

PALM DESERT RECREATIONAL FACILITIES CORPORATION BOARD

CITY OF PALM DESERT

MEETING AGENDA

Monday, June 9, 2025

11:00 a.m.

Administrative Conference Room, City Hall

73-510 Fred Waring Drive

Palm Desert, CA 92260

There will be in-person access to this location.

- Written public comment may also be submitted to cityclerk@palmdesert.gov. E-mails received by 4:00 p.m. the day prior to the meeting will be distributed to the Board. Any correspondence received during or after the meeting will be distributed to the Board as soon as practicable and retained for the official record. **Emails will not be read aloud** except as an ADA accommodation.

Pages

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **NONAGENDA PUBLIC COMMENTS**

This time has been set aside for the public to address the Palm Desert Recreational Facilities Corporation Board on issues that are not on the agenda for up to three minutes. Speakers may utilize one of the three options listed on the first page of the agenda. Because the Brown Act does not allow the Palm Desert Recreational Facilities Corporation Board to act on items not listed on the agenda, members may briefly respond or refer the matter to staff for a report and recommendation at a future meeting.

4. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered routine and may be approved by one motion. The public may comment on any items on the Consent Agenda within the three-minute time limit. Individual items may be removed by the Palm Desert Recreational Facilities Corporation Board for a separate discussion.

RECOMMENDATION:
To approve the consent calendar as presented.

4.a APPROVAL OF MINUTES 5

RECOMMENDATION:
Approve the Minutes of June 10, 2024.

5. CONSENT ITEMS HELD OVER

6. ACTION CALENDAR

The public may comment on individual Action Items within the three-minute time limit. Speakers may utilize one of the three options listed on the first page of the agenda.

6.a RESOLUTION APPOINTING PALM DESERT RECREATIONAL FACILITIES CORPORATION PRESIDENT/CEO, VICE PRESIDENT, CHIEF FINANCIAL OFFICER, AND SECRETARY 9

RECOMMENDATION:
Adopt Resolution No. 2025-17 entitled “RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALM DESERT RECREATIONAL FACILITIES CORPORATION APPOINTING CORPORATE OFFICERS.”

6.b RECEIVE AND FILE THE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR END JUNE 30, 2024 39

RECOMMENDATION:
Receive and file the Annual Financial Report for fiscal year ended June 30, 2024.

6.c RECEIVE AND FILE THE FEDERAL AND STATE INCOME TAX RETURNS FOR THE PALM DESERT RECREATIONAL FACILITIES CORPORATION FOR THE YEAR ENDED JUNE 30, 2024 63

RECOMMENDATION:
Receive and file the Federal and State income tax returns for the year ended June 30, 2024.

6.d REVIEW AND APPROVE THE PROPOSED FINANCIAL PLAN FOR THE FISCAL YEAR 2025-2026 91

RECOMMENDATION:
Review and approve the financial plan for the 2025-2026 fiscal year.

6.e ANNUAL ELECTION OF PALM DESERT RECREATIONAL FACILITIES CORPORATION CHAIRPERSON AND VICE CHAIRPERSON

RECOMMENDATION:
Select Chairperson and Vice Chairperson for upcoming year 2026.

7. INFORMATIONAL REPORTS & COMMENTS

7.a BOARD MEMBERS

7.b CITY STAFF

8. ADJOURNMENT

9. PUBLIC NOTICES

Agenda Related Materials: Pursuant to Government Code §54957.5(b)(2) the designated office for inspection of records in connection with this meeting is the Office of the City Clerk, Palm Desert Civic Center, 73-510 Fred Waring Drive, Palm Desert. Staff reports for all agenda items considered in open session, and documents provided to a majority of the legislative bodies are available for public inspection at City Hall and on the City's website at www.palmdesert.gov.

Americans with Disabilities Act: It is the intention of the City of Palm Desert to comply with the Americans with Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, or in meetings on a regular basis, you will need special assistance beyond what is normally provided, the City will attempt to accommodate you in every reasonable manner. Please contact the Office of the City Clerk, (760) 346-0611, at least 48 hours prior to the meeting to inform us of your needs and to determine if accommodation is feasible.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda for the Finance Committee was posted on the City Hall bulletin board and City website not less than 72 hours prior to the meeting.

/S/ Michelle Nance

Acting Assistant City Clerk

PALM DESERT RECREATIONAL FACILITIES CORPORATION BOARD
CITY OF PALM DESERT
REGULAR MEETING MINUTES

June 10, 2024, 11:00 a.m.

Present: Directors Gina Nestande and Kathleen Kelly, Vice Chair Phil Smith, Chair Oscar Armijo

Staff Present: Secretary Níamh Ortega

1. CALL TO ORDER

A Regular Meeting of the Palm Desert Recreational Facilities Corporation Board was called to order by Chair Armijo on June 10, 2024, at 11:00 a.m. in the Administrative Conference Room, City Hall, located at 73-510 Fred Waring Drive, Palm Desert, California.

2. ROLL CALL

3. NON-AGENDA PUBLIC COMMENTS

None.

4. CONSENT CALENDAR

Motion by: Vice Chair Smith

Seconded by: Director Nestande

To approve the consent calendar as presented.

(4 to 0)

4.a APPROVAL OF MINUTES

Approve the Minutes of June 12, 2023.

5. CONSENT ITEMS HELD OVER

None.

6. ACTION CALENDAR

6.a RECEIVE AND FILE THE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2023

Calvin Kunkel, of Lance, Soll & Lunghard, and Derek White, General Manager of Desert Willow Golf Resort, narrated a PowerPoint presentation and responded to director inquiries.

Motion by: Vice Chair Smith

Seconded by: Director Nestande

Receive and file the Annual Financial Report for the Fiscal Year ended June 30, 2023.

Motion Carried (4 to 0)

6.b RECEIVE AND FILE THE FEDERAL AND STATE INCOME TAX RETURNS FOR THE PALM DESERT RECREATIONAL FACILITIES CORPORATION FOR THE YEAR ENDED JUNE 30, 2023

Derek White, General Manager of Desert Willow Golf Resort, provided a staff report and responded to director inquiries.

Motion by: Vice Chair Smith

Seconded by: Director Nestande

Receive and file the Federal and State income tax returns for the year ended June 30, 2023.

Motion Carried (4 to 0)

6.c REVIEW AND APPROVE THE PROPOSED FINANCIAL PLAN FOR THE FISCAL YEAR 2024-2025

Derek White, General Manager of Desert Willow Golf Resort, provided a staff report and responded to director inquiries.

Motion by: Vice Chair Smith

Seconded by: Director Nestande

Review and approve the financial plan for the 2024-2025 fiscal year.

Motion Carried (4 to 0)

6.d ANNUAL ELECTION OF PALM DESERT RECREATIONAL FACILITIES CORPORATION CHAIR AND VICE-CHAIR

Motion by: Director Kelly

Seconded by: Director Nestande

Select Phil Smith to serve as Chairperson and Oscar Armijo to serve as Vice Chairperson.

Motion Carried (4 to 0)

7. INFORMATIONAL REPORTS & COMMENTS

7.a BOARD OF DIRECTORS

None.

7.b CITY STAFF

None.

8. ADJOURNMENT

The Palm Desert Recreational Facilities Corporation Board adjourned.

Respectfully submitted,

Anthony J. Mejia, Secretary

APPROVED ON: __/__/2025

PALM DESERT RECREATIONAL FACILITIES CORPORATION BOARD STAFF REPORT

MEETING DATE: June 9, 2025

PREPARED BY: Michelle Nance, Acting Assistant City Clerk

SUBJECT: RESOLUTION APPOINTING PALM DESERT RECREATIONAL
FACILITIES CORPORATION PRESIDENT/CEO, VICE PRESIDENT,
CHIEF FINANCIAL OFFICER, AND SECRETARY

RECOMMENDATION:

Adopt Resolution No. 2025-17 entitled “RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALM DESERT RECREATIONAL FACILITIES CORPORATION APPOINTING CORPORATE OFFICERS.”

BACKGROUND/ANALYSIS:

The Palm Desert Recreational Facilities Corporation (PDRFC) is a nonprofit public benefit corporation incorporated on February 19, 1997, to support the development and operation of recreational facilities within the City of Palm Desert. The Corporation’s primary role is to lease, operate, and manage the restaurant and bar at Desert Willow Golf Resort.

BOARD OF DIRECTORS

In accordance with the Bylaws, the Board of Directors must consist of no fewer than two and no more than nine members. No more than 50 percent of the Board may be composed of elected officials or senior management employees of the City. Directors serve one-year terms and may be reappointed without term limits. Each Director continues to serve until a successor is appointed and qualified. On May 22, 2025, the City Council confirmed the appointments of Gina Nestande, Evan Trubee, Phil Smith, and Oscar Armijo to the PDRFC Board of Directors:

OFFICER APPOINTMENTS

The Bylaws further authorize the Board of Directors to appoint officers, including a President/Chief Executive Officer, one or more Vice Presidents, a Chief Financial Officer, a Secretary, and any assistant officers as needed. The following officer appointments are recommended:

- **President/Chief Executive Officer:** Richard Cannone, Assistant City Manager
- **Vice President:** Martin Alvarez, Economic Development Director
- **Chief Financial Officer:** Veronica Chavez, Finance Director
- **Secretary:** Anthony Mejia, City Clerk

FINANCIAL IMPACT:

There is no fiscal impact associated with the adoption of this resolution.

ATTACHMENTS:

1. Draft Resolution No. PDRFC 2025-17
2. PDRFC Bylaws and Amended Articles of Incorporation (for reference)

RESOLUTION NO. PDRFC 2025-17

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALM DESERT
RECREATIONAL FACILITIES CORPORATION APPOINTING CORPORATE
OFFICERS

WHEREAS, the Palm Desert Recreational Facilities Corporation (PDRFC) is a nonprofit public benefit corporation incorporated on February 19, 1997, to support the development and operation of recreational facilities within the City of Palm Desert; and

WHEREAS, the primary function of the Corporation is to lease, operate, and manage the restaurant and bar at Desert Willow Golf Resort; and

WHEREAS, the Bylaws of the Corporation authorize the Board of Directors to appoint officers, including a President/Chief Executive Officer, one or more Vice Presidents, a Chief Financial Officer, a Secretary, and any assistant officers as needed; and

WHEREAS, Kathleen Kelly has retired from the PDRFC Board of Directors, and Chris Escobedo and Niamh Ortega have resigned from their respective officer roles as President/Chief Executive Officer and Secretary.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palm Desert Recreational Facilities Corporation as follows:

SECTION 1. The following individuals are hereby appointed to serve as officers of the Corporation, effective immediately:

President/Chief Executive Officer: Richard Cannone

Vice President: Martin Alvarez

Chief Financial Officer: Veronica Chavez

Secretary: Anthony J. Mejia

ADOPTED ON _____.

PHIL SMITH
CHAIRPERSON

ATTEST:

ANTHONY J. MEJIA
SECRETARY

I, Anthony J. Mejia, Secretary of the Palm Desert Recreational Facilities Corporation, hereby certify that Resolution No. PDRFC 2025-17 is a full, true, and correct copy and was duly adopted at a regular meeting of the Palm Desert Recreational Facilities Corporation on June 9, 2025, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RECUSED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Palm Desert Recreational Facilities Corporation on _____.

ANTHONY J. MEJIA
SECRETARY

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FILED
In the office of the Secretary of State
of the State of California

MAR 20 2000

Bill Jones
BILL JONES, Secretary of State

AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF

PALM DESERT RECREATIONAL FACILITIES CORPORATION

A California Nonprofit Public Benefit Corporation

NOW THEREFORE, the Articles are amended as follows:

ARTICLE I

The name of this corporation is Palm Desert Recreational Facilities Corporation.

ARTICLE II

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public purposes. This corporation is not organized for profit.

B. The specific purpose of this corporation is to lease, operate and manage a restaurant and bar in the Desert Willow Golf Course in Palm Desert, California, and any other recreation facilities determined by the City of Palm Desert.

ARTICLE III

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or the corresponding provision of any future United States internal revenue law. Notwithstanding any other provision of these

Articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

ARTICLE IV

The principal office for the transaction of the business of this corporation is to be located in the City of Palm Desert, County of Palm Desert, State of California.

ARTICLE V

The income of this corporation shall not inure to the benefit of any private person. All income of this corporation shall inure to the benefit of the City of Palm Desert.

ARTICLE VI

This corporation shall dissolve whenever its charter is surrendered to, taken away by, or revoked by the City of Palm Desert. Upon winding up and dissolution of this corporation, after paying or adequately providing for the debts and obligations of the corporation, the remaining assets shall be distributed to a non-profit fund, foundation, or corporation which is organized and operated

exclusively for charitable, educational, religious, and or scientific proposes and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code. However, if the named recipient is not then in existence or no longer a qualified distributee, or unwilling or unable to accept the distribution, then the assets of this organization shall be distributed to a fund, foundation, or organization which is organized and operated exclusively for the purposes specified in section 501(c)(3) of the Internal Revenue Code.

ARTICLE VII

The property of this corporation is irrevocably dedicated to charitable, educational and civic purposes and, upon the liquidation, dissolution or abandonment thereof, the remaining assets of the corporation will not inure to the benefit of any private person, officer or director of this corporation, but, after paying or adequately providing for the debts, obligations and liabilities of the corporation, shall be distributed to the City of Palm Desert, or to such fund, foundation or corporation organized and operated for charitable, educational and civic purposes as may be designated by the City Council of the City of Palm Desert, and none of the property, assets or earnings of this corporation may be used to carry on propaganda or otherwise attempt to influence legislation.

ARTICLE VIII

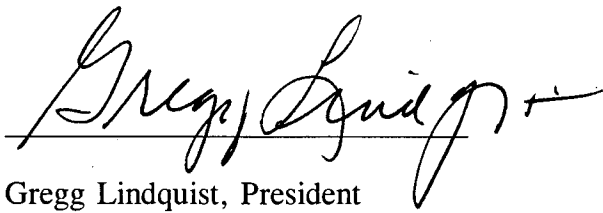
The City of Palm Desert (i) shall have the power to appoint or approve the appointment of 100% of the members of the board of this corporation, and (ii) shall have the power to remove, for cause, directly, any member of the board of directors and appoint a successor.

