increased Member participation resulted in adding an Outdoor Adventure Guide to the team.
- Hosted II7 total guests over II nights of glamping offered at Gold Reef camp.
- 15,661 hikers hit the trails in 2022, similar to 2018 and 2019.



DESERT MOUNTAIN TALENT & CULTURE HIGHLIGHTS

At Desert Mountain, attracting, hiring and retaining top-quality talent is best demonstrated by survey reviews and comment cards submitted by our Members as seen in the side bar.

- Reduction of teammate turnover from 44% (2021) to 30% (2022), compared to local hospitality industry average of 50%.
- Achieved "Great Place to Work®" certification.
- Improved and expanded our internship program to be more comprehensive and include internal teammates.
- Increased starting wages for all entry-level positions.
- Enhanced teammate benefits to include:
 - Additional insurance options at no extra cost and additional paid time off to remain competitive with local resorts and similar clubs
 - Parental leave available for all PT & FT teammates
 - An additional PTO day in the form of Floating Holiday
 - Optional AFLAC benefits available to PT & FT teammates
- Opened on-site medical clinic through HonorHealth for Members and teammates; available 5 days a week with a full-time physician.
- Introduced comprehensive Clifton Strengths assessment & coaching for leaders to maximize potential and strengthen teams.
- Added a J1 internship program for Culinary team (I2 months program).

DESERT MOUNTAIN WORKFORCE | Total Teammates

- 2022 Summer: 584 Full-Time / II3 Part-time
- 2022 Winter: 596 Full-time / I59 Part-time / 83 visa
- On-boarded over 340 teammates (hires/rehires) and paid over 90 referral bonuses in 2022.

TEAMMATE FACTS

- Largest Departments: Agronomy 215 | F&B 185
- Average Tenure (full time): 5.7 years
- Number of 2022 Scholarship recipients: 21
- Number of Countries of Origin: 22
- Number of languages spoken by our teammates around the Club: 13

FROM OUR MEMBERS:

"Xavier is an excellent server, he made our evening very special" – **Mary D.**

"Everything was perfect. Special thanks to Chef Robin and his mastery of the kitchen. We enjoyed sitting at the chef's rail and truly appreciate the special treat!" – **Pam C.**

"Chris has always been extra attentive and professional. Look forward to seeing him. He ensures that we have the best experience possible!" – Jim K.

"We had my mom and her best friend in town for the week and this dinner was memorable. They were overwhelmed by the service and the ambiance of Apache. Thanks to everyone!!!" – **June L.**

"Coco is the best server ever! So personable and incredibly attentive. Knows so much, about wine too! We just love her. Dinner was amazing tonight" – **Barbara C**.

"Sam cuts my hair every 3-4 weeks...and is truly an example of the type of representative you would expect to meet at an exclusive club like Desert Mountain." – **Tony L.**





DESERT MOUNTAIN PR & MARKETING HIGHLIGHTS



MEDIA COVERAGE

Linksmagazine.com / Joe Passov - February 2022 Toughest Set of Par Fours Circulation: 70,000

Phoenixmag.com / **Tom Mackin** 7 Major Reasons Why Phoenix is Golf Town U.S.A. -February 2022 Circulation: 47,015

Golfpass.com / Jason Degan - February 2022 Exploring New Golf Courses in Phoenix/Scottsdale Circulation: 839,910

Golfmonthly.com / Roderick Easdale - February 2022 Best Golf Courses in Arizona Circulation: 453,514

Club+Resort Business – April 2022 2022 Top Ranked Fitness & Wellness Facilities Circulation: 20,000

AZBigMedia.com - April 2022 Ranking Arizona: Top 10 Golf Courses for 2022 Circulation: 509,762

Mansionglobal.com - John Scott Lewinksi - May 2022 Turnkey is King for Those With a 'Move-In-Now' Mentality Circulation: 1,074,295

