BETTER TOGETHER: TRANSPARENCY SERIES
The LPOA and Lakewood Oaks Country Club
Presented by the Lakewood Property Owners Association
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Part 5 | The Recession Recovery (2010 - 2017)

Introduction

After the first two years of management, there was a bleak beginning for the Golf Course as a result of a deep recession and mismanagement. Beginning on January 1, 2010, there was still much trepidation, but by making some important decisions and re-organizing the business, the Board of Directors knew that they had positioned the company in the right direction for the long term.

The Dust Settling After EAGL Management - 2010

The business started the year on a lower cost basis and with optimism for growth. There was still some cleanup work to do after dismissing EAGL Golf Management. In order to get our suppliers paid up, the LPOA acquired one last round of equity by extending the Promissory Note to an additional $63,865. This, and a small amount of unpaid interest by EAGL, would bring the Promissory Note and Line of Credit payable to LPOA up to its current amount of $936,096.

Fortunately, with the planned efficiencies in place and beginning to work, the Lakewood Holding Company quickly began to see better financial results.

2010 - Lease Agreements

See the attachment in the Members Only Login - “Documents_History of Leases”

A Successful First Year - 2010 Year End

On December 31, 2010, the Lakewood Oaks Golf Club posted net earnings of $422,016. This was a combination of $349,507 of earned cash and a sale of assets that netted an additional $72,509.00. Interest and capital improvements offset this cash by $258,327 for a positive cash flow of $163,689.

This was a substantial improvement and represented a delta of $441,936 from the prior year. It was now evident that the Lakewood Oaks Golf Club was on the right track.

After recovering from a mid-year low of 9,311, the Dow Jones Industrial Average closed on 12-31-10 at 11,578. This was only 10% better than the year end close in 2009. In spite of the good financial news for the Lakewood Holding Company, it was evident that the recovery was going to be slow and steady.

At year end, the debt to Metcalf Bank was down to $2,071.268. This is important because we always check the ratio of debt to valuation to assure that we are balanced and solvent. With a valuation of $3.1 Million, the $2,071,268 of debt left an equity position of $1,028,732 which balanced against the LPOA equity of $936,096 making the promissory notes secure.

Making New Adjustments - 2011

Beginning January 1, 2011 it was evident that the company was moving forward and it was time to start addressing the $500,000 of deferred maintenance and needed improvements that were acquired from the prior owners. The leaking roof, outdated locker rooms, and overall poor condition of the kitchen and grill were the main priorities to re-establish quality of operations.

Yet, our troubles were not quite over and we would be dealt another severe blow.

Unexpected Taxation

The Missouri Department of Revenue informed the Lakewood Holding Company, Inc. that revenue from Golf Club Memberships was taxable. The taxable period went all the way back to the date of acquisition.

Therefore, after a period of conversation with the department, Lakewood Holding Company issued a check in the amount of $170,095.53 to settle all of the disputed back taxes and interest.

This was a frustrating issue because the taxation of membership revenue should have been established at the time of the acquisition. This oversight cost the company the opportunity to collect the taxes from the membership, so the company correctly assumed full responsibility and paid the taxes in full.

This was done by establishing a short term loan from Metcalf Bank in the amount of $150,000 and the remaining $20,095.53 was taken out of cash.

By year end, the company would pay off close to $100,000 of the line leaving a balance of $50,637.68. This obviously offset the Boards' plans to tackle deferred maintenance.

The Lakewood Holding Company ended December 31, 2011 with net earnings of $235,402.36. Interest expense reduced this number by $140,408 for a positive cash flow of $94,994.

At year end the debt to Metcalf Bank was down to $1,994,032.

Overview of Challenges and Circumstances - 2011 Year End

During year four, for a second consecutive year, the Lakewood Holding Company was making money and paying down their debt.

Additionally, the Lakewood Holding Company was paying the LPOA a generous interest rate on the promissory notes.

This interest rate was 6 times higher than what the LPOA could get on their reserve funds invested with Wells Fargo Bank.

At this point, it is important to note that the extended and prolonged period of deferred maintenance and lack of improvement was becoming a source of irritation to the membership. This would result in membership dues remaining flat for the unforeseeable future as well as some loss in revenue due to member attrition.

We were also acutely aware that the demographics of the Lakewood Oaks Golf Club showed a very large portion of the Club Members were seniors. It was evident that the recession had taken its toll on up and coming younger members that would be the future of the Club. This would need to be balanced if the Club was to be successful in the future.

The Dow Jones closed December 31, 2011 at 12,211. This was a mere 5% improvement over the prior year.

Diversifying the Maintenance Opportunities in 2012

The Lakewood Holding Company began January 1, 2012 knowing that it would need to diversify to gain additional and non-traditional revenue.

The company began to leverage its existing assets to increase their revenue by performing localized mowing and snow removal for LPOA common ground, through 2022.

The mowing of LPOA common ground ended in 2022. Outside contractors were hired in 2024 to do the mowing for the LPOA while the golf course maintenance crew re-focused on constantly improving the golf course.

It was also determined in 2012 that the Lakewood Holding Company would sell all non-essential land holdings that were not a part of the actual golf course in order that we raise capital to do improvements.