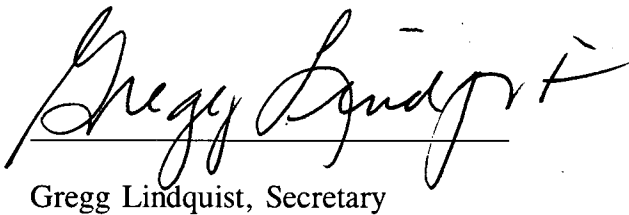
ARTICLE IX

The City of Palm Desert, a municipal corporation, shall be the sole member of this corporation.

The foregoing Amended and Restated Articles of Incorporation has been approved by the board of directors and the members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

 3/13/2000
Gregg Lindquist, President

 3/13/2000
Gregg Lindquist, Secretary

RESOLUTION NO. PDRFC - 1

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALM DESERT RECREATIONAL FACILITIES CORPORATION, ACKNOWLEDGING THE APPOINTMENT BY THE CITY OF PALM DESERT OF DIRECTORS OF THE CORPORATION, APPOINTING OFFICERS OF THE CORPORATION, APPROVING AMENDED AND RESTATED BYLAWS, AND TAKING CERTAIN OTHER ACTIONS

THE BOARD OF DIRECTORS OF THE PALM DESERT RECREATIONAL FACILITIES CORPORATION HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. The City Council of the City of Palm Desert has appointed Richard S. Kelly, James C. Ferguson, David Tschopp and Russ Campbell to serve on the Board of Directors of the Corporation. The Board hereby acknowledges and accepts such appointment.

Section 2. The Board hereby appoints the following individuals to serve as officers of the Corporation:

Carlos L. Ortega	President
Rachelle Klassen	Secretary
Paul S. Gibson	Chief Financial Officer

Such officers are hereby authorized and directed, for and in the name and on behalf of the Corporation, to carry out the day to day business and operations of the Corporation.

Section 3. The Board hereby approves the Amended and Restated Bylaws of the Palm Desert Recreational Facilities Corporation, attached hereto as Exhibit A.

Section 4. The City Manager of the City of Palm Desert has presented the Board with the food and beverage facilities budget for the coming fiscal year for the Desert Willow Golf Resort. The Board hereby approves the budget.

Section 5. The City Manager of the City of Palm Desert has presented the Board with the Management Agreement by and among the City of Palm Desert, Kemper Sports Management, Inc. and the Palm Desert Recreational Facilities Corporation. The Board hereby approves the Management Agreement, and the President of the Corporation, if hereby authorized and directed, for and in the name and on behalf of the Corporation, to execute the Management Agreement.

Section 6. The Board of Directors hereby ratifies and confirms all actions taken by the Board, officers and staff of the Corporation since the last meeting of the Board.

RESOLUTION NO. PDRFC - 1

PASSED, APPROVED, and ADOPTED by the Board of Directors of the Palm Desert Recreational Facilities Corporation, this 9th day of June, 2003, by the following vote, to wit:

AYES: CAMPBELL, KELLY, TSCHOPP, AND FERGUSON

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

ATTEST:



PRESIDENT



SECRETARY

RESOLUTION NO. PDRFC - 1

EXHIBIT “A”

AMENDED AND RESTATED

BYLAWS OF THE

PALM DESERT RECREATIONAL FACILITIES CORPORATION

AMENDED AND RESTATED
BYLAWS OF THE
PALM DESERT RECREATIONAL FACILITIES CORPORATION
(a California Nonprofit Public Benefit Corporation)

ARTICLE I

OFFICES

SECTION 1.01. PRINCIPAL OFFICE

The principal office for the transaction of the activities and affairs of the corporation ("principal office") is located at 73-510 Fred Waring Drive, Palm Desert California 92260. The Board of Directors ("the Board") may change the principal office from one location to another. Any change of location of the principal office shall be noted by the Secretary on these Bylaws opposite this Section, or this Section may be amended to state the new location.

SECTION 1.02. OTHER OFFICES.

The Board may at any time establish branch or subordinate offices at any place or places where the corporation is qualified to conduct its activities.

ARTICLE II

PURPOSES AND LIMITATIONS

SECTION 2.01. PURPOSES

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the California Nonprofit Public Benefit Corporation Law for charitable and public purposes. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law). Notwithstanding any other provision of these Bylaws, this corporation shall not, except to an insubstantial degree, carry on or engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation, and the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law); (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the

Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

SECTION 2.02. LIMITATIONS

(a) Political activity. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate in or intervene in (including the publishing or distributing of statements in connection with) any political campaign on behalf of any candidate for public office.

(b) Property. The property, assets, profits and net income are dedicated irrevocably to the purposes set forth in Section 2.01 above. No part of the profits or net earnings of this corporation shall ever inure to the benefit of any of its Directors, trustees, officers, members (if any), employees, or to the benefit of any private individual.

(c) Dissolution. Upon the winding up and dissolution of this corporation, after paying or adequately providing for the payment of the debts, obligations and liabilities of the corporation, the remaining assets of this corporation shall be distributed to the City of Palm Desert, or to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law.)

ARTICLE III

MEMBERSHIP

SECTION 3.01. SOLE MEMBER

The City of Palm Desert shall be the sole member of this corporation and shall act through its City Council in accordance with the City's Municipal Code and the applicable state laws. The function of the member shall be to elect the Board of Directors and to perform such other duties as the Board of Directors may from time to time assign or establish with the prior approval of the member.

SECTION 3.02. ASSOCIATES

The corporation may refer to other persons associated with it as "members" even though such persons are not members within the meaning of that term under Section 5056 of the California Nonprofit Corporation Law or any corresponding Section of any future California nonprofit corporation law. The corporation may confer by amendment of its Articles of Incorporation, some or all of the rights of a member, as set forth in the California Nonprofit Public Benefit Corporation Law, upon any person or persons who do not have the right to vote for the selection of directors, on disposition of substantially all of the assets of the corporation, on a merger or on a dissolution, or on changes of the

corporation's Articles of Incorporation or these Bylaws, but no such person shall be a member within the meaning of that term under Section 5056 of the California Nonprofit Corporation Law or any corresponding Section of any future California Nonprofit Corporation law.

ARTICLE IV

DIRECTORS

SECTION 4.01. POWERS

(a) General corporate powers. Subject to the provisions and limitations of the California Nonprofit Corporation Law and any other applicable laws, and any limitations of the Articles of Incorporation and of these Bylaws, the activities and affairs of the corporation shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board.

(b) Specific Powers. Without prejudice to these general powers, but subject to the same limitations, the Directors shall have the power to:

(i) Appoint and remove, at the pleasure of the Board, all officers, agents and employees of the corporation; prescribe powers and duties for them that are consistent with law, with the Articles of Incorporation and with these Bylaws; and fix their compensation and require from them security for faithful performance of their duties.

(ii) Change the principal office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency or country and conduct its activities within or outside the State of California; and designate any place within or outside the State of California for the holding of any meeting, including annual meetings.

(iii) Adopt and use a corporate seal and alter the form thereof.

(iv) Borrow money and incur indebtedness on behalf of the corporation and cause to be executed and delivered for the purposes of the corporation, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of debt and securities.

(v) Appoint an Executive Committee (subject to the provisions of the Bylaws) and other committees, and to delegate to the Executive Committee any of the powers and authority of the Board in the management of the business and affairs of the corporation, except the power to amend or repeal Bylaws. Right of notice and participation by the City of Palm Desert representatives at any committee meeting shall be the same as the provided in Section 4.13, below.

SECTION 4.02. NUMBER AND ELECTION OF DIRECTORS AND RESTRICTIONS ON DIRECTORS

(a) Authorized number. The authorized number of Directors shall be at least two, but not more than nine until changed by amendment of the Bylaws, with the exact number of directors to be fixed by approval of the Board or the member.

(b) Election of Directors. The original Directors shall be designated by the Incorporator(s). Thereafter, the Board of Directors shall be elected by the member. No more than 50% of the Directors shall be elected officials or senior management employees of the City of Palm Desert. Each Director, including a Director elected to fill a vacancy or elected at a special member's meeting, shall hold office until expiration of the term for which elected and until a successor has been elected and qualified.

(c) Restrictions on Directors. Not more than 20 percent of the persons serving on the Board may be interested persons. An interested person is (1) any person being compensated by the corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise; and (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation. A Director may not participate in any vote on any proposed transaction with another organization or entity of which such Director is also an employee, principal or director. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the corporation.

SECTION 4.03. TERM OF OFFICE OF DIRECTORS

The Directors newly appointed or selected in accordance with Section 4.02(b) shall hold office for a term of one year, or until successor Directors are elected.

SECTION 4.04. VACANCIES

(a) Events causing vacancy. A Director may be removed by a two-thirds vote of the governing body of the member. A vacancy or vacancies on the Board shall exist on the occurrence of the following: (i) the death, removal, suspension or resignation of any Director; or (ii) the declaration by resolution of the Board of a vacancy in the office of a Director who has been declared of unsound mind by an order of court or convicted of a felony or has been found by final order or judgment of any court to have breached a duty under California Nonprofit Corporation Law.

(b) Resignations. Except as provided in this Subsection, any Director may resign effective upon giving written notice to the chairman of the Board, if any, or the President or the Secretary of the Board, unless such notice specifies a later time for the resignation to become effective. Except upon notice to the Attorney General of the State of

California, no Director may resign when the corporation would then be left without a duly elected Director or Directors in charge of its affairs.

(c) Filling vacancies. Any vacancy on the Board shall be filled by vote of the remaining Directors, whether or not less than a quorum, or by a sole remaining Director.

(d) No vacancy on reduction of number of Directors. No reduction of the authorized number of Directors shall have the effect of removing any Director before the Director's term of office expires.

SECTION 4.05. PLACE OF MEETINGS; MEETINGS BY TELEPHONE

Meetings of the Board shall be held at the principal office of the corporation or at such other place designated by the Board. In the absence of any such designation, meetings shall be held at the principal office of the corporation. Any meeting may be held by conference telephone or similar communication equipment, so long as all Directors participating in the meeting can hear one another, and all such Directors shall be deemed to be present in person at such meeting.

SECTION 4.06. ANNUAL, REGULAR AND SPECIAL MEETINGS

(a) Annual Meeting. The Board shall hold an annual meeting in conjunction with its regularly scheduled meeting for the purpose of organization, election of officers and the transaction of other business; provided, however, that the Board may fix another time for the holding of its annual meeting. Notice of this meeting shall not be required.

(b) Regular Meetings. The regular meeting shall be held on the second Monday of June at 11:00 A.M., at the principal office of the corporation, or at any other place designated from time to time by resolution of the Board. Said meeting shall be held without notice.

(c) Special Meetings.

(i) Authority To Call. Special meetings of the Board for any purpose may be called at any time by the Chairman of the Board, if any, the President or any Vice President, or the Secretary or any two Directors.

(ii) Notice.

a. Manner of Giving Notice. Notice of the time and place of special meetings shall be given to each Director by one of the following methods:

1. by personal delivery of written notice;
2. by first-class mail, postage pre-paid;

3. by telephone, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate that notice promptly to the Director; or
4. by telegram, charges prepaid. All such notices shall be given or sent to the Director's address to telephone number as shown on the records of the corporation.

b. Time Requirements. Notices sent by first-class mail shall be deposited in the United States mails at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone including FAX transmission, or telegraph shall be delivered, telephoned, or given to the telegraph company at least forty-eight (48) hours before the time set for the meeting.

c. Notice Contents. The notice shall state the time of the meeting, and the place if the place is other than the principal office of the corporation. It need not specify the purpose of the meeting.

SECTION 4.07. QUORUM

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 4.09. Subject to the more stringent provisions of the California Nonprofit Public Benefit Corporation Law, including, without limitation, those provisions relating to (i) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (ii) approval of certain transactions between corporations having common directorship, (iii) creation of an appointment of committees of the Board and (iv) indemnification of Directors, every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

SECTION 4.08. WAIVER OF NOTICE

Notice of a meeting need not be given any Director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given by any Director who attends the meeting without protesting before or at its commencement the lack of notice to such Director.

SECTION 4.09. ADJOURNMENT

A majority of the Directors present, whether or not a quorum is present, may adjourn any meeting to another time and place.

SECTION 4.10. NOTICE OF ADJOURNED MEETING

Notice of the time and place of holding an adjourned meeting need not be given, unless the original meeting is adjourned for more than twenty-four (24) hours, in which case notice of any adjournment to another time and place shall be given before the time of the adjourned meeting to the Directors who were not present at the time of the adjournment.

SECTION 4.11. ACTION WITHOUT MEETING

Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board consent in writing to that action. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. For the purposes of this Section 4.11 only, "all members of the Board" shall not include Directors who have a material financial interest in a transaction to which the corporation is a party.

SECTION 4.12. FEES AND COMPENSATION

This corporation shall not compensate directors, members of committees, officers or employees for their services, but may reimburse directors, members of committees, officers or employees for their reasonable and necessary expenses incurred on behalf of the corporation, in accordance with such rules and procedures as may be established by the Board of Directors.

SECTION 4.13. PARTICIPATION OF CITY OFFICIALS

The City Manager and members of the City Council of the City of Palm Desert shall be entitled to make recommendations to the Board of Directors or any committee thereof with respect to any matter at any meeting thereof. The City Manager and each member of the City Council of the City of Palm Desert or their authorized representatives shall have the right to attend any meeting of the Board of Directors or any committee thereof with the right of debate, but he or she shall not be entitled to vote on any matter considered by the Board of Directors or any committee thereof.

ARTICLE V

COMMITTEES

SECTION 5.01. COMMITTEES OF THE BOARD

The Board, by resolution adopted by a majority of the Directors then in office, may create one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the Directors then in office. The Board may appoint one or more Directors as alternate members of any such committee, who may replace an absent member at any meeting. Any such committee, to the extent provided in the resolution of the Board, shall have all of the authority of the Board, except that no committee, regardless of Board resolution, may:

- (a) fill vacancies on the Board or in any committee which has the authority of the Board;
- (b) establish or fix compensation of the Directors for serving on the Board or on any committee;
- (c) amend or repeal Bylaws or adopt new Bylaws;
- (d) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;
- (e) appoint any other committees of the Board or the members of these committees;
- (f) approve any contract or transaction to which the corporation is a party and in which one or more of its Directors has a material financial interest, except as such approval is provided for in Section 5233(d)(3) of the California Corporations Code.