The First Call – May 2022 Desert Mountain CARE giving program posts record-breaking year Circulation: 170,000

PGA Magazine Best Practices / – August 2022

Segment Club Fitting to Gain Maximum Benefit for your Customer (Chris Heasley) Circulation: 27,300

The First Call / Shaun Tolson – August 2022 The Grandaddy of Member-Guests Circulation: 170,000

Club Director / National Club Association magazine – October 2022 Changing Tables (Chef Bertrand) Circulation: 6,500

PGA Magazine / Don Jozwiak with Scott Kramer October 2022 A World of Possibilities Circulation: 27,300

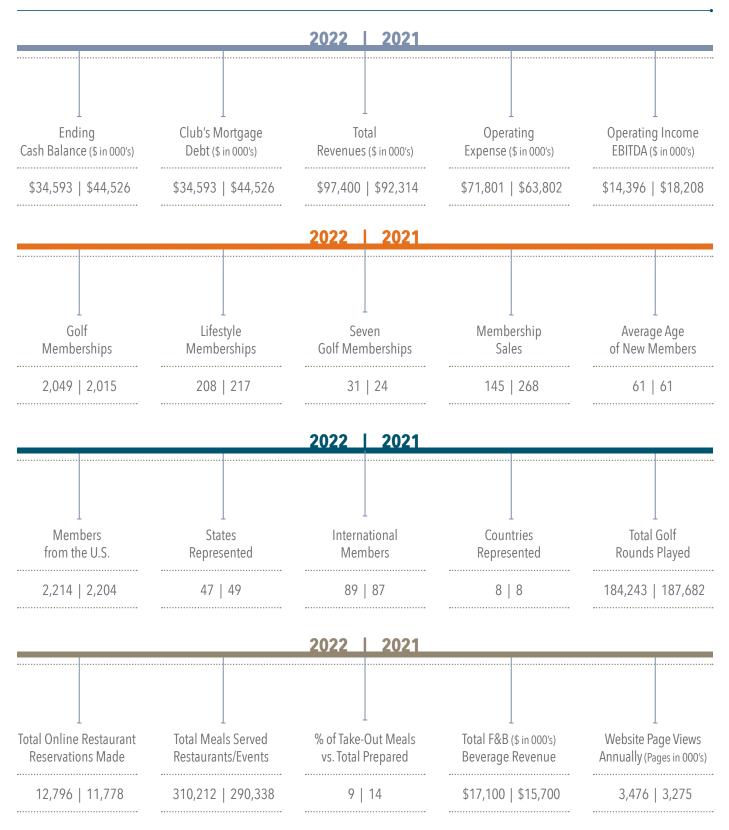
Fox Business News TV / Masion Global airing and streaming - November 2022 Desert Mountain Real Estate – Featured Homes Circulation: 201,000

Chicago District Golfer / Len Ziehm – November 2022 A Radically Different Approach (Richard Franklin) Circulation: 60,000

Club + resortchef.com / Pamela Brill November 2022 How Three Club Chefs Prepared for Thanksgiving (Chef Bertrand) Circulation: 50,000



DESERT MOUNTAIN BY THE NUMBERS



FINANCIAL HIGHLIGHTS — Capital Planning on The Mountain

Since Desert Mountain was founded 36 years ago, much has changed. The Club, which was originally developed as a for-profit private golf and housing community, has evolved into a Member-owned, non-profit club. The Board and Senior Management have seen over the years that clubs that embrace change grow with purpose and experience significant financial success while clubs that remain stagnant or are slow to change in their thinking and planning suffer financially in both the short-term and long-term.

In a recent presentation to Desert Mountain by Club Benchmarking, an independent private club industry consultancy, data from more than 1,000 clubs across the country statistically confirmed these points of view. In addition, Club Benchmarking has also established an Alliance of participating top clubs based on their growth assets to Net Property, Plant and Equipment (PPE) ratio and formed an "Alliance average" for these clubs to compare and contrast their financial results. Several clubs in the Alliance include Desert Mountain, Congressional, Baltustrol, Southern Hills, The Country Club, Country Club of Virginia, and Farmington Country Club.