But the extreme drought of 2012 would dominate the business and the conversation.

Additionally, the Lakewood Property Owners Association chose 2012 to refurbish the Main Pool and add a Water Slide and Spray Park. This project ran in conjunction with the Lake Level dropping over 10 feet resulting in damage to our Marinas.

The Impact of the Drought and Dam Spillway Project - 2012

The Lakewood Holding Company's new General Manager had a dual role in running the company as well as implementing the projects for the LPOA.

This was part of the plan for efficiencies to reduce costs for both the LHC and LPOA. But what ensued because of the drought was beyond anyone's expectations.

The West Lake Spillway, which had experienced unmitigated seepage through the natural limestone formation for 35 years became a hot button issue because of the severe drop in Lake Level.

Some people blamed the spillway for the Lake Level Drop, others blamed the Golf Course for consuming all the water, while others blamed the LPOA members who live on the lake and use lake water to irrigate their lawns.

Yet through all the study and documentation, the major factor in the drought was daily evaporation and no rain.

In late September of 2012 the Lakewood Oaks Golf Course experienced the unthinkable. The Lakewood Lakes receded so far down that our irrigation system was unable to pump lake water without cavitation so we shut it off. It then became a very labor intensive process to use water trucks to irrigate the greens and save them.

We were blessed that this only lasted about a week and then the rain started. And the rain continued, and the lake was full again to everyone's relief.

Year End Financials - 2012

Through it all, the Lakewood Holding Company ended December 31, 2012 with net earnings of $316,060 which was offset by interest of $111,800 for a positive cash flow of $204,260. A very good year given the circumstances.

The debt to Metcalf Bank was down to $1,895,279 at year end. Our third consecutive money making year.

The Dow Jones Industrial Average closed on December 31, 2012 at 13,104. This was a healthy 7% better than the prior year end close.

Addressing Deferred Maintenance - 2013

Beginning January 1, 2013 it was more than evident that deferred maintenance had morphed into being a serious problem. Now that the rains had returned on a regular basis, Staff would run through the clubhouse with buckets to catch the rain entering the building.

The old air conditioners were failing regularly and we had numerous issues on the Golf Course that needed immediate attention.

We continued our mowing and snow removal for M&I Bank at Lakewood's Chapel Ridge Parcel as well as Lakewood's Waters Edge Parcel.

By May of 2013, the Land that the Lakewood Holding Company had for sale was sold. After reviewing bids from two private parties and one from the Lakewood Property Owners Association, the LHC sold the land to the LPOA.

The terms of the sale allowed the LPOA to pay for the land in 12 installments. Then the Lakewood Holding Company took a short term loan with Metcalf Bank for $90,000 and **in October of 2013 the Lakewood Oaks Clubhouse finally had a new roof.**

Year End Financials - 2013

The Lakewood Holding Company ended December 31, 2013 with net earnings of $194,324. This was down 5% from the prior year due to flat revenue and rising costs. This was offset by $105,455 of interest expense for a positive cash flow of $88,869. The sale of land offset by expense for capital improvements netted an additional $18,000 of cash.

The debt to Metcalf Bank was down to $1,791,114 at year end.

The Dow Jones Industrial Average closed on December 31, 2013 at 16,576 which was a record high. This was the first real sign from the East and West Coasts that real economic recovery was occurring. It would still take more time to trickle down to the Midwest.

Progress with Locker Rooms & St. Andrews Pub in 2014

Beginning January 1, 2014 Lakewood Holding Company began to move forward after being stagnant for the past six years.

During a deep freeze in early 2014, a 1" pipe burst in the Lakewood Oaks Golf Clubhouse and flooded the Men's Locker Room and the Augusta Room.

With all retained earnings going to debt reduction, it was evident that the company had to do something bold to move forward and increase the quality of our operation or face the looming and inevitable reduction in membership revenue due to dissatisfaction.

The Board of Directors agreed and we reached out to Metcalf Bank to refinance our facility loan and take some of the equity out to do the capital improvements that needed immediate attention. Interest Rates were still substantially down and it was an optimum time to refinance and reduce our costs.

It would take until October of 2014 to perform all of the due diligence, gain final Board Approval and close the deal with Metcalf Bank.

The loan would then provide $250,000 in cash to renovate the Men's and Women's Locker Room.

This also allowed additional rework of the watershed and cart path on hole no. 13 which had collapsed due to erosion.

We closed with a very favorable interest rate of 4.25 percent. We could now bring in the Architects to begin the design of the locker room renovations.

It was an embarrassment to the company that the locker room was in disrepair for the 2014 golf season. The debt to Metcalf bank prior to refinance was $1,710,000.

Under the Lakewood Improvements Program budget, the LPOA began to renovate the old and outdated 'Grill' in early 2014. This project would complete with the opening of the new St. Andrews Pub in early 2015. This would then be followed by the Locker Room Renovation in 2015.

It was clear to us that deferred maintenance had caught up with us and was now affecting the business. However, the new renovations, once complete, would pave the way to increased customer satisfaction for years to come.