ARTICLE VI

OFFICERS

SECTION 6.01. OFFICERS

The officers of the corporation shall include a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the Board's discretion, a Chairman of the Board, one or more Vice Presidents, one or more assistant Secretaries, one or more assistant Treasurers, and such other officers as may be appointed in accordance with Section 6.03 of these Bylaws. Any number of offices may be held by the same person, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as either the President or the Chairman of the Board.

SECTION 6.02. ELECTION OF OFFICERS

The officers of the corporation, except those appointed in accordance with the provisions of Section 6.03 of this Article VI, shall be chosen by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

SECTION 6.03. OTHER OFFICERS

The Board may appoint and may authorize the Chairman of the Board or the President or another officer to appoint other officers that the corporation may require, each of whom shall have the title, hold office for the period, have the authority and perform the duties specified in the Bylaws determined from time to time by the Board.

SECTION 6.04. REMOVAL OF OFFICERS

Subject to the rights, if any, of an officer under contract of employment, any officer may be removed, with or without cause, by the Board of Directors, or, except in case of an officer chosen by the Board of Directors, by an officer on whom such power of removal may be conferred by the Board of Directors.

SECTION 6.05. RESIGNATION OF OFFICERS

Any officer may resign upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

SECTION 6.06. VACANCIES IN OFFICE

A vacancy occurring in any office because of death, resignation, removal or other cause, shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

SECTION 6.07. RESPONSIBILITIES OF OFFICERS

(a) Chairman of the Board. If a Chairman of the Board is elected, he or she shall preside at meetings of the Board and shall exercise and perform such other powers and duties as the Board may assign from time to time. If there is no President, the Chairman of the Board shall also be the Chief Executive Officer and shall have the powers and duties of the President of the corporation prescribed by these Bylaws.

(b) President/Chief Executive Officer. Subject to the control and supervision of the Board, the President shall be the Chief Executive Officer and general manager of the corporation and shall generally supervise, direct and control the activities and affairs and the officers of the corporation. The President, in the absence of the Chairman of the Board, or if there be none, shall preside at all meetings of the Board. The

President shall have such other powers and duties as may be prescribed by the Board or these Bylaws.

(c) Vice Presidents. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank, shall perform all of the duties of the President, and, when so acting, shall have all the powers of and be subject to all of the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them by the Board or the Bylaws.

(d) Secretary.

(i) Book of minutes. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may direct, a book of minutes of all meetings and actions of the Board and of committees of the Board. The Secretary shall also keep, or cause to be kept, at the principal office in the State of California, a copy of the Articles of Incorporation and Bylaws, as amended to date. If the corporation is one having members, the Secretary shall also maintain a complete and accurate record of the membership of the corporation, as well as a record of the proceedings of all meetings of the membership.

(ii) Notices, seal and other duties. The Secretary shall give, or cause to be given, notice of all meetings of the Board and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the seal of the corporation in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(e) Chief Financial Officer.

(i) Books of account. The Chief Financial Officer of the corporation shall keep or maintain, or cause to be kept or maintained, adequate and correct books and accounts of the properties and transactions of the corporation, and shall send or cause to be sent to the Directors such financial statements and reports as are required by law or these Bylaws to be given. The books of account shall be open to inspection at all reasonable times by any Director, by the City Manager of the City of Palm Desert or his or her designee, and by any member of the City Council of the City of Palm Desert.

(ii) Deposit and disbursement of money and valuables. The Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board, shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President or Chairman of the Board, if any, when requested, an account of all transactions as Chief Financial Officer and of the financial condition of the corporation and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(iii) Bond. If required by the Board, the Chief Financial Officer shall give the corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control of the Chief Financial Officer upon death, resignation, retirement or removal from office.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

SECTION 7.01. DEFINITIONS

For the purposes of this Article VII, "agent" means any person who is or was a director, officer, employee, or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise; "proceeding" means any threatened, ending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under Section 7.02 or 7.03 of this Article VII.

SECTION 7.02. INDEMNIFICATION IN ACTIONS BY THIRD PARTIES

The corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation to procure a judgment in its favor, an action brought under Section 5233 of the California Nonprofit Public Benefit Corporation Law, or an action brought by the Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust), by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

SECTION 7.03. INDEMNIFICATION IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

The corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the corporation, or brought under Section 5233 of the California Nonprofit Public Benefit Corporation Law, or brought by the Attorney General or a person granted relator status by the Attorney General for breach of duty relating to assets held in charitable trust, to procure a judgment in its favor by reason of the fact that such person is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this Section 7.03:

(a) In respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(b) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(c) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval, unless it is settled with the approval of the Attorney General.

SECTION 7.04. INDEMNIFICATION AGAINST EXPENSES

To the extent that a agent of the corporation has been successful on the merits in defense of any proceeding referred to in Section 7.03 or 7.04 of this Article VII or in defense of any claim, issue, or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

SECTION 7.05. REQUIRED DETERMINATIONS

Except as provided in Section 7.04 of this Article VII any indemnification under this Article VII shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in Section 7.02 or 7.03 of this Article VII, by:

(a) A majority vote of a quorum consisting of directors who are not parties to such proceeding; or

(b) The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person rendering services in connection with the defense, is opposed by the corporation. If the Board cannot authorize indemnification because the number of Directors who are parties to the proceeding with respect to which indemnification is sought is such as to prevent the formation of a quorum of Directors who are not parties to such proceeding, the Board or the attorney or other person rendering services in connection with the defense shall apply to the court in which such proceeding is or was pending to determine whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met.

SECTION 7.06. ADVANCE OF EXPENSES

Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Article VII.

SECTION 7.07. OTHER INDEMNIFICATION

No provision made by the corporation to indemnify its or its subsidiary's directors or officers for the defense of any proceeding, whether contained in these Bylaws, a resolution of directors, an agreement, or otherwise, shall be valid unless consistent with this Article VII. Nothing contained in this Article VII shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

SECTION 7.08. FORMS OF INDEMNIFICATION NOT PERMITTED

No indemnification or advance shall be made under this Article VII, except as provided in Section 7.04 or 7.05(b), in any circumstances where it appears:

(a) That it would be inconsistent with a provision of the Articles of Incorporation, these Bylaws, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or otherwise amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

SECTION 7.09 INSURANCE

The corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this Article VII, provided, however, that a corporation shall have no power to purchase and maintain such insurance to indemnify any agent of the corporation for a violation of Section 5233 of the California Nonprofit Public Benefit Corporation Law.

SECTION 7.10. NONAPPLICABILITY TO FIDUCIARIES OF EMPLOYEE BENEFIT PLANS

This Article VII does not apply to any proceeding against any trustee, investment manager, or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in Section 7.01 of this Article VII. The corporation shall have power to indemnify such trustee, investment manager or other fiduciary to the extent permitted by subdivision (f) of Section 207 of the California General Corporation Law.

ARTICLE VIII

RECORDS AND REPORTS

SECTION 8.01. MAINTENANCE OF CORPORATE RECORDS

The corporation shall keep:

- (a) Adequate and correct books and records of account;
- (b) Minutes in written form of the proceedings of the Board and committees of the Board.
- (c) If applicable, a record of its members, giving their names and addresses and the class of membership held.

SECTION 8.02. INSPECTION BY DIRECTORS

Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of every kind and the physical properties of the corporation and the records of each of its subsidiary corporations. This inspection by a Director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

SECTION 8.03. ANNUAL REPORT

Except as provided under Section 6321(c)(d) or (f) of the California Corporations Code, not later than one hundred twenty (120) days after the close of the fiscal year of the corporation, the Board shall cause an annual report to be sent to all members of the Board. Such report shall contain the following information in reasonable detail:

(a) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year.

(b) The principal changes in assets and liabilities, including trust funds, during the fiscal year.

(c) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year.

(d) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year.

(e) Any information required by Section 8.04.

The annual report shall be accompanied by any report on it of independent accountants or, if there is no such report, by the certificate of an authorized officer of the corporation that such statements were prepared without audit from the corporation's books and records.

SECTION 8.04. ANNUAL STATEMENT OF CERTAIN TRANSACTIONS AND INDEMNIFICATIONS

The corporation shall prepare annually and furnish to each director a statement of any transaction or indemnification of the following kind within one hundred twenty (120) days after the close of the fiscal year of the corporation:

(a) Any transaction to which the corporation, its parent or its subsidiary was a party, and in which any Director or officer of the corporation, its parent or subsidiary (but mere common director-ship shall not be considered such an interest) had a direct or indirect material financial interest, if such transaction involved over fifty thousand dollars (\$50,000), or was one of a number of transactions with the same person involving, in the aggregate, over fifty thousand dollars (\$50,000).

(b) Any indemnifications or advances aggregating more than ten thousand dollars (\$10,000) paid during the fiscal year to any officer or Director of the corporation pursuant to Article VII hereof.

The statement shall include a brief description of the transaction, the names of the Director(s) or officer(s) involved, their relationship to the corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

ARTICLE IX

CONSTRUCTION AND DEFINITIONS

Unless the context otherwise requires, the general provisions, rules of construction and definitions in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, the singular includes the plural and the plural includes the singular and the term "person" includes both a legal entity and a natural person.

ARTICLE X

AMENDMENTS

SECTION 10.01. AMENDMENT OF BYLAWS

The Board may adopt, amend, or repeal Bylaws, except that (1) if any provision of these Bylaws requires the vote of a larger proportion of the Board than is otherwise required by law, that provision may not be altered, amended, or repealed except by that greater vote; (2) Section 4.02(b) of Article IV, and any provision of these Bylaws which confers rights upon the Board, may only be amended or repealed by approval of the Board; and (3) any amendment or repeal shall be approved by the member in writing.

The term "majority," as used in this Section, is as defined in the California Nonprofit Corporation Law.

SECTION 10.02. MAINTENANCE OF RECORDS

The Secretary of the corporation shall see that a true and correct copy of all amendments of the Bylaws, duly certified by the Secretary, is attached to the official Bylaws of the corporation and is maintained with the official records of the corporation at the principal office of the corporation.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. EXECUTION OF CHECKS AND DRAFTS

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of directors.

SECTION 11.02. EXECUTION OF CONTRACTS

The Board of directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit to render it liable for any purpose or to any amount.

SECTION 11.03. REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The President or any Vice President or the Secretary or Assistant Secretary of the corporation from time to time designated by general resolution of the Board of Directors, and acting individually and without necessity for specific resolution, are authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the corporation. The authority herein granted to such officers to vote or represent on behalf of the corporation any and all shares held by the corporation in any other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney duly executed by such officers.

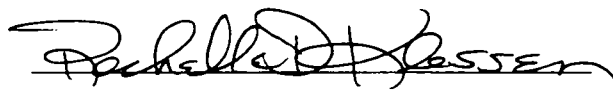
SECTION 11.04. CERTIFICATE OF SECRETARY

A Certificate of the Secretary of this Corporation shall be affixed to the original, or most recent amended version of the Bylaws, such Certificate to be in the following form.

CERTIFICATE OF SECRETARY

I certify that I am the duly elected and acting Secretary of Palm Desert Recreational Facilities Corporation, a California nonprofit public benefit corporation, that the above bylaws, consisting of 17 pages, are the bylaws of this corporation as adopted by the board of directors on June 9, 2003, and that they have not been amended or modified since that date.

Executed on July 3, 2003, at Palm Desert, California.

A handwritten signature in black ink, appearing to read "Rachelle D. Hassen", written over a horizontal line.

PALM DESERT RECREATIONAL FACILITIES CORPORATION BOARD
STAFF REPORT

MEETING DATE: June 9, 2025

PREPARED BY: Austin Yapple, Accounting Manager
Veronica Chavez, Chief Financial Officer

SUBJECT: RECEIVE AND FILE THE ANNUAL FINANCIAL REPORT FOR FISCAL
YEAR END JUNE 30, 2024

RECOMMENDATION:

Receive and file the Annual Financial Report for fiscal year ended June 30, 2024.

BACKGROUND/ANALYSIS:

Lance, Soll & Lunghard, LLP performed and completed the annual independent audit for the fiscal year ended June 30, 2024. In the auditor's opinion, the basic financial statements present fairly, in all material respects, the financial position of the Palm Desert Recreational Facilities Corporation (PDRFC) as of June 30, 2024, and the results of its operations of the year then ended are in accordance with accounting principles generally accepted in the United States of America. In conducting the audit, the auditors are also required to test the PDRFC's internal controls. Attached is the annual financial report, accompanied by the report issued by the auditors for the year ended June 30, 2024.

PDRFC represents the food and beverage operations at Desert Willow Golf Resort Clubhouse. In FY 2023–24, an inter-entity transfer of \$1,305,037 from the Desert Willow Enterprise Fund was made to eliminate the accumulated fund balance deficit, bringing PDRFC's net position to zero as of year-end. The deficit, which totaled \$1,063,311 at the beginning of the fiscal year, had accrued over several years due to structural accounting requirements, such as the annual rent charges necessary to maintain the legal separation between the food and beverage operations and the golf course. While PDRFC remains a legally distinct entity for licensing and regulatory purposes, its financial performance is inherently linked to the broader Desert Willow operations.

FINANCIAL IMPACT:

There is no direct financial impact associated with this action. Looking ahead, transfers from the Enterprise Fund will continue to offset PDRFC's annual structural deficit. However, future transfers are expected to be significantly less, as they will reflect only a single year's activity rather than the accumulation of multiple years' losses. Staff will continue to work with the auditors to monitor and manage any potential tax implications.