SHUN CHANGE - STAGNANT

25% Shrinking

- 1. Too few members as a result of weak member experience
- 2. Narrow breadth of lackluster services and amenities

3. Weak Balance Sheet

- a. Declining Net Worth
- b. Significant deferred capital investment c. Lack of adequate cash reserves
- 4. Operational Governance over Strategic Governance
- 5. Members think like Customers, not like Owners

EVOLVING SLOWLY

50% Sideways - Moderate Growth

- I. Barely adequate to adequate number of members
- 2. Lackluster to above average services and amenities

3. Average Balance Sheet

- a. Net Worth flat to slight growth in real dollars
- b. Significant to slightly deferred capital investment
- c. Some cash reserved
- 4. Bounce between Operational and Strategic Governance
- 5. Mix of members who think like Customers and like Owners



EMBRACE CHANGE - DYNAMIC

25% Growing Purposefully

- I. Full Membership Roster
- 2. Compelling member experience with broad array of services and amenities
- **3. Strong Balance Sheet**

a. Net Worth growing > 5% CAGR b. Fresh and up-to-date asset base c. Adequate cash reserves

- 4. Focus of Governance is on making the club better (can still be stuck in Operational Governance at times)
- 5. Most members think like Owners and take pride

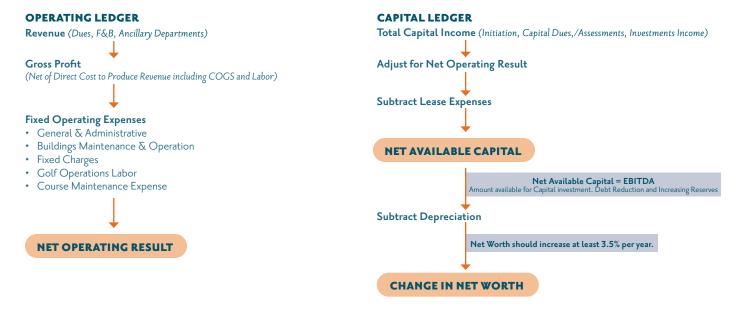
THE TWO PREVAILING PERSPECTIVES — The Tension of Opposites

It is important to note that not all Club Members embrace change, as highlighted in the two perspectives below from Club Benchmarking. Based on our 2022 Club Member survey, the Board learned that the majority of Desert Mountain Members consider us a great club, one that is focused on providing exceptional experiences every day for our Members and their families. The key to our sucess is finding the right balance between the two perspectives.

EFFICIENCY VIEW	MAKE THIS PLACE GREAT VIEW
I. Don't raise dues - if the club is too expensive,	I. Let's make this club great.
we won't get members.	2. I am willing to pay for the services and amenities
2. We need to be "efficient."	I want and the quality of service I desire.
3. Don't lose money in F&B.	3. Don't go crazy and double the cost of belonging
4. Ultimately - a price over value view.	overnight, but I will invest to make the club stronge
· · · · · · · · · · · · · · · · · · ·	4. Ultimately - a value over price view.

THE FRAMEWORK | FINANCIAL INSIGHT MODEL | Income Statement

As a non-profit organization, revenues generated from dues, food & beverage, events, activities, etc. are designed to cover the fixed operating expenses of the Club, and ideally result in a break-even total. Revenue generated from initiation fees and investment income are designed to pay for capital investments such as improvements to current facilities and increase cash reserves for necessary future projects. Without appropriate levels of capital income, the Club will not have the required financial resources moving forward to fund critical projects and will need to borrow money or assess the Membership. An excellent example of using capital assets to replace inadequate facilities was in 2020 when the Membership overwhelmingly voted to replace the Hideout restaurant with the new Renegade Clubhouse.