Year End Financials - 2014

The Lakewood Holding Company ended December 31, 2014 with net earnings of $257,030. A sale of an additional parcel of land netted an additional $16,820. This combined $273,850 was offset by interest of $99,477 for a positive cash flow of $174,373.

The debt to Metcalf Bank at year end 2014 was $1,698,982. This would soon increase by $250,000 to $1,948,982 as we withdrew the funds for Capital Improvements.

Reflecting on 5 Years of Positive Movement

At this point, it is important to note that this was our fifth consecutive year of making money, which results in the continuous pay down of debt. Debt reduction through profits had amounted to $814,270 to date.

In addition to this, the company had now paid out over $660,000 in interest to the banks and an additional $130,000 in interest to the LPOA. The Lakewood Holding Company was fully self-sufficient and operating on its own with solid annual performance.

The Dow Jones Industrial Average closed on December 31, 2014 at 17,823. This was a second healthy 7% increase from prior year end.

Restoring Quality in 2015

Beginning January 1, 2015, the Lakewood Holding Company’s emphasis was on restoring quality of operations. Finalizing the design and selecting contractors for the Locker Room Renovations took until mid- year.

Construction began soon after. The Saint Andrew’s Pub was open for business and the new sporty look was embraced by our customers.

Additionally, work on the watershed and revised cart path at hole no. 13 began in March. This work was completed by June 1, 2015.

The Locker Room work would continue through the remainder of the year and would complete in early 2016 after the approval of an additional $60,000 that was obtained under a new line of credit from Central Bank of the Midwest (formerly Metcalf Bank).

Additionally, in 2015 the Lakewood Holding Company was mowing all of the common ground for the Lakewood Property Owners Association.

Year End Financials - 2015

The Lakewood Holding Company ended December 31, 2015 with net earnings of $228,091 which was offset by interest of $90,629 for a positive cash flow of $137,462. This was down almost 8% from prior year end due to a decrease in membership revenue which was anticipated.

Understanding the Changing Club Membership - 2016

Beginning January 31, 2016 we were aware that membership revenue was falling by several percent each year for the past three years.

One primary reason was the disproportionate number of seniors resigning from the club to relocate to warmer climates or due to health reasons, versus the number of younger members joining the club for the first time.

Although our total membership numbers were remaining flat, we were aware the revenue would drop as junior member fees are less than that of full members.

But we were pleased that we were seeing a large number of younger members joining the club. **With the new locker rooms and St. Andrews Pub we were seeing an overall increase in customer satisfaction.**

Costs Associated with Facilities and LPOA Usage - 2016

Furthermore, in 2016, the Lakewood Oaks Clubhouse became the sole clubhouse for the Lakewood Community. We were also aware of the rapidly rising costs of energy, insurance and other items in a post-recession recovery period.

With the Clubhouse being used primarily by the LPOA for meetings, food and beverage, yoga, bridge etc., we would become aware the Lakewood Holding Company’s share of expenses would overburden the company, and at year end we would revise the lease structure accordingly.

Simultaneously, the LPOA was able to save $165,000 in 2016 by not having to operate the Cove Clubhouse. In 2017 we would redistribute these savings to create an equitable usage of the Clubhouse without the Lakewood Holding Company having to incur all of the costs.

But the burden of overcoming $500,000 of acquired deferred maintenance was coming to an end with the completion of all projects in 2016. This would culminate in the painting of the Clubhouse in late 2016. Another project that was sorely needed. We were beginning to feel good about the outlook for the company. Our Midwest recovery was nearing completion and we were building back up the membership that would be the future of the company.

Year End Financials - 2016

The Lakewood Holding Company finished December 31, 2016 with net earnings of $161,659. This was offset by interest of $91,329 for a positive cash flow of $70,330.

The debt to Central Bank of the Midwest was $1,751,913 at year end 2016. We were close to where we were prior to taking the $250,000 out of equity during the refinance.

The Dow Jones closed on December 31, 2016 at 19,752. It was now clearly evident that the U.S. Economy was healthy and in a growth period.

Moving Ahead Towards 2017

Whether you have lived in Lakewood for 35 years or just moved in, you now know the factual and true story of the Lakewood Oaks Golf Club under the control of the Lakewood Property Owners Association.

We are excited about the outlook for the company and the long term benefits to the Lakewood Community. To this point, it is evident that acquiring the company at the worst possible point in time since the great depression of the 1930's created what seemed at times to be insurmountable challenges.

But when good people dig in and work together, nothing is insurmountable. That is the essence of the Lakewood Community. To my recollection, only a handful of people in the world predicted the U.S. housing market collapse and the carnage that would come with it.

But one thing we do know is that the foresight of the community to approve the acquisition and give control of the Golf Course to the Lakewood Property Owners Association was perfect 20/20 vision.

Had this not occurred, we can only speculate the damage to the community if the property would have become foreclosed and bank owned like many other

properties during the deep recession.

We are now entering a period of growth and we are positioned to accelerate. With any organization, the key to successful operations is to run it smoothly with as few bumps as possible. Our history shows some big bumps but smooth sailing is dead ahead.

In the next part of this series, we will discuss the new way forward as the **“Lakewood Oaks Country Club”.**