ATTACHMENTS:

1. Palm Desert Recreational Facilities Corporation Annual Financial Report for Fiscal Year ended June 30, 2024.



**PALM DESERT RECREATIONAL
FACILITIES CORPORATION**
FOR THE YEAR ENDED JUNE 30, 2024

ANNUAL FINANCIAL REPORT WITH
REPORT ON AUDIT BY INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

Focused
on YOU



PALM DESERT RECREATIONAL FACILITIES CORPORATION

Annual Financial Report with Report on Audit
By Independent Certified Public Accountants

For the Year Ended June 30, 2024

PALM DESERT RECREATIONAL FACILITIES CORPORATION

Annual Financial Report with Report on Audit
By Independent Certified Public Accountants

For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palm Desert Recreational Facilities Corporation
City of Palm Desert, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Palm Desert Recreational Facilities Corporation (the Corporation), a component unit of the City of Palm Desert, California, a component unit of the City of Palm Desert, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Palm Desert Recreational Facilities Corporation (the Corporation), as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Component Unit Reporting

As discussed in Note 1, the financial statements of the Corporation are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Corporation. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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



To the Board of Directors
Palm Desert Recreational Facilities Corporation
City of Palm Desert, California

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Corporation'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 financial statements.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors
Palm Desert Recreational Facilities Corporation
City of Palm Desert, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2025, on our consideration of the City's internal control over the Corporation's financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over the Corporation's financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over the Corporation's financial reporting and compliance.

LSL, LLP

Irvine, California
March 28, 2025

PALM DESERT RECREATIONAL FACILITIES CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

Our discussion and analysis of the financial performance of the Palm Desert Recreational Facilities Corporation (the Corporation), a component unit of the City of Palm Desert, provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the Palm Desert Recreational Facilities Corporation's financial statements.

FINANCIAL HIGHLIGHTS

- Palm Desert Recreational Facilities Corporation's net position deficit was reduced to zero from \$1,063,311 in prior year through a designated contribution from the City.
- Palm Desert Recreational Facilities Corporation's gross sales of \$4,570,976 decreased by \$304,816 (6%) from the previous year.
- Palm Desert Recreational Facilities Corporation's gross profit decreased by \$196,405 (6%) from last year. The gross profit margin¹ increased by 1%.
- Palm Desert Recreational Facilities Corporation's cost of goods sold decreased by \$108,411 from \$1,342,255 to \$1,233,843.
- Palm Desert Recreational Facilities Corporation's *Selling and Administrative Expense Percentage*² increased from 72% to 76%.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position (on pages 9 and 10) provide information about the activities of the Palm Desert Recreational Facilities Corporation as a whole and present a long-term view of the Corporation's operations.

¹The gross profit margin is calculated by dividing gross profit by gross sales. The gross profit margin indicates how well sales are performing when compared to expectations and the industry. The corporation expected an industry gross profit margin of approximately 65%.

²The selling and administrative expense percentage is calculated by dividing the sum of the Maintenance & Operations and the General & Administrative costs by the gross sales. This percentage indicates how well the corporation's overhead is maintained in relation to sales. The goal is to arrive at overhead cost of approximately 64% or lower.

REPORTING THE COMPONENT UNIT AS A WHOLE

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position:

Our analysis of the Palm Desert Recreational Facilities Corporation begins on page 5. The Corporation plays an independent, yet vital role in completing the overall project known as Desert Willow Golf Resort (a municipal golf course owned by the City of Palm Desert). The Corporation's only function is to provide the Food and Beverage operations at the Desert Willow Clubhouse. The restaurant operation within the environment of the golf industry is a necessary complement to a round of golf. The focus of our analysis of the Palm Desert Recreational Facilities Corporation's operations is the profitability of the food and beverage activities and tailoring the restaurant to meet the expectations of all golf enthusiasts alike.

What is the outcome for the food & beverage operations for this fiscal year? The Statement of Net Position and the Statement of Revenues, and the Expenses and Changes in Net Position report information about the Component Unit as a whole and about its activities. This report, along with the financial highlights noted above, illustrates the operations and the profitability of the food and beverage activities. These statements include all assets and liabilities of the Corporation using the *accrual basis of accounting*. With the accrual basis of accounting, all the current year's revenues are recognized when earned instead of received, and all expenses are recorded when incurred instead of when paid.

These two statements report on the Palm Desert Recreational Facilities Corporation's *net position* and *changes in net position*. Net position is the difference between assets and liabilities, which is one way to measure the Corporation's financial health, or *financial position*. Over time, *increases or decreases* in the Corporation's net position is an indication of whether its *financial health* is improving or deteriorating. To determine the profitability of the Corporation, consideration should also be given to other non-financial factors such as the changes in consumer spending as a direct result of the overall economic indicators, as well as changes in the significant industry factors such as price per golf round and level of tourism.

THE COMPONENT UNIT AS A WHOLE

The Palm Desert Recreational Facilities Corporation's net position deficit decreased by \$1,063,311 to zero after a contribution from the city at year-end. Food and beverage operations have resumed normal activities since the COVID-19 shutdowns, and the recovery of banquet events and organized group gatherings have been strong. While restaurant operations have been healthy, the Corporation continues to experience inflationary economic pressures and increased minimum wages for fiscal year ended June 30, 2024.

The restaurant's operations recognized a 6% decrease in gross revenues and a net decrease in overall expenditures of 1%, indicating that revenue-decline outpaced expense-decline by about 5% during the fiscal year.

Our analysis on the next page focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the Corporation.

Table 1

PALM DESERT RECREATIONAL FACILITIES CORPORATION

CONDENSED STATEMENT OF NET POSITION

June 30, 2024

	2024	2023
ASSETS:		
Current assets	\$ 2,271,941	\$ 1,336,033
Noncurrent assets	2,422,902	2,494,164
TOTAL ASSETS	4,694,843	3,830,197
LIABILITIES:		
Current liabilities	2,273,307	2,417,761
Noncurrent liabilities	2,421,536	2,475,747
TOTAL LIABILITIES	4,694,843	4,893,508
NET POSITION (DEFICIT):		
Unrestricted (deficit)	-	(1,063,311)
TOTAL NET POSITION (DEFICIT)	\$ -	\$ (1,063,311)

Total assets increased by \$864,646, primarily due to an increased receivable balance for the contribution from the city of \$1,305,037 over the prior year. Total liabilities decreased by \$198,665 compared to prior year, driven by decreases in advances from related parties, and by decreases in leases payable. The decrease in leases payable was related to the annual entry for the Corporation's one lease currently subject to GASB 87 Lease reporting requirements. Note 4 to the financial statements contains additional information regarding this lease.

Table 2

PALM DESERT RECREATIONAL FACILITIES CORPORATION

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For the year ended June 30, 2024

	2024	2023
OPERATING REVENUES:		
Food and beverage sales	\$4,570,976	\$ 4,875,792
Contribution from the City	1,305,037	-
TOTAL OPERATING REVENUES	5,876,013	4,875,792
OPERATING EXPENSES:		
Cost of goods sold	1,233,843	1,342,255
Maintenance and operations	3,296,446	3,325,001
General and administrative	164,853	176,625
Amortization	71,262	71,262
TOTAL OPERATING EXPENSES	4,766,404	4,915,143
OPERATING INCOME	1,109,609	(39,351)
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(46,298)	(43,531)
TOTAL NONOPERATING REVENUES (EXPENSES)	(46,298)	(43,531)
CHANGE IN NET POSITION	1,063,311	(82,882)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(1,063,311)	(980,429)
NET POSITION (DEFICIT) - END OF YEAR	\$ (0)	\$ (1,063,311)

Component Activities

Food and beverage sales decreased by \$304,816 (6%) from \$4,875,792 to \$4,570,976 during the fiscal year.

This fiscal year was the twenty-third year of operation at the Desert Willow Clubhouse. During this fiscal year, the Palm Desert Recreational Facilities Corporation continued to market their banquets and outings aggressively in the national, regional and local markets with an advertising campaign to maximize revenue for fiscal year 2024 and beyond, focusing on:

- Attracting new and repeat business.
- Continued patronage of customers and corporate groups.
- Increased banquet and outing operations.
- Marketing to golfers on the golf course.

As Table 2 above indicates, total operating expenses recognized a decrease of \$148,739 from \$4,915,143 to \$4,766,404. A significant component of the decrease was from reduced Cost of Goods Sold expenses of \$108,411 compared to the prior year; which is attributable to decreases in banquet activity and rising prices due to inflation. During the 2023-24 fiscal year, management continued to focus on retaining repeat business, continued patronage, and growing the corporate and group market as demand for golf and associated recreational activities remains strong. There were additional decreases in Equipment Rental and General & Administrative expenses of \$51,376 and \$11,771, respectively, while Payroll expenses increased by \$16,676, compared to prior year. The remaining increases and decreases in operating expenses were composed of various other expense categories.

The *Gross Profit Margin* increased from 72% to 73%, driven by a greater relative reduction in COGS compared to the decrease in gross sales, which improved profitability. The *Selling and Administrative Expense Percentage* also increased during the year from 72% in 2023 to 76% in 2024.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Corporation's only capital assets and long-term liabilities relate to the lease between the Corporation and the City of Palm Desert for the use of the Desert Willow Golf Course Clubhouse. As of June 30, 2024, the value of the lease liability is \$2,475,747. The value of the right-to-use leased asset as of June 30, 2024, of \$2,636,688 with accumulated amortization of \$213,786. More information can be found in Note 4.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for 2024-25, management looked at the following economic factors:

- **Prices:** The prices for goods and services in the golf industry continue to experience increased inflationary pressures. In an effort to maintain the integrity of the products served at the restaurant, The Palm Desert Recreational Facility has increased menu prices between 5-8% in response to the increased pressure on costs associated with labor and supplies. Changes to the menu will also be implemented to incorporate cost effective items and beverages. Secondly, management continues to implement better cost control measures to eliminate wastage.
- **National Economy:** The golf and hospitality industries rely heavily on a strong national and local economy. With a strong national economy, the market demand for leisure activities such as golf and dining are increased; however, in an economic downturn or a slowing of the economy, the typical trend is for consumers to reduce their consumption of leisure activities. The state of the current economy was taken into consideration when budgeting for the 2024-2025 fiscal year.
- **Labor cost:** The State of California has mandated increased minimum wage rates, which increased from \$16 per hour to \$16.50 per hour effective January 1, 2025. Further in April of 2024 the State of California mandated all fast-food worker minimum wage to increase to \$20 per hour. Management is determining the impact on the restaurant wages relating to the increase in the minimum wage of fast-food workers. The increased minimum wage rate, coupled with the mandated changes in employer-provided health care benefits (Affordable Care Act) places pressure on an already fragile food industry. The Palm Desert Recreational Facilities Corporation has taken measures to manage labor costs without affecting customer service and will continue to seek effective and efficient methods to implement in their daily operations.

A copy of the Corporation's 2024-2025 financial plan can be obtained by contacting the Palm Desert Recreational Facilities Corporation (see below).

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the users with a general overview of the Palm Desert Recreational Facilities Corporation, a component unit of the City of Palm Desert. If you have questions about this report or need additional financial information, contact the Controller at the address of the Palm Desert Recreational Facilities Corporation at 38-995 Desert Willow Drive, Palm Desert, California 92260.

PALM DESERT RECREATIONAL FACILITIES CORPORATION
Statement of Net Position
June 30, 2024

ASSETS:

Current:

Cash and cash equivalents	\$ 907,655
Accounts receivable	4,000
Due from other governments	1,305,037
Inventories	43,797
Prepaid expenses	11,452
	<hr/>
Total current assets	2,271,941
	<hr/>

Noncurrent:

Leased assets, net of accumulated amortization	2,422,902
	<hr/>
Total noncurrent assets	2,422,902
	<hr/>

TOTAL ASSETS	4,694,843
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LIABILITIES:

Current:

Accounts payable	49,758
Accrued liabilities	114,787
Accrued interest payable	3,518
Advances from related party	1,857,644
Unearned revenues	193,389
Lease payable, due in one year	54,211
	<hr/>
Total current liabilities	2,273,307
	<hr/>

Noncurrent:

Lease payable, due in more than one year	2,421,536
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Total noncurrent liabilities	2,421,536
	<hr/>

TOTAL LIABILITIES	4,694,843
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NET POSITION (DEFICIT):

Unrestricted (deficit)	-
	<hr/>
TOTAL NET POSITION (DEFICIT)	\$ -
	<hr/>

PALM DESERT RECREATIONAL FACILITIES CORPORATION
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2024

OPERATING REVENUES:

Food and beverage sales	\$4,570,976
Contribution from City	1,305,037

TOTAL OPERATING REVENUES

\$5,876,013

OPERATING EXPENSES:

Cost of goods sold	1,233,843
Maintenance and operations	3,296,446
General and administrative	164,853
Amortization	71,262

TOTAL OPERATING EXPENSES

4,766,404

OPERATING INCOME

1,109,609

NONOPERATING REVENUES (EXPENSES)

Interest expense	(46,298)
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TOTAL NONOPERATING REVENUES (EXPENSES)

(46,298)

CHANGE IN NET POSITION

1,063,311

NET POSITION (DEFICIT) - BEGINNING OF YEAR

(1,063,311)

NET POSITION (DEFICIT) - END OF YEAR

\$ -

PALM DESERT RECREATIONAL FACILITIES CORPORATION
Statement of Cash Flows
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 4,605,408
Payments to suppliers	(4,673,930)

NET CASH PROVIDED BY OPERATING ACTIVITIES	(68,522)
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CASH FLOWS FROM NON-CAPITAL AND RELATED
FINANCING ACTIVITIES

Cash advanced from other funds	(140,920)
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NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	(140,920)
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CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Interest paid on leases	(46,298)
Principal paid on leases	(53,295)

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(99,593)
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NET INCREASE IN CASH AND CASH EQUIVALENTS	(309,035)
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	\$ 1,216,690
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CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 907,655
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RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 1,109,609
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**Adjustments to reconcile operating income
to net cash provided by operating activities:**

Changes in assets and liabilities:

Amortization	71,262
(Increase) decrease in receivables	29,236
(Increase) decrease in contribution from the City	(1,305,037)
(Increase) decrease in inventory	31,373
(Increase) decrease in prepaid expenses	(515)
Increase (decrease) in accounts payable	12,645
Increase (decrease) in accrued liabilities	(22,291)
Increase (decrease) in unearned revenues	5,196

NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (68,522)
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PALM DESERT RECREATIONAL FACILITIES CORPORATION
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE REPORTING ENTITY

The Palm Desert Recreational Facilities Corporation (the Corporation) is a Corporation that provides food and beverage services exclusively to the Desert Willow Golf Resort (the Golf Resort). The Corporation is a component unit of the City of Palm Desert (the City) and is reported as an Enterprise Fund in the City's basic financial statements. The Corporation was incorporated on February 25, 1997. The Board of Directors of the Corporation consists of two members of the City Council and two members of the public at large. The annual Board of Director's meetings are held the second Monday of June at 11:00 a.m. at the principal office of the Corporation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basic Financial Statements:

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the notes to the basic financial statements.