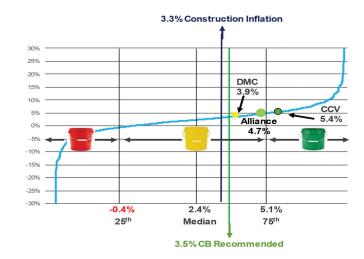
NET WORTH OVER TIME — The Most Important Financial Metric

Growth of Member's Equity Drives the following:

Investing in our Club's future is just good business as it is the financial engine that drives the net worth of the Club over time. As you will see in the chart below, Desert Mountain (DMC) at 3.9% is above the club industry median of 2.4% but below other financially successful clubs in the Alliance at 4.7%. Net worth over time reflects market relevance and competitive standing when potential future members are considering which club they should join. Investing prudently, steadily and wisely over several years is the trademark of clubs that are financially successful but also vibrant and desirable as a great place to be.

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- Balance Sheet Strength
- Investment in Property, Plant & Equipment
- Initiation Fee Growth
- Net Worth Over Time reflects market relevance and competitive standing



The 2022 audit is complete and we are pleased to report that we have received a clean opinion on our 2022 financial statements. The Audit Committee has reviewed and discussed with management as well as the independent public accounting firm of Eide Bailly, Desert Mountain Club's audited financial statements and the internal controls over financial reporting as of December 31, 2022. Also discussed with the firm were:

- Matters required in accordance with Auditing Standards
- Independence requirements of independent public accounting firms and the confirmation of the independence of Eide Bailly
- The overall scope, plans and fees for the audit of the financial statements for the year ended December 31, 2022

Based on the reviews and discussions referred to above, in reliance on management and the independent public accounting firm, and subject to the limitations of our role, the Audit Committee recommended to the Board of Directors (and the Board has approved) the inclusion of the consolidated financial statements in the Annual Report for the year ended December 31, 2022. There is more detail in the Club's Annual Audited Financial Statement Report.

The Club's continued financial success has allowed us to retain our teammates, enhance the Membership experience and invest in several facility improvements in cash. Key financial highlights include:

- For the full year, revenues of \$97.4 million were up 5.5% year over year driven by dues and operational revenues.
- In 2022, we brought in 123 new Full Golf Members, 9 new Seven Golf Members and 13 new Lifestyle Members. These new Members include 26 membership activations inside the Seven Community with 17 of the 26 being Full Golf Members. We ended the year with a golf count of 2,049 (includes the Seven Community), Seven golf count of 31 and Lifestyle count of 208.
- EBITDA (operating income) of \$14.4 million was in line to our budget. Excluding initiation fees of \$11.8 million, the Club's income from operations of \$2.6 million was adequate to pay all other debt obligations.
- Total operating expenses were \$71.8 million, up 12.5% year over year due to market wage adjustments and merit increases for payroll, employee retention and gas assistance program, agronomy utilities, seed, fertilizer

and chemicals as well as increased operating supplies and usual major maintenance. As reported in the media, labor rates have risen significantly in the service industry and the Club's payroll and benefits reflect 66% of total operating expenses. Our ability to attract and retain talented employees is key to enhancing the Members experience, which is an extremely critical component of the Club's long-term success.

- Our team continues to identify operating efficiencies every year. Over the last 5 years, we achieved savings of nearly \$4.0 million through re-organization of select departments, purchasing synergies, lower employee medical loss claims and other operational changes.
- For the full year, EBITDA (net operating income) of \$14.4 million was down from \$18.2 million in the prior year partly due to lower initiation fees and largely driven by the higher operating expenses. More than 80% of EBITDA includes initiation fees of \$11.8 million, which are set aside to fund capital investment.
- Our capital expenditures in 2022 totaled \$22.2 million, which was up from \$6.7 million in the prior year. We completed construction on the new Centralized Receiving, Recycling and Laundry Facility late last year, which will provide purchasing efficiencies and cost savings for years to come. In addition, we began constructing the Renegade Clubhouse, re-invested in the Renegade Golf Course to address playability and design issues, renovated the Renegade Range, opened the new Honor Health Medical Clinic, completed the new restrooms and comfort stations on Renegade and Apache as well as purchased new agronomy equipment and replaced various pieces of equipment that were beyond repair.
- We ended the year with \$34.6 million in cash and investments, which was lower than the beginning year's balance of \$44.5 million driven by capital investment. Capital investment in our Club will enhance our net worth over time and provide the quality Member experience for existing and future Members.

