INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Sugar Ski & Country Club
Sugar Mountain, North Carolina

We have performed the procedures enumerated below on the allocation of Immediate Special Assessment 2016 Siding Project collections of Sugar Ski & Country Club (the Country Club) for the period of January 1, 2016 to March 31, 2023. The Country Club's management is responsible for the allocation of the immediate special assessment collections.

The Country Club has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose, which is to recalculate the allocation of operating and siding project collections of the Country Club for the period of January 1, 2016 to March 31, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

a. We obtained copies of the bank statements for Sugar Ski & Country Club for January 2016 through March 2023. Sixteen bank statements could not be located. However, the bank reconciliations had been prepared in Quickbooks and were obtained for each of the months that a statement wasn't found.

b. We obtained the dues invoices and related deposit documentation for the Immediate Special Assessment 2016 Siding Project for January 2016 through March 2023. $2,840,078.88 had been invoiced for this project with collections of $2,777,133.75 received through March 31, 2023. No findings were identified with this objective.

c. We obtained the loan documentation for the siding project that was used to assess dues for January 2016 through March 2023. We were not able to locate the original budget to support the overall dues assessed. It was noted that the loan draws were not as high as originally planned because some vendor payments were made directly from the siding bank account collections without a corresponding loan draw. This reduced the overall estimated loan principal balance and corresponding interest owed on that balance.

d. We recalculated the portion of expected collections for the siding project and compared those to actual bank deposits made into the siding project bank account. We utilized account details within the Country Club's Quickbooks, in conjunction with invoice documentation, to recalculate the allocation of operating and siding project collections. We compared our recalculation with information presented on the bank statements obtained from the bookkeeper.

Based on our recalculation and comparison, we identified total payments allocated for the siding project assessment charges exceeded actual deposits into the siding project bank account, including transfers in, by $103,807.89 during the period of January 2016 through March 2023. During June 2023, $36,000.00 of this total was transferred from the operating bank account to the siding bank account to assist with loan payoff, resulting in $67,807.89 of uncorrected siding project collections that were deposited into a bank account other than the siding project account.

Additionally, it was noted that $60,000.00 of funds collected for the siding project had been transferred to the money market account to earn a higher interest rate. Only $13,000.00 of these funds were returned to the siding project bank account. The remaining $47,000.00 of these funds do not appear to have been returned to the siding project bank account as of March 2023. In August 2021, $44,049.94 of this amount was used to make a construction loan payment related to the clubhouse project. The remaining $2,950.06 of siding project funds in the money market account were transferred, along with other funding, to the clubhouse bank account in January 2022.

We were engaged by the Country Club to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the allocation of operating and siding project collections. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Country Club and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Country Club and is not intended to be and should not be used by anyone other than those specified parties.

Blackburn, Childers + Steagall, PLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Boone, North Carolina

June 28, 2023