B. Basis of Presentation:

The basic financial statements of the Palm Desert Recreational Facilities Corporation have been prepared in conformity with the accrual basis of accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounts of the Corporation are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The accompanying financial statements are reported using the "economic resources measurement focus", and the "accrual basis of accounting". Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

D. Net Position:

In the Statement of Net Position, net position is classified in the following categories:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position".

When both restricted and unrestricted resources are available for use, the Corporation may use restricted resources or unrestricted resources based on the Board's discretion.

PALM DESERT RECREATIONAL FACILITIES CORPORATION
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Operating Revenues:

Operating revenues, such as food and beverage sales, resulting from exchange transactions associated with the principal activity of the Corporation. Exchange transactions are those in which each party receives and gives up essentially equal values.

F. Cash and Investments:

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value was \$907,655 and the deposit value was \$925,039. The difference includes \$16,281 of deposits in transit and checks outstanding totaling \$33,665 for a net total of \$17,384.

The City has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". This pronouncement is an amendment to GASB Statement No. 3. GASB No. 40 establishes and modifies disclosure requirements related to deposit and investment risks. The information required by GASB Statement No. 40 related to authorized investments, credit risk, etc., is available in the annual report of the City.

G. Inventories and Prepaid:

Inventories in the amount of \$43,797 consisted of merchandise for sales of food and beverages, are reported at lower of cost or market. Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid costs in the financial statements. At June 30, 2024 the prepaid balance was \$11,452.

H. Budgetary Policies:

Kemper Sports Management, Inc. is required to submit to the City an operating budget containing estimates of all the Corporation expenses for the next operating year, including expenditures for: (a) property operation and maintenance, (b) repairs, replacements and alterations that do not constitute capital improvements, (c) furnishings and equipment and operating inventory, and (d) advertising, sale and business promotion. The budget is required to be reviewed and approved by the City prior to July 1st each year.

NOTE 3: DUE TO PRIMARY GOVERNMENT AND UNEARNED REVENUE

A. Due to Primary Government:

As of June 30, 2024, the Corporation owed the following amounts to primary government:

Desert Willow Golf Course	\$ 1,437,644
City of Palm Desert	420,000
	<u>\$ 1,857,644</u>

The Corporation amounts owed to primary government represent amounts owed to the Desert Willow Golf Resort for monies provided for operations and past due rent due to the City of Palm Desert per the lease agreement with the City for use of the facilities (see Note 4).

PALM DESERT RECREATIONAL FACILITIES CORPORATION
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 3: DUE TO PRIMARY GOVERNMENT AND UNEARNED REVENUE (CONTINUED)

B. Unearned Revenue:

The balance of \$193,389 represents the unused portions of prepaid banquets.

NOTE 4: LEASES

On July 1, 2021, the Corporation entered into a 444 month lease as Lessee for the use of the restaurant at the Desert Willow Golf Course Clubhouse from the City of Palm Desert. An initial lease liability was recorded in the amount of \$2,636,688. As of June 30, 2024, the value of the lease liability is \$2,475,747. The Corporation is required to make monthly fixed payments of \$8,000. The lease has an interest rate of 1.7050%. The estimated useful life was 37 years as of the contract commencement. The value of the right-to-use asset as of June 30, 2024 of \$2,636,688 with accumulated amortization of \$213,786.

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024
Right to use leased asset, being amortized:				
Leased asset - building				
Payments to suppliers	\$ 2,636,688	\$ -	\$ -	\$ 2,636,688
Accumulated amortization:				
Leased asset - building	(142,524)	(71,262)	-	(213,786)
Total Leased assets, net of accumulated amortization	<u>\$ 2,494,164</u>	<u>\$ (71,262)</u>	<u>\$ -</u>	<u>\$ 2,422,902</u>

A summary of changes in leased assets at June 30, 2024, was as follows:

The following is a summary of lease payable transactions for the year ended June 30, 2024.

	Balance June 30, 2023	Reductions	Balance June 30, 2024	Due Within One Year
Lease payable	\$ 2,529,042	\$ (53,295)	\$ 2,475,747	\$ 54,211
Total	<u>\$ 2,529,042</u>	<u>\$ (53,295)</u>	<u>\$ 2,475,747</u>	<u>\$ 54,211</u>

PALM DESERT RECREATIONAL FACILITIES CORPORATION
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 4: LEASES (CONTINUED)

Future principal and interest requirements to maturity for the lease liability is as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	\$ 54,211	\$ 41,789	\$ 96,000
2026	55,142	40,858	96,000
2027	56,090	39,910	96,000
2028	57,054	38,946	96,000
2029	58,034	37,966	96,000
2030-2034	305,477	174,523	480,000
2035-2039	332,641	147,359	480,000
2040-2044	362,221	117,779	480,000
2045-2049	394,430	85,570	480,000
2050-2054	429,504	50,496	480,000
2055-2058	370,943	13,056	383,999
Total	<u>\$ 2,475,747</u>	<u>\$ 788,252</u>	<u>\$ 3,263,999</u>

The original terms of the lease indicated a lease rate of \$8,000 per month beginning June 4, 1997. On May 18, 2004, the Corporation approved an increase in the lease payment commencing on July 1, 2004. The July 1, 2004 lease amendment stipulated a new lease payment of \$15,000 per month. On May 12, 2009, the Board of Directors approved a decrease in the lease payment from \$15,000 to \$8,000 commencing on July 1, 2009. At June 30, 2024, the Corporation owed \$420,000 in rent in arrears to the City of Palm Desert. This amount is included in Advances from Related Parties.

A. Management Agreement:

The Corporation is managed by Kemper Sports Management, Inc., under an agreement to manage and operate Desert Willow Golf Course. On June 9, 2022 a new contract was approved with a commencement date of July 1, 2022 and a termination date of June 30, 2027. There is one 5-year option to extend the management agreement for an additional five years at the City's discretion.

NOTE 5: RISK MANAGEMENT

The Golf Resort is covered by insurance purchased by Kemper Sports Management Inc., which includes commercial liability, automobile, workers' compensation and overall umbrella excess liability insurance through Aon Risk Services, Inc. of Illinois. The Corporation is named as additional insured.

PALM DESERT RECREATIONAL FACILITIES CORPORATION**Notes to Basic Financial Statements****For the Year Ended June 30, 2024**

NOTE 6: OTHER DISCLOSURES

The Corporation has future federal and state income tax Net Operating Losses (NOL) carryforwards of \$819,871, will expire in the years as follows, and a prior NOL incurred in fiscal year 2019-20 of \$162,354 and a loss of \$161,652 incurred in fiscal year 2020-21 that can be carried forward indefinitely subject an income limitation of 80% in year utilized, for a combined NOL of \$819,871. There was an increase in the NOL carryforward of \$56,566 for the 2023 tax year.

2011-2016	\$	539,898
NOL utilized in 2022		(100,599)
2011-2016 remaining	\$	<u>439,299</u>
2011-2031	\$	294,814
2012-2032		109,556
2013-2033		34,929
2020-indefinite		162,354
2021-indefinite		161,652
2023-indefinite		<u>56,566</u>
Total	\$	<u>819,871</u>

The Corporation anticipates that it is more likely than not the benefit for each certain State and Federal NOL carryforwards will be realized before their respective expiration.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Palm Desert Recreational Facilities Corporation
Palm Desert, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements the Palm Desert Recreational Facilities Corporation (the Corporation), a component unit of the City of Palm Desert, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 28, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Corporation's financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Board of Directors
Palm Desert Recreational Facilities Corporation
Palm Desert, California

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LSL, LLP

Irvine, California
March 28, 2025

PALM DESERT RECREATIONAL FACILITIES CORPORATION BOARD
STAFF REPORT

MEETING DATE: June 9, 2025

PREPARED BY: Austin Yapple, Accounting Manager
Veronica Chavez, Chief Financial Officer

SUBJECT: RECEIVE AND FILE THE FEDERAL AND STATE INCOME TAX
RETURNS FOR THE PALM DESERT RECREATIONAL FACILITIES
CORPORATION FOR THE YEAR ENDED JUNE 30, 2024

RECOMMENDATION:

Receive and file the Federal and State income tax returns for the year ended June 30, 2024.

BACKGROUND/ANALYSIS:

On an annual basis, the Palm Desert Recreational Facilities Corporation is required to file a fiscal year-end Federal and State income tax return. For the fiscal year ended June 30, 2024, the Palm Desert Recreational Facilities Corporation filed the Federal Form 1120 (U.S. Corporation Income Tax Return) and State Form 100 (California Corporation Franchise or Income Tax Return) timely.

FINANCIAL IMPACT:

Taxes were reported and paid as indicated on Attachment 1.

ATTACHMENTS:

1. Federal and State income tax returns for the fiscal year ended June 30, 2024.

Form	1120	U.S. Corporation Income Tax Return		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2023 or tax year beginning JULY 1, 2023 , ending JUNE 30, 2024		
Go to www.irs.gov/Form1120 for instructions and the latest information.				
A Check if: 1a Consolidated return (attach Form 851) b Life/nonlife consolidated return 2 Personal holding co. (attach Sch. PH) 3 Personal service corp. (see instructions) 4 Schedule M-3 attached		NAME Name PALM DESERT RECREATIONAL FACILITIES CORP Number, street, and room or suite no. If a P.O. box, see instructions. 73510 FRED WARING DRIVE City or town, state or province, country, and ZIP or foreign postal code PALM DESERT, CA 92260		B Employer identification number 33-0746371 C Date incorporated 02/20/1997 D Total assets (see instructions) \$ 4,694,843.
E Check if: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change				
Income	1a Gross receipts or sales 1a 4,570,976.			
	b Returns and allowances 1b			
	c Balance. Subtract line 1b from line 1a		1c 4,570,976.	
	2 Cost of goods sold (attach Form 1125-A)		2 1,887,417.	
	3 Gross profit. Subtract line 2 from line 1c		3 2,683,559.	
	4 Dividends and inclusions (Schedule C, line 23)		4	
	5 Interest		5	
	6 Gross rents		6	
	7 Gross royalties		7	
	8 Capital gain net income (attach Schedule D (Form 1120))		8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		9	
Deductions (See instructions for limitations on deductions.)	10 Other income (attach statement) SEE STATEMENT 1		10 241,726.	
	11 Total income. Add lines 3 through 10		11 2,925,285.	
	12 Compensation of officers (attach Form 1125-E)		12	
	13 Salaries and wages (less employment credits)		13	
	14 Repairs and maintenance		14	
	15 Bad debts		15	
	16 Rents		16	
	17 Taxes and licenses SEE STATEMENT 2		17	
	18 Interest (see instructions)		18 46,298.	
	19 Charitable contributions		19	
	20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		20	
Tax, Refundable Credits, and Payments	21 Depletion		21	
	22 Advertising		22	
	23 Pension, profit-sharing, etc., plans		23	
	24 Employee benefit programs		24	
	25 Energy efficient commercial buildings deduction (attach Form 7205)		25	
	26 Other deductions (attach statement) SEE STATEMENT 3		26 2,878,987.	
	27 Total deductions. Add lines 12 through 26		27 2,925,285.	
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		28 0.	
	29a Net operating loss deduction (see instructions) STATEMENT 4 29a 0.			
	b Special deductions (Schedule C, line 24)		29b	
	c Add lines 29a and 29b		29c	
30 Taxable income. Subtract line 29c from line 28. See instructions		30 0.		
31 Total tax (Schedule J, Part I, line 11)		31 0.		
32 Reserved for future use		32		
33 Total payments and credits (Schedule J, Part II, line 23)		33		
34 Estimated tax penalty. See instructions. Check if Form 2220 is attached <input type="checkbox"/>		34		
35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed		35 0.		
36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid		36		
37 Enter amount from line 36 you want: Credited to 2024 estimated tax Refunded		37		
Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Signature of officer _____ Date _____ TREASURER Title _____ May the IRS discuss this return with the preparer shown below? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
Paid	Print/Type preparer's name MICHAEL C. AGRESTI, CPA		Preparer's signature MICHAEL C. AGRESTI	Date 04/01/25
Preparer	Firm's name LANCE, SOLL & LUNGHARD, LLP		Firm's EIN 95-2700123	
Use Only	Firm's address 500 TECHNOLOGY DRIVE STE 350 IRVINE, CA 92618		Phone no. 949-829-8299	

Schedule C Dividends, Inclusions, and Special Deductions (see instructions)	(a) Dividends and inclusions	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		50	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		65	
3 Dividends on certain debt-financed stock of domestic and foreign corporations		See Instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		23.3	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		26.7	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		50	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		65	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Subtotal. Add lines 1 through 8		See Instructions	
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)		100	
14 Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)			
15 Reserved for future use			
16a Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)		100	
b Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)			
c Other inclusions from CFCs under subpart F not included on line 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)			
17 Global Intangible Low-Taxed Income (GILTI) (attach Form(s) 5471 and Form 8992)			
18 Gross-up for foreign taxes deemed paid			
19 IC-DISC and former DISC dividends not included on line 1, 2, or 3			
20 Other dividends			
21 Deduction for dividends paid on certain preferred stock of public utilities			
22 Section 250 deduction (attach Form 8993)			
23 Total dividends and inclusions. Add column (a), lines 9 through 20. Enter here and on page 1, line 4			
24 Total special deductions. Add column (c), lines 9 through 22. Enter here and on page 1, line 29b			

Schedule J Tax Computation and Payment (see instructions)**Part I - Tax Computation**

1	Income tax. See instructions	1	0.
2	Base erosion minimum tax amount (attach Form 8991)	2	
3	Corporate alternative minimum tax from Form 4626, Part II, line 13 (attach Form 4626)	3	
4	Add lines 1, 2, and 3	4	0.
5a	Foreign tax credit (attach Form 1118)	5a	
b	Credit from Form 8834 (see instructions)	5b	
c	General business credit (see instructions - attach Form 3800)	5c	
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from Form 8912	5e	
6	Total credits. Add lines 5a through 5e	6	
7	Subtract line 6 from line 4	7	0.
8	Personal holding company tax (attach Schedule PH (Form 1120))	8	
9a	Recapture of investment credit (attach Form 4255)	9a	
b	Recapture of low-income housing credit (attach Form 8611)	9b	
c	Interest due under the look-back method-completed long-term contracts (attach Form 8697)	9c	
d	Interest due under the look-back method-income forecast method (attach Form 8866) ...	9d	
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	
f	Interest/tax due under section 453A(c)	9f	
g	Interest/tax due under section 453(l)	9g	
z	Other (see instructions - attach statement)	9z	
10	Total. Add lines 9a through 9z	10	
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31	11	0.