In all that we do, our financial stability will remain a key priority and we will make the necessary adjustments in our financial plan if we see a slow down in new initiation fee revenue and/or a negative financial impact from a recession. In summary, the solid financial results continue to position the Club for re-investment in the facilities and the Membership experience. The Finance Committee worked with Club Management throughout the year to advise, monitor and provide oversight for financial results. In addition, the Committee was an integral part of the planning and budgeting process as well as reviewed all major financial initiatives. The Committee and Club Management are focused on prioritizing every initiative, striking the right balance in making decisions that are in the best interest of the entire Membership and delivering long-term financial stability.

DESERT MOUNTAIN CLUB, INC. Condensed and Consolidated Statement of Financial Position (\$ in 000's)					
ASSETS	2022	2021			
Cash, Cash Equivalents and CDs	\$34,593	\$44,526			
Receivables, Net	7,779	7,517			
Other Current Assets	4,312	3,091			
Property & Equipment, Other	129,653	111,137			
Total Assets	176,336	166,271			
LIABILITIES					
Accounts Payable	2,659	1,367			
Other Current Liabilities	11,247	9,798			
Other Liabilities	1,431	3,507			
Operating Lease Liability	3,917	1,961			
Long-Term Debt	23,829	25,192			
Total Liabilities	43,084	41,825			
Net Assets, Unrestricted	133,253	124,446			
Total Liabilities and Net Assets	\$176,336	\$166,271			

DESERT MOUNTAIN CLUB, INC.

Condensed and Consolidated Statement of Activities for the I2 Months (\$ in 000's)

Change in Net Assets	\$8,807	21,197
Other Income and Expenses	(5,589)	2,989
Derivative Gain	3,858	1,278
Loss on Sale of Assets	(530)	-
Unrealized Loss	(112)	-
Income Tax Expense	(252)	1,716
Depreciation and Amortization	(9,135)	(8,086)
Interest Expense	(1,080)	(1,103)
Other Expense	(7)	(141)
Other Income	(1)	(196)
Capital and Operating Reserve Fees and Other	1,670	9,521
OTHER INCOME AND EXPENSES		
EBITDA (Operating Income)	14,396	18,208
Total Expenses	83,004	74,106
Operating Expenses	71,801	63,802
Cost of Sales	11,203	10,304
Revenue	97,400	92,314
Other Revenues	35,979	33,627
Initiation and Transfer Fee Revenue	11,845	12,943
Dues	\$49,576	\$45,744
REVENUES AND EXPENSES	2022	2021

Con	densed and Conso	DESERT MOUNT blidated Statement of		l2 Months (\$ in	000's)		
ASH FLOWS FROM OPERATING	ACTIVITIES				2022	2021	
nange in Unrestricted Net Assets (excludes Member	contribution fees)			(\$4,708)	(\$1,267)	
epreciation and Amortization		····,			9,135	8,086	
eferred Income Taxes					(30)	(1,772)	
an Fees, PP&E, COD, Interest or	Note, Derivative				(3,384)	(1,491)	
nange in Working Capital					(951)	365	
et Cash Provided By (Used In) C	perating Activitie	25			62	3,921	
ASH FLOWS FROM INVESTING	ACTIVITIES						
et Payments Collected on Notes	Receivable				464	37	
rchases of Certificates of Deposi					6,278	(15,945)	
oceeds from Sale of Membership	Assets				7	141	
dditions to Property and Equipme	ent, Net				(22,251)	(6,718)	
et Cash Provided By (Used In) Investing Activities					(15,502)	(22,485)	
ASH FLOWS FROM FINANCING	ACTIVITIES						
ember Contribution - Initiation a	nd Transfer Fees				11,845	12,943	
ember Contribution - Capital and	Operating Reserve	e Fee			1,670	9,521	
epayment of Long-Term Debt	1 0				(1,730)	(1,600)	
et Cash Provided by (Used In) F	inancing Activitie	S			11,785	20,864	
et Increase (Decrease) in Cash a	-				(3,655)	2,300	
ash and Cash Equivalents, Begir	-				8,234	5,934	
ash and Cash Equivalents, E	-				\$4,579	\$8,234	
					<i>Q</i> (<i>j</i> 0) <i>j</i>	\$0,20	
		2022 REVENUE (
2022 P/Y Var \$ Mix % 2021					P/Y Var		
Dues \$49.6 3.9 51.0% 45.7 Initiation & Transfer Fees \$11.8 (1.1) 12.1% 12.9				8.5%			
Food & Beverage	\$17.0	1.5	12.1%	12.9	9.7%		
Golf and Retail	\$17.0	0.8	14.0%	12.8	6.6%		
Sonoran	\$3.7	0.3	3.8%	3.4	7.6%		
Other Income	\$1.5	(0.4)	1.6%	2.0	(20.0%)		
	\$97.3	5.0	100%	92.3	5.5%		

	2022	P/Y Var \$	Mix %	2021	P/Y Var	
Agronomy	\$22.1	(1.4)	30.8%	20.7	6.8%	
Food & Beverage	\$17.2	(2.6)	24.0%	14.6	19.4%	
Selling, General & Administrative	\$12.7	(1.1)	17.7%	11.6	8.6%	
Golf Course & Retail	\$9.1	(1.1)	12.7%	8.0	13.8%	
Facilities	\$7.3	(1.0)	10.2%	6.3	14.7%	
Sonoran	\$3.4	(0.8)	4.6%	2.6	30.0%	
	\$71.8	(8.0)	100%	63.8	12.5%	

2022 OPERATING EXPENSES (millions of dollars)

	2022	P/Y Var \$	Mix %	2021	P/Y Var	
Payroll & Benefits	\$49.0	(6.6)	68.2%	42.4	15.6%	
Clubs, Repairs & Maintenance	\$10.0	(0.6)	13.9%	9.4	6.4%	
Utilities	\$4.5	(0.7)	6.3%	3.8	18.4%	
Rent, Taxes & Insurance	\$2.8	0.2	3.9%	3.0	(6.7%)	
G&A and Professional Fees	\$3.7	(0.3)	5.2%	3.4	8.8%	
Advertising, Promotions	\$1.8	0.0	2.5%	1.8	0.0%	
	\$71.8	(8.0)	100%	63.8	12.5%	

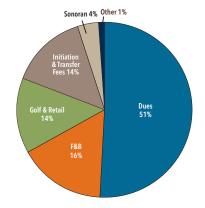
DESERT MOUNTAIN CLUB, INC. | 2023 Budget vs. 2022 Actual Condensed and Consolidated Statement of Activities (\$ in 000's)

REVENUE AND EXPENSES	2023 BUDGET	2022 ACTUAL
Dues	\$ 54,475	\$ 49,576
Initiation and Transfer Fees	15,625	11,845
Other Revenues	37,749	35,979
Revenue	107,849	97,400
Cost of Sales	11,231	11,203
Operating Expenses	77,618	71,801
Operating Expenses	88,849	83,004
EBITDA (Operating Income)	19,000	14,396
OTHER INCOME AND EXPENSES		
Other Member Contribution	2,325	1,670
Other Income	100	(1)
Interest Income	(1,000)	(1,080)
Derivative, Loss on Asset Disposal and Unrealized Loss	1,500	3,216
Depreciation, Amortization, Interest, Taxes and Other	(9,557)	(9,394)
Other Income and Expenses	(6,633)	(5,589)
Change in Net Assets	\$12,368	\$8,807