Part II - Payments and Refundable Credits

12	Reserved for future use	12	
13	Preceding year's overpayment credited to the current year	13	
14	Current year's estimated tax payments	14	
15	Current year's refund applied for on Form 4466	15	()
16	Combine lines 13, 14, and 15	16	
17	Tax deposited with Form 7004	17	
18	Withholding (see instructions)	18	
19	Total payments. Add lines 16, 17, and 18	19	
20	Refundable credits from:		
a	Form 2439	20a	
b	Form 4136	20b	
c	Reserved for future use	20c	
z	Other (attach statement - see instructions)	20z	
21	Total credits. Add lines 20a through 20z	21	
22	Elective payment election amount from Form 3800	22	
23	Total payments and credits. Add lines 19, 21, and 22. Enter here and on page 1, line 33	23	

Form **1120** (2023)

Schedule K Other Information (see instructions)

1 Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____	Yes	No				
2 See the instructions and enter the:						
a Business activity code no. <u>722511</u>						
b Business activity <u>CLUBHOUSE RESTAURANT</u>						
c Product or service <u>FOOD & BEVERAGE</u>						
3 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? _____ If "Yes," enter name and EIN of the parent corporation _____		X				
4 At the end of the tax year:						
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G) _____		X				
b Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G) _____		X				
5 At the end of the tax year, did the corporation:						
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851 , Affiliations Schedule? For rules of constructive ownership, see instructions _____ If "Yes," complete (i) through (iv) below.		X				
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation				
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions _____ If "Yes," complete (i) through (iv) below.				X		
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital			
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 316 _____ If "Yes," file Form 5452 , Corporate Report of Nondividend Distributions. See the instructions for Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.						X
7 At any time during this tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock? _____ For rules of attribution, see section 318. If "Yes," enter: (a) Percentage owned _____ and (b) Owner's country _____ (c) The corporation may have to file Form 5472 , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached _____						X
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount _____ If checked, the corporation may have to file Form 8281 , Information Return for Publicly Offered Original Issue Discount Instruments.						
9 Enter the amount of tax-exempt interest received or accrued during this tax year \$ _____						
10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) _____						
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here _____ If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.						
12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a) _____ \$ 819,871.						

Schedule K Other Information (continued from page 4)

	Yes	No
13 Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000?		X
If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during this tax year \$		
14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions		X
If "Yes," complete and attach Schedule UTP.		
15a Did the corporation make any payments that would require it to file Form(s) 1099?	X	
b If "Yes," did or will the corporation file required Form(s) 1099?	X	
16 During this tax year, did the corporation have an 80%-or-more change in ownership, including a change due to redemption of its own stock?		X
17 During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X
18 Did this corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than \$1 million?		X
19 During this corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X
20 Is the corporation operating on a cooperative basis?		X
21 During this tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions		X
If "Yes," enter the total amount of the disallowed deductions \$		
22 Does this corporation have gross receipts of at least \$500 million in any of the 3 preceding tax years? (See sections 59A(e)(2) and (3))		X
If "Yes," complete and attach Form 8991.		
23 Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during this tax year? See instructions		X
24 Does the corporation satisfy one or more of the following? If "Yes," complete and attach Form 8990. See instructions		X
a The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.		
b The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$29 million and the corporation has business interest expense.		
c The corporation is a tax shelter and the corporation has business interest expense.		
25 Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
If "Yes," enter amount from Form 8996, line 15 \$		
26 Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties held directly or indirectly by the corporation, and was the ownership percentage (by vote or value) for purposes of section 7874 greater than 50% (for example, the shareholders held more than 50% of the stock of the foreign corporation)? If "Yes," list the ownership percentage by vote and by value. See instructions		X
Percentage: By Vote By Value		
27 At any time during this tax year, did the corporation (a) receive a digital asset (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? See instructions		X
28 Is the corporation a member of a controlled group?		X
If "Yes," attach Schedule O (Form 1120). See instructions.		
29 Corporate Alternative Minimum Tax:		
a Was the corporation an applicable corporation under section 59(k)(1) in any prior tax year?		X
If "Yes," go to question 29b. If "No," skip to question 29c.		
b Is the corporation an applicable corporation under section 59(k)(1) in the current tax year because the corporation was an applicable corporation in the prior tax year?		
If "Yes," complete and attach Form 4626. If "No," continue to question 29c.		
c Does the corporation meet the requirements of the safe harbor method, if provided under section 59(k)(3)(A), for the current tax year? See instructions		X
If "No," complete and attach Form 4626. If "Yes," the corporation is not required to file Form 4626.		
30 Is the corporation required to file Form 7208 relating to the excise tax on repurchase of corporate stock (see instructions):		
a Under the rules for stock repurchased by a covered corporation (or stock acquired by its specified affiliate)?		X
b Under the applicable foreign corporation rules?		X
c Under the covered surrogate foreign corporation rules?		X
If "Yes" to either (a), (b), or (c), complete Form 7208, Excise Tax on Repurchase of Corporate Stock. See the Instructions for Form 7208.		
31 Is this a consolidated return with gross receipts or sales of \$1 billion or more and a subchapter K basis adjustment, as described in the instructions, of \$10 million or more?		X
If "Yes," attach a statement. See instructions.		

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		1,216,690.		907,655.
2a	Trade notes and accounts receivable	33,236.		4,000.	
b	Less allowance for bad debts	()	33,236.	()	4,000.
3	Inventories		75,170.		43,797.
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (att. stmt.) STMT 5		10,937.		1,316,489.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (att. stmt.)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (att. stmt.) STMT 6		2,494,164.		2,422,902.
15	Total assets		3,830,197.		4,694,843.
Liabilities and Shareholders' Equity					
16	Accounts payable		37,113.		49,758.
17	Mortgages, notes, bonds payable in less than 1 year				54,211.
18	Other current liabilities (att. stmt.) STMT 7		382,084.		311,694.
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (att. stmt.) STMT 8		4,474,311.		4,279,180.
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				1,063,311.
24	Retained earnings - Appropriated (attach statement)				
25	Retained earnings - Unappropriated		-1,063,311.		-1,063,311.
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		3,830,197.		4,694,843.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	0.	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax per books		8	Deductions on this return not charged against book income this year (itemize): a Depreciation \$ b Charitable contributions \$	
3	Excess of capital losses over capital gains		9	Add lines 7 and 8	
4	Income subject to tax not recorded on books this year (itemize):		10	Income (page 1, line 28) - line 6 less line 9	0.
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation \$ b Charitable contributions \$ c Travel and entertainment \$				
6	Add lines 1 through 5	0.			

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)

1	Balance at beginning of year	-1,063,311.	5	Distributions: a Cash	
2	Net income (loss) per books	0.		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	-1,063,311.	8	Balance at end of year (line 4 less line 7)	-1,063,311.

Alternative Minimum Tax-Corporations

OMB No. 1545-0123

2023

Attach to your tax return.

Go to www.irs.gov/Form4626 for instructions and the latest information.

Name PALM DESERT RECREATIONAL FACILITIES CORP	Employer identification number 33-0746371
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- A** Is the corporation filing this form a member of a controlled group treated as a single employer under sections 59(k)(1)(D) and 52? **Yes** ☒ **No**
If "Yes," the corporation must complete Part V listing the names, EINs, and separate company financial statement income or loss for each member of the controlled group treated as a single employer taken into account in the determination of "applicable corporation" under section 59(k)(1)(D).
- B** Is the corporation filing this form a member of a foreign-parented multinational group (FPMG) within the meaning of section 59(k)(2)(B)? **Yes** ☒ **No**
If "Yes," the corporation must complete Part V listing the names, EINs, and separate company financial statement income or loss for each member of the FPMG under section 59(k)(2)(B).

Part I Applicable Corporation Determination (Report all amounts in U.S. dollars.)

If you have already determined in current or prior years you are an applicable corporation, skip Part I and continue to Part II.

	(a) First Preceding Year Ended 06/30/2023	(b) Second Preceding Year Ended	(c) Third Preceding Year Ended
1 Net income or loss per applicable financial statement(s) (AFS) (see inst):			
a Consolidated net income or loss per the AFS of the corporation	1a		
b Include AFS net income or loss of other includible entities (add net income and subtract net loss)	1b		
c Exclude AFS net income or loss of excludible entities (add net loss and subtract net income)	1c		
d Adjustment for certain consolidating entries (see instructions)	1d		
e Specified additional net income or loss item B. Reserved for future use	1e		
f AFS net income or loss of all entities in the test group before adjustments. Combine lines 1a through 1d	1f	0.	
2 Adjustments:			
a Financial statements covering different tax years	2a		
b Corporations that are not included on the taxpayer's consolidated return (see instructions)	2b		
c Pro-rata share of net income from controlled foreign corporations for which the corporation is a U.S. shareholder. If zero or less, enter -0- (see instructions for special rules if completing this form for an FPMG)	2c		
d Amounts that are not effectively connected to a U.S. trade or business (see instructions for special rules if completing this form for an FPMG)	2d		
e Certain taxes (see instructions)	2e		
f Patronage dividends and per-unit retain allocations (cooperatives only)	2f		
g Alaska native corporations	2g		
h Certain credits (see instructions)	2h		
i Mortgage servicing income	2i		
j Tax-exempt entities (organizations subject to tax under section 511) ...	2j		
k Depreciation	2k		
l Qualified wireless spectrum	2l		
m Covered transactions	2m		
n Adjustments related to bankruptcy and insolvency	2n		
o Certain insurance company adjustments	2o		
p Adjustment P - Reserved for future use	2p		
q Adjustment Q - Reserved for future use	2q		
r Adjustment R - Reserved for future use	2r		
s Adjustment S - Reserved for future use	2s		
z Other (see instructions)	2z		
3 Specified adjustment. Reserved for future use	3		
4 Total adjustments. Combine lines 2a through 2z	4		
5 AFSI. Combine lines 1f and 4	5	0.	
6 AFSI of first, second, and third preceding tax years. Combine columns (a), (b), and (c) of line 5		6	
7 3-year average annual AFSI (see instructions)		7	

Part I **Applicable Corporation Determination** (Report all amounts in U.S. dollars.) (continued)**8** Is line 7 more than \$1 billion?☐**Yes.** Continue to line 9.☒**No.** STOP here and attach to your tax return.**9** Is the corporation a member of an FPMG within the meaning of section 59(k)(2)(B)?☐**Yes.** Continue to line 10.☐**No.** Continue to Part II.**10** AFSI for purposes of the \$100 million test before adjustments:**a** AFSI from line 5**b** Aggregation differences (see instructions)**c** Total AFSI for purposes of the \$100 million test before adjustments.

Combine lines 10a and 10b

11 Adjustments:**a** Income not effectively connected to a U.S. trade or business**b** Pro-rata share of CFC net income described in section 56A(c)(3)
(attach worksheet) (see instructions)**c** Reserved for future use - Other adjustments 1**d** Reserved for future use - Other adjustments 2**12** Total adjustments. Combine lines 11a and 11b**13** Total AFSI for purposes of the \$100 million test. Combine lines
10c and 12**14** AFSI of first, second, and third preceding tax years. Combine columns (a), (b), and (c) of line 13**15** 3-year average annual AFSI for purposes of the \$100 million test**16** Is line 15 \$100 million or more?☐**Yes.** Continue to Part II.☐**No.** STOP here. Attach to your tax return.