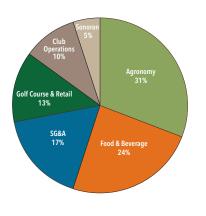
DESERT MOUNTAIN CLUB, INC. | 2023 Budget vs. 2022 Actual Statement of Cash Flow | (\$ in 000's)

CHANGE IN OPERATING CASH	2023 BUDGET	2022 ACTUAL	
Change in Net Assets	12,368	8,807	
Depreciation and Amortization	9,300	9,135	
Gain/Loss on Assets and Derivative	0	(3,384)	
Change in Working Capital	(3,000)	(7,258)	
Cash Provided by Operating Activities	18,668	7,300	
Plus: Investments, Payments Collected on Notes and Other	0	6,748	
Less: Capital Expenditures	(39,095)	(22,251)	
Less: Financing Activities	(1,500)	(1,730)	
Net Increase/Decrease in Cash	(21,927)	(9,933)	
Beginning Cash, January 1	34,593	44,526	
Ending Cash, December 31	12,666	34,593	

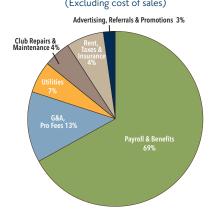
2023 BUDGETED REVENUE



2023 BUDGETED EXPENSES



2023 BUDGETED OPERATING EXPENSES (Excluding cost of sales)



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DESERT MOUNTAIN WELCOME NEW MEMBERS

Martin Allen & Laura Armentrout Oscar Andrade Rick & Kathy Barnard Bob & Crista Binder Ken & Kathi Black Blake & Jackie Bonyko Dan & Wendy Boutell Tony & Michele Brancato Dr. Sam & Teresa Butman Dr. David Camarata Mike & Sandy Carroll Bernie & Robin Clark Brian & Lori Cloch Michael D. & Karen Combs Dan & Janet Costello Mark & Angela Crandall Bob & Judy Custer Pete & Gina D'Avanzo Peter DeSantis & Kimanh Moreau David DiCenso & Kathleen Drew Jim & Maria Dimitriou Rick Dorn Dennis & Sarah Drislane Craig & Marilee Eerkes Wes Eklund & Nancy Miller Bill & Nancy Ellis Kirk & Karen Erickson Dan & Kathie Fitzgerald Larry & Kelly Froeber John & Caryn Gallop Greg & Diane Garvey Katie Graczyk & Dr. Matt Graczyk Billy & Judy Greenblatt Kari & Scott Hall Jim & Jane Harrenga John & Deanna Hathaway Jerry & Amy Heath Dr. Jeff & Deana Henn Glen & Amy Herrick

Greg Hesser Tim & Kathy Hill Carter & Sydney Hodge Bill & Julie Holland Carl & Michelle Holtmann David Holtzman & Lisa Kuller Chris & Becky Hurley Lori Jensen David A & Mary Beth Johnson Cecil & Melinda Jones Ken Jones & Dr. Julie Jones Gary & Margaret Kachadurian Dr. Scott & Liz Kantor Brett & Marcie Keller Curt & Lorvlle Ketterer Dr. Scott & Dr. Erika Kieser Kirk & Carrie Kinsell Eric & Cybele Kline TJ & Marj Klomp Dr. Keith & Becki Krueger Alexander Kucher David Ladd & Ronda Sandquist Chris & Marianne Lane Jon & Nini Laube Chris Lindhorst & Dr. Grace Lindhorst J.R. & Dee Linzey Scott & Lee-Ann Lochhead Charles & Carol Lubin Michael & Lori Lyman Eric & Robin Maddix Armand & Tami Marciano Joe & Darlene Marushack Dr. Paul & Carla McCombs Chris & Joey Mills Jeff & Carol Moench Ben & Deb Morgan Dennis & Tama Mullen Maurice & Carol Murphy Dr. Lee & Karen Newcomer Mike & Carolann Nielsen Dr. Jon & Susan Nolan Chris Nordeen & Dr. Liza Robles-Nordeen Chris & Julie O'Leary