	(a) First Preceding Year Ended	(b) Second Preceding Year Ended	(c) Third Preceding Year Ended
10a			
10b			
10c			
11a			
11b			
11c			
11d			
12			
13			
14			
15			

Part II Corporate Alternative Minimum Tax

1 Net income or loss per applicable financial statement(s) (AFS) (see instructions):		
a Consolidated net income or loss per the AFS of the corporation	1a	0.
b Include AFS net income or loss of other includible entities (add net income and subtract net loss)	1b	
c Exclude AFS net income or loss of excludible entities (add net loss and subtract net income)	1c	
d Adjustment for certain consolidating entries (see instructions)	1d	
e Specified additional net income or loss item D. Reserved for future use	1e	
f AFS net income or loss before adjustments. Combine lines 1a through 1d	1f	
2 Adjustments:		
a Financial statements covering different tax years	2a	
b Reserved for future use - Adjustment 2b	2b	
c Corporations that are not included on the taxpayers - consolidated return (see instructions)	2c	
d The corporation's distributive share of adjusted financial statement income of partnerships	2d	
e Pro-rata share of net income from controlled foreign corporations for which the corporation is a U.S. shareholder. If zero or less, enter -0-. (See instructions)	2e	
f Amounts that are not effectively connected to a U.S. trade or business	2f	
g Certain taxes. Enter the amount from Part III, line 7	2g	
h Patronage dividends and per-unit retain allocations (cooperatives only)	2h	
i Alaska native corporations	2i	
j Certain credits (see instructions)	2j	
k Mortgage servicing income	2k	
l Covered benefit plans described in section 56A(c)(11)(B)	2l	
m Tax-exempt entities (organizations subject to tax under section 511)	2m	
n Depreciation	2n	
o Qualified wireless spectrum	2o	
p Covered transactions	2p	
q Adjustments related to bankruptcy and insolvency	2q	
r Certain insurance company adjustments	2r	
s AFSI adjustment S - Reserved for future use	2s	
t AFSI adjustment T - Reserved for future use	2t	
u AFSI adjustment U - Reserved for future use	2u	
z Other (see instructions)	2z	
3 Total adjustments. Combine lines 2a through 2z	3	
4 AFSI before financial statement net operating loss carryover. Combine lines 1f and 3	4	0.
5 Financial statement net operating loss (FSNOL) (see instructions)	5	STATEMENT 9
6 AFSI. Subtract line 5 from line 4. If zero or less, enter -0-	6	
7 Multiply line 6 by 15% (0.15)	7	
8 Corporate alternative minimum tax foreign tax credit (CAMT FTC). Enter amount from Part IV, Section I, line 6 (see inst)	8	
9 Tentative minimum tax. Subtract line 8 from line 7. If zero or less, enter -0-	9	
10 Regular tax liability (see instructions)	10	
11 Base erosion minimum tax (see instructions)	11	
12 Combine lines 10 and 11	12	
13 Alternative minimum tax. Subtract line 12 from line 9. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return	13	

Part III Adjustment for Certain Taxes Under Section 56A(c)(5)

1 Current income tax provision - Foreign	1	
2 Current income tax provision - Federal	2	
3 Deferred income tax provision - Foreign	3	0.
4 Deferred income tax provision - Federal	4	
5 Income taxes included in equity method investment income	5	
6a Adjustment A - Reserved for future use	6a	
b Adjustment B - Reserved for future use	6b	
c Adjustment C - Reserved for future use	6c	
d Adjustment D - Reserved for future use	6d	
e Adjustment E - Reserved for future use	6e	
f Adjustment F - Reserved for future use	6f	
g Adjustment G - Reserved for future use	6g	
h Adjustment H - Reserved for future use	6h	
z Income taxes in other places	6z	
7 Total. Combine lines 1 through 6z. Enter here and on Part II, line 2g	7	

Part IV Alternative Minimum Tax - Corporations Foreign Tax Credit**Section I - AMT Foreign Tax Credit**

1	Domestic corporation AMT foreign income taxes:			
a	Total foreign taxes paid or accrued as reported on Form 1118, Schedule B, Part I, column 2(j)	1a		
b	Adjustment	1b		
c	Adjustment	1c		
d	Adjustment	1d		
e	Adjustment	1e		
f	Adjustment	1f		
g	Adjustment	1g		
2	Total domestic corporation AMT foreign income taxes. Combine lines 1a through 1g		2	
3	Allowable controlled foreign corporation (CFC) AMT foreign income taxes:			
a	Pro-rata share of CFC AMT foreign income taxes from Part IV, Section II, line 11, column (n)	3a		
b	Carryover of excess foreign taxes (from Part IV, Section III, line 4, column (vii))	3b		
c	Total CFC AMT foreign income taxes. Add lines 3a and 3b		3c	
d	Percentage specified in section 55(b)(2)(A)(i)	3d	15%	
e	Pro-rata share of CFC net income described in section 56A(c)(3) (attach worksheet) (see instructions)	3e		
f	CFC AMT foreign tax credit limitation (multiply line 3d by line 3e)		3f	
g	Allowable CFC AMT foreign income taxes (lesser of line 3c or line 3f)		3g	
4	CAMT FTC Line 4 - Reserved for future use		4	
5	CAMT FTC Line 5 - Reserved for future use		5	
6	Total AMT foreign income taxes. Combine lines 2 and 3g. Enter this amount on Part II, line 8		6	

Form **4626** (2023)

Cost of Goods Sold

(Rev. November 2018)

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**

OMB No. 1545-0123

Department of the Treasury
Internal Revenue Service▶ **Go to www.irs.gov/Form1125A for the latest information.**

Name

Employer identification number

PALM DESERT RECREATIONAL FACILITIES CORP**33-0746371**

1	Inventory at beginning of year	1	75,170.
2	Purchases	2	1,856,044.
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	1,931,214.
7	Inventory at end of year	7	43,797.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions	8	1,887,417.

9 a Check all methods used for valuing closing inventory:

- (i) ☐ Cost
- (ii) ☐ Lower of cost or market
- (iii) ☐ Other (Specify method used and attach explanation) ▶ _____

b Check if there was a writedown of subnormal goods ▶ ☐**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐**d** If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d** | _____**e** If property is produced or acquired for resale, do the rules of Section 263A apply to the entity? See instructions ☐ Yes ☒ No**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☒ No
If "Yes," attach explanation.**For Paperwork Reduction Act Notice, see separate instructions.**Form **1125-A** (Rev. 11-2018)

FORM 1120	OTHER INCOME	STATEMENT 1
DESCRIPTION		AMOUNT
CONTRIBUTIONS FROM PRIMARY GOVERNMENT		241,726.
TOTAL TO FORM 1120, LINE 10		241,726.

FORM 1120	TAXES AND LICENSES	STATEMENT 2
DESCRIPTION		AMOUNT
TAX & LICENSE		
TOTAL TO FORM 1120, LINE 17		

FORM 1120	OTHER DEDUCTIONS	STATEMENT 3
DESCRIPTION		AMOUNT
AMORTIZATION		71,262.
BANQUET SUPPLIES		
CLEANING SUPPLIES		
CONTRACT SERVICES		2,807,725.
DISCOUNTS		
DUES & SUBSCRIPTIONS		
EQUIPMENTAL RENTAL		
KITCHEN SUPPLIES		
LAUNDRY		
MISC		
OFFICE SUPPLIES		
PRINTING		
PROFESSIONAL SERVICE		
UNIFORM		
TOTAL TO FORM 1120, LINE 26		2,878,987.

NET OPERATING LOSS DEDUCTION

STATEMENT 4

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/20	162,354.		162,354.	162,354.
06/30/21	161,652.		161,652.	161,652.
06/30/22	539,898.	100,599.	439,299.	439,299.
06/30/23	56,566.		56,566.	56,566.
NOL AVAILABLE THIS YEAR			819,871.	819,871.

SCHEDULE L

OTHER CURRENT ASSETS

STATEMENT 5

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
DUE FROM OTHER GOVERNMENTS		1,305,037.
PREPAID INSURANCE	10,937.	11,452.
TOTAL TO SCHEDULE L, LINE 6	10,937.	1,316,489.

SCHEDULE L

OTHER ASSETS

STATEMENT 6

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
RIGHT TO USE LEASED ASSETS, NET OF ACCUMULATED AMORTIZATION	2,494,164.	2,422,902.
TOTAL TO SCHEDULE L, LINE 14	2,494,164.	2,422,902.

SCHEDULE L

OTHER CURRENT LIABILITIES

STATEMENT 7

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	328,789.	311,694.
LEASE PAYABLE	53,295.	
TOTAL TO SCHEDULE L, LINE 18	382,084.	311,694.

SCHEDULE L

OTHER LIABILITIES

STATEMENT 8

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
DUE TO OTHER GOVERNMENT	1,998,564.	1,857,644.
LEASE PAYABLE	2,475,747.	2,421,536.
OTHER LIABILITIES		
TOTAL TO SCHEDULE L, LINE 21	4,474,311.	4,279,180.

FORM 4626

ALTERNATIVE MINIMUM TAX NOL DEDUCTION

STATEMENT 9

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING
06/30/23	56,566.		56,566.
AMT NOL CARRYOVER AVAILABLE THIS YEAR			56,566.

2002452 PALM 33-0746371 000000000000 23
TYB 07-01-2023 TYE 06-30-2024
PALM DESERT RECREATIONAL FACILITIES CORP

73510 FRED WARING DRIVE
PALM DESERT CA 92260

Schedule Q Questions (continued on Side 2)

A FINAL RETURN? • ☐ Dissolved ☐ Surrendered (withdrawn) ☐ Merged/Reorganized ☐ IRC Section 338 sale ☐ QSub election
Enter date (mm/dd/yyyy) • _____

B 1. Is income included in a combined report of a unitary group? • ☐ Yes ☒ No

If "Yes," indicate: ☐ Wholly within CA (R&TC 25101.15)
☐ Within and outside of CA

2. Is there a change in the members listed in Schedule R-7 from the prior year? • ☐ Yes ☐ No

3. Enter the number of members (including parent or key corporation) listed in the Schedule R-7, Part I, Section A,
subject to income or franchise tax • _____

4. Is form FTB 3544 attached to the return? • ☐ Yes ☒ No

C 1. During this taxable year, did this corporation or any of its subsidiaries acquire control or majority ownership (more than a 50% interest)
in another legal entity? If yes, did the acquired entity(ies) own California real property (i.e., land buildings), lease such property for a
term of 35 years or more, or lease such property from a government agency for any term? If yes to both questions, answer yes • ☐ Yes ☒ No

2. During this taxable year, did another person or legal entity acquire control or majority ownership (more than a 50% interest) of this
corporation or any of its subsidiaries? If yes, did the acquired entity(ies) own California real property (i.e., land, buildings), lease such
property for a term of 35 years or more, or lease such property from a government agency for any term? If yes to both questions,
answer yes • ☐ Yes ☒ No

3. Has California real property (i.e., land, buildings) transferred to the corporation that was excluded from property tax reassessment
under Revenue and Taxation Code Section 62(a)(2)? If yes, during this taxable year, has more than 50% of the corporation voting
stock cumulatively transferred in one or more transactions and it was not reported on previous year's tax return? If yes to both
questions, answer yes • ☐ Yes ☒ No

(Yes requires filing of BOE-100-B statement, penalties may apply - see instructions.)

State Adjustments	1 Net income (loss) before state adjustments. See instructions	• 1		00
	2 Amount deducted for foreign or domestic tax based on income or profits from Schedule A	• 2		00
	3 Amount deducted for tax under the provisions of the Corporation Tax Law from Schedule A	• 3		00
	4 Interest on government obligations	• 4		00
	5 Net California capital gain from Side 6, Schedule D, line 11	• 5		00
	6 Depreciation and amortization in excess of amount allowed under California law. Attach form FTB 3885	• 6		00
	7 Net income from corporations not included in federal consolidated return. See instructions	• 7		00
	8 Other additions. Attach schedule(s)	• 8		00
	9 Total. Add line 1 through line 8	• 9		00

State Adjustments (con't)	10	Intercompany dividend elimination. Attach Schedule H (100)	•	10		00	
	11	Dividends received deduction. Attach Schedule H (100)	•	11		00	
	12	Additional depreciation allowed under CA law. Attach form FTB 3885	•	12		00	
	13	Capital gain from federal Form 1120, line 8	•	13		00	
	14	Charitable Contributions	•	14		00	
	15	Other deductions. Attach schedule(s)	•	15		00	
	16	Total. Add line 10 through line 15	•	16			00
CA Net Income	17	Net income (loss) after state adjustments. Subtract line 16 from Side 1, line 9	•	17		0	00
	18	Net income (loss) for state purposes. Complete Sch. R if apportioning or allocating income. See instructions	•	18		0	00
	19	Net operating loss (NOL) deduction. See instructions	•	19		00	
	20	EZ, TTA, or LAMBRA NOL carryover deduction. See instructions	•	20		00	
	21	Disaster loss deduction. See instructions	•	21		00	
22	Net income for tax purposes. Combine line 19 through line 21. Then, subtract from line 18	•	22		0	00	
Taxes	23	Tax. <u>8.8400</u> % x line 22 (at least minimum franchise tax, if applicable). See instructions	•	23		800	00
	24	Credit name _____ code • _____ amount ▶	•	24		00	
	25	Credit name _____ code • _____ amount ▶	•	25		00	
	26	To claim more than two credits, see instructions	•	26		00	
	27	Add line 24 through line 26	•	27			00
	28	Balance. Subtract line 27 from line 23 (at least minimum franchise tax, if applicable)	•	28		800	00
	29	Alternative minimum tax. Attach Schedule P (100). See instructions	•	29			00
30	Total tax. Add line 28 and line 29	•	30		800	00	
Payments	31	Overpayment from prior year allowed as a credit	•	31		00	
	32	2023 Estimated tax payments. See instructions	•	32		00	
	33	2023 Withholding (Form 592-B and/or 593). See instructions	•	33		00	
	34	Amount paid with extension of time to file tax return	•	34		00	
	35	Total payments. Add line 31 through line 34	•	35			00
Refund or Amount Due	36	Use tax. This is not a total line. See instructions	•	36		00	
	37	Payments balance. If line 35 is more than line 36, subtract line 36 from line 35	•	37			00
	38	Use tax balance. If line 36 is more than line 35, subtract line 35 from line 36	•	38			00
	39	Franchise or income tax due. If line 30 is more than line 37, subtract line 37 from line 30	•	39		800	00
	40	Overpayment. If line 37 is more than line 30, subtract line 30 from line 37	•	40			00
	41	Amount of line 40 to be credited to 2024 estimated tax	•	41			00
	42	Refund. Subtract line 41 from line 40	•	42			00
	See instructions to have the refund directly deposited. <input type="checkbox"/> Checking <input type="checkbox"/> Savings						
	42a.	• Routing number	42b.	• Type	42c.	• Account number	
	43 a	Penalties and interest	SEE STATEMENT 2				• 43a
b •	<input type="checkbox"/> Check if estimate penalty computed using Exception B or C on form FTB 5806. See instructions.						
44	Total amount due. Add line 38, line 39, line 41, and line 43a. Then, subtract line 40 from the result	•	44		963	00	

Schedule Q Questions (continued from Side 1)

D If the corporation filed on a water's-edge basis pursuant to R&TC Sections 25110 and 25113 in previous years, enter the date the water's-edge election ended (mm/dd/yyyy) • _____

E Was the corporation's income included in a consolidated federal return? • ☐ Yes ☒ No

F Principal business activity code. (Do not leave blank): • 722511
Business activity CLUBHOUSE RESTAURANT
Product or service FOOD & BEVERAGE

G Date incorporated (mm/dd/yyyy): 02/20/1997 Where: • State CA Country UNITED STATES

Schedule Q Questions (continued on Side 3)

H Date business began in California or date income was first derived from California sources (mm/dd/yyyy) • 07/01/1997

I Was the corporation an inactive business both within and outside of California during the taxable year? • ☐ Yes ☒ No

J First return? • ☐ Yes ☒ No If "Yes" and this corporation is a successor to a previously existing business, check the appropriate box.