Mark & Melissa Ondash Stacie Palmer Mike & Yvonne Parziale Geoff & Chervl Perfect Robert Petkun & Cara Schwindt Chris & Lisa Poulan Zach Pryor Scott & Staci Richardson Ray Richmond & Breezy Winkle Jeff & Margie Robberson Stephen & Kathleen Robertson Timothy & Kimberly Rogers Dr. Tom & Lorena Rosenberg Ara & Michele Sarkisian Reid & Mary Scofield Frank & Sharon Semancik Tom & Terese Shanley W. Scott & Kathleen Shuler Danny & Diane Siegel Dr. Bryan & Allison Siegelman Judy Skadron Jeffrey & Therese Smiens Daniel Smith Scott & Raelynn Steffensmeier Larry & Pam Stein Bill & Becky Stock Bill & Lynda Stoops **Barry Sturges** Emanuel Tabachnik & Debra Levis Brant & Kim Taylor Jonathan Tessmar & Hilary Van Ert Tres & Gail Thompson Mark & Tricia Tomlinson Rob & Paula Underwood Joe & Stephanie Vujovich Jack & Lynn Welch Steve White Jr & Katie White Beau & Michelle Willadsen Scott & Brittany Wilson Eric & Kim Winterhalter Kevin & Pam Wolf Harry & Tracy Wolin Jeff & Nan Zurn























DESERT MOUNTAIN **BOARD** of **DIRECTORS** and **COMMITTEES**











Steve Cardinal



eff Heuple



HOUSE Steve Cardinal - Chair Athena Kaviris Chris Storbeck

Janet Curry Roger Florentine Katherine Helm Ranee |acobus Keith Marshall Chris Scollo

GOLF & AGRONOMY

Chris Storbeck - Chair eff Smith Mark Aspenson Chris Bertschy Brian Enns Betsy Gaines (also Handicap Committee Chair) Kirk Marshall Colleen Seymour Mia Yohe





MEMBERSHIP

leff Smith - Chair leff Heuple John Shanholt Tim Miller Dave Mingo Russell Thornton Harry Zoberman

AUDIT

leff Heuple - Chair Steve Cardinal George |uetten Thomas Kosler Larry Ulrich . Bill Ward

MEMBER STANDARDS

Kathy Kory - Chair Athena Kaviris Iill Ford Tom Hulseman Henry Kuller Bruce Pielet Byron Sabol , Bill Sawyer Fern Trevino

FINANCE Pamela Forbes Lieberman - Chair John Shanholt . Van Dukeman Alec Mahmood

George Pollard Catherine Rodewald Bruce Weisenthal

NOMINATING

*Appointed Each November Leo Birkby (2023 Election Chair) Tim Bergstedt Bruce Bower Frances Emerson Bill Harris Tom Hulseman George |uetten Morris Krabbe Harvey Medress Greg Milzcik Dan Nelson Karen Anne Platt Suzanne Welton



DESERT MOUNTAIN SENIOR MANAGEMENT



Chief Executive Office



Andrea Randall Chief Financial Officer



Kim Atkinson Director of Marketing & Communications



Todd Bohn Director of Agronom



Todd Bruen Director of Facilities δ. Construction



Arnaldo Cocuzza Director of Athletics & Sonoran Clubhouse



Cherie Crooks Director of Membership Sales



Gregg Leonard Director of Club Operations



John Lyberger PGA Director of Golf



Wes Pudwill Director of Talent & Culture

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Red Harrison