- (1) ☐ Sole proprietorship (2) ☐ Partnership (3) ☐ Joint venture (4) ☐ Corporation (5) ☐ Other
(Attach statement showing name, address, and FEIN/SSN/ITIN of previous business.)

K "Doing business as" name. See instructions: • _____

L At any time during the taxable year, was more than 50% of the voting stock:

1. Of the corporation owned by any single interest? • ☐ Yes ☒ No
2. Of another corporation owned by this corporation? • ☐ Yes ☒ No
3. Of this and one or more other corporations owned or controlled, directly or indirectly, by the same interests? • ☐ Yes ☒ No

If 1 or 3 is "Yes," enter the country of the ultimate parent • _____

If 1, 2, or 3 is "Yes," furnish a statement of ownership indicating pertinent names, addresses, and percentages of stock owned.

If the owner(s) is an individual, provide the SSN/ITIN and see FTB 1131 EN-SP, for more information.

M Has the corporation included a reportable transaction or listed transaction within this return? (See instructions for definitions) • ☐ Yes ☒ No

If "Yes," complete and attach federal Form 8886 for each transaction.

N Is this corporation apportioning or allocating income to California using Schedule R? • ☐ Yes ☒ No

O How many entities, if any, including this corporation, are claiming immunity from taxation in California under Public Law 86-272? • _____

P Corporation headquarters are: • (1) ☒ Within California (2) ☐ Outside of California, within the U.S. (3) ☐ Outside of the U.S.

Q Location of principal accounting records: 73510 FRED WARING DRIVE, PALM DESERT, CA 92260

R Accounting method: • (1) ☐ Cash (2) ☒ Accrual (3) ☐ Other

S Does this corporation or any of its subsidiaries have a Deferred Intercompany Stock Account (DISA)? • ☐ Yes ☒ No

If "Yes," enter the total balance of all DISAs • \$ _____

T Is this corporation or any of its subsidiaries a RIC? • ☐ Yes ☒ No

U Is this corporation treated as a REMIC for California purposes? • ☐ Yes ☒ No

V 1. Is this corporation a REIT for California purposes? • ☐ Yes ☒ No

2. If question V1 is "Yes," does the entity own any qualified REIT
subsidiaries that are incorporated or qualified with the California

Secretary of State? If yes, see instructions • ☐ Yes ☒ No

W Is this corporation an LLC or limited partnership electing to be taxed as a corporation for federal purposes? • ☐ Yes ☒ No

If "Yes," enter the effective date of the election (mm/dd/yyyy) • _____

X Is this corporation to be treated as a credit union? • ☐ Yes ☒ No

Y Is the corporation under audit by the IRS or has it been audited by the IRS in a prior year? • ☐ Yes ☒ No

Z Have all required information returns (e.g. federal Forms 1099, 5471, 5472, 8300, 8865, etc.) been filed with the Franchise Tax Board? ☒ N/A ☐ Yes ☐ No




AA Does the taxpayer (or any corporation of the taxpayer's combined group, if applicable) own 80% or more of the stock of an insurance company? • ☐ Yes ☒ No

BB Did the corporation file the federal Schedule UTP (Form 1120)? • ☐ Yes ☒ No

CC Does any member of the combined report own an SMLLC or generate/claim credits that are attributable to an SMLLC? • ☐ Yes ☒ No

DD1. Has this business entity previously filed an unclaimed property Holder Remit Report with the State Controller's Office? • ☐ Yes ☒ No

2. If "Yes," when was the last report filed? (mm/dd/yyyy) • _____ 3. Amount last remitted ■ \$ _____

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of officer 	Title TREASURER	Date	• Telephone 760-776-6344
Paid Preparer's Use Only	Officer's email address (optional) VCHAVEZ@PALMDESERT.GOV			
	Preparer's signature 	Date 04/01/25	Check if self-employed 	• PTIN P00716069
	Firm's name (or yours, if self-employed) and address LANCE, SOLL & LUNGHARD, LLP 500 TECHNOLOGY DRIVE STE 350 IRVINE, CA 92618	• Firm's FEIN 95-2700123		
				• Telephone 949-829-8299
May the FTB discuss this return with the preparer shown above? See instructions • <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				

Schedule A Taxes Deducted. Use additional sheet(s) if necessary.

(a) Nature of tax	(b) Taxing authority	(c) Total amount	(d) Nondeductible amount
TAX & LICENSE		0	00
			00
Total. Enter total of column (c) on Schedule F, line 17, and total of column (d) on Side 1, line 2 or line 3. If the corporation uses California computation method to compute the net income, see instructions.		●	● 00

Schedule F Computation of Net Income. See instructions.

Income	1	a) Gross receipts or gross sales ●	4,570,976						
		b) Less returns and allowance ●		c) Balance	●	1c	4,570,976	00	
	2	Cost of goods sold. Attach federal Form 1125-A (California Schedule V)		●	2	1,887,417	00		
	3	Gross profit. Subtract line 2 from line 1c		●	3	2,683,559	00		
	4	Total dividends. Attach federal Schedule C (California Schedule H (100))		●	4		00		
	5	a) Interest on obligations of the United States and U.S. instrumentalities		●	5a		00		
		b) Other interest. Attach schedule		●	5b		00		
	6	Gross rents		●	6		00		
	7	Gross royalties		●	7		00		
	8	Capital gain net income. Attach federal Schedule D (California Schedule D)		●	8		00		
	9	Ordinary gain (loss). Attach federal Form 4797 (California Schedule D-1)		●	9		00		
10	Other income (loss). Attach schedule	SEE STATEMENT 3	●	10	241,726	00			
11	Total income. Add line 3 through line 10		●	11	2,925,285	00			
Deductions	12	Compensation of officers. Attach federal Form 1125-E or equivalent schedule	●	12		00			
	13	Salaries and wages (not deducted elsewhere)	●	13		00			
	14	Repairs and maintenance	●	14		00			
	15	Bad debts	●	15		00			
	16	Rents	●	16		00			
	17	Taxes (California Schedule A). See instructions	●	17		00			
	18	Interest. Attach schedule	●	18	46,298	00			
	19	Charitable Contributions. Attach schedule	●	19		00			
	20	Depreciation. Attach fed Form 4562 & FTB 3885 ●	20		00				
	21	Less depreciation claimed elsewhere on return ●	21a		00	21b		00	
	22	Depletion. Attach schedule	●	22		00			
	23	Advertising	●	23		00			
	24	Pension, profit-sharing plans, etc.	●	24		00			
	25	Employee benefit plans	●	25		00			
	26	a) Total travel and entertainment ●							
		b) Deductible amounts	●	26b		00			
	27	Other deductions. Attach schedule	SEE STATEMENT 4	●	27	2,878,987	00		
	28	Specific deduction for organizations under R&TC Section 23701r or 23701t. See instr	●	28		00			
	29	Total deductions. Add line 12 through line 28	●	29	2,925,285	00			
30	Net income before state adjustments. Subtract line 29 from line 11. Enter here and on Side 1, line 1	●	30	0	00				

Schedule J Add-On Taxes and Recapture of Tax Credits. See instructions.

1	LIFO recapture due to S corporation election, IRC Sec. 1363(d) deferral: \$	●	1		00
2	Interest computed under the look-back method for completed long-term contracts (Attach form FTB 3834)	●	2		00
3	Interest on tax attributable to installment: a Sales of certain timeshares and residential lots	●	3a		00
	b Method for nondealer installment obligations	●	3b		00
4	IRC Section 197(f)(9)(B)(ii) election	●	4		00
5	Credit recapture name:	●	5		00
6	Combine line 1 through line 5, revise Side 2, line 39 or line 40, whichever applies, by this amount. Write "Schedule J" to the left of line 39 or line 40	●	6		00

Schedule V Cost of Goods Sold

1	Inventory at beginning of year	1	75,170	00
2	Purchases	2	1,856,044	00
3	Cost of labor	3		00
4 a	Additional IRC Section 263A costs. Attach schedule	4a		00
b	Other costs. Attach schedule	4b		00
5	Total. Add line 1 through line 4b	5	1,931,214	00
6	Inventory at end of year	6	43,797	00
7	Cost of goods sold. Subtract line 6 from line 5. Enter here and on Side 4, Schedule F, line 2	7	1,887,417	00

Method of inventory valuation ▶

Was there any change in determining quantities, costs of valuations between opening and closing inventory? If "Yes," attach an explanation. ☐ Yes ☒ No

Enter California seller's permit number, if any ▶

Check if the LIFO inventory method was adopted this taxable year for any goods. If checked, attach federal Form 970 ☐

If the LIFO inventory method was used for this taxable year, enter the amount of closing inventory under LIFO

Do the rules of IRC Section 263A (with respect to property produced or acquired for resale) apply to the corporation? ☐ Yes ☒ No**The corporation may not be required to complete Schedules L, M-1, and M-2. See Schedule M-1 instructions for reporting requirements.****Schedule L Balance Sheet**

	Beginning of taxable year		End of taxable year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		1,216,690		907,655
2 a Trade notes and accounts receivable	33,236		4,000	
b Less allowance for bad debts	()	33,236	()	4,000
3 Inventories		75,170		43,797
4 Federal and state government obligations				
5 Other current assets. Attach sch(s) STMT 5		10,937		1,316,489
6 Loans to stockholders/officers. Att sch				
7 Mortgage and real estate loans				
8 Other investments. Attach sch(s)				
9 a Buildings and other fixed depreciable assets				
b Less accumulated depreciation	()		()	
10 a Depletable assets				
b Less accumulated depletion	()		()	
11 Land (net of any amortization)				
12 a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
13 Other assets. Attach sch(s) STMT 6		2,494,164		2,422,902
14 Total assets		3,830,197		4,694,843
Liabilities and Stockholders' Equity				
15 Accounts payable		37,113		49,758
16 Mortgages, notes, bonds payable in less than 1 year				54,211
17 Other current liabilities. Att. sch(s) STMT 7		382,084		311,694
18 Loans from stockholders. Att. sch(s)				
19 Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities. Attach sch(s) STMT 8		4,474,311		4,279,180
21 Capital stock: a Preferred stock				
b Common stock				
22 Paid-in or capital surplus. Attach reconciliation				1,063,311
23 Retained earnings - Appropriated. Att. sch.				
24 Retained earnings - Unappropriated		-1,063,311		-1,063,311
25 Adjustments to shareholders' equity. Att. sch.				
26 Less cost of treasury stock		()		()
27 Total liabilities and stockholders' equity		3,830,197		4,694,843

Schedule M-1**Reconciliation of Income (Loss) per Books With Income (Loss) per Return.**

If the corporation completed federal Sch M-3 (Form 1120/1120F), see instructions.

1 Net income per books		7 Income recorded on books this year not included in this return (itemize)	
2 Federal income tax		a Tax-exempt interest <input checked="" type="radio"/> \$	
3 Excess of capital losses over capital gains		b Other \$	
4 Taxable income not recorded on books this year (itemize)		c Total. Add line 7a and line 7b	
5 Expenses recorded on books this year not deducted in this return (itemize)		8 Deductions in this return not charged against book income this year (itemize)	
a Depreciation \$		a Depreciation \$	
b State taxes \$		b State tax refunds \$	
c Travel and entertainment <input checked="" type="radio"/> \$		c Other \$	
d Other \$		d Total. Add line 8a through line 8c	
e Total. Add line 5a through line 5d		9 Total. Add line 7c and line 8d <input checked="" type="radio"/>	
6 Total. Add line 1 through line 5e		10 Net income per return. Subtract line 9 from line 6	

Schedule M-2**Analysis of Unappropriated Retained Earnings per Books** (Side 5, Schedule L, line 24)

1 Balance at beginning of year	-1,063,311	5 Distributions: a Cash	
2 Net income per books		b Stock	
3 Other increases (itemize)		c Property	
4 Total. Add line 1 through line 3	-1,063,311	6 Other decreases (itemize)	
		7 Total. Add line 5 and line 6	
		8 Balance at end of year. Subtract line 7 from line 4 <input checked="" type="radio"/>	-1,063,311

Schedule D**California Capital Gains and Losses****Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less.** Use additional sheet(s) if necessary.

(a) Kind of property and description (Example, 100 shares of Z Co.)	(b) Date acquired (mm/dd/yyyy)	(c) Date sold (mm/dd/yyyy)	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain (loss) (d) less (e)
1					00
2 Short-term capital gain from installment sales from form FTB 3805E, line 26 or line 37				2	00
3 Unused capital loss carryover from 2022				3	00
4 Net short-term capital gain (loss). Combine line 1 through line 3				4	00

Part II Long-Term Capital Gains and Losses - Assets Held More Than One Year. Use additional sheet(s) if necessary.

5					00
6 Enter gain from Schedule D-1, line 9 and/or any capital gain distributions				6	00
7 Long-term capital gain from installment sales from form FTB 3805E, line 26 or line 37				7	00
8 Net long-term capital gain (loss). Combine line 5 through line 7				8	00
9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)				9	00
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)				10	00
11 Total lines 9 and 10. Enter here and on Form 100, Side 1, line 5. If losses exceed gains, carry forward losses to 2024				11	00

2023

Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitations - Corporations

3805Q

Attach to Form 100, Form 100W, Form 100S, or Form 109.

Corporation name

California corporation number

PALM DESERT RECREATIONAL FACILITIES CORP

2002452

During the taxable year the corporation incurred the NOL, the corporation was a(n): ☒ C corporation☐ S corporation ☐ Exempt organization ☐ Limited liability company (electing to be taxed as a corporation)

FEIN

33-0746371

If the corporation previously filed California tax returns under another corporate name, enter the corporation name and California corporation number:

☐

If the corporation is included in a combined report of a unitary group, see instructions, General Information C, Combined Reporting.

Part I Current year NOL. If the corporation does not have a current year NOL, go to Part II.

1 Net loss from Form 100, line 18; Form 100W, line 18; Form 100S, line 15; or Form 109, line 2.

Enter as a positive number

☐ 1 0 00

2 2023 disaster loss included in line 1. Enter as a positive number

☐ 2 00

3 Subtract line 2 from line 1. If zero or less, enter -0- and see instructions

☐ 3 004 a Enter the amount of the loss incurred by a new business included in line 3 ☐ 4a

00

b Enter the amount of the loss incurred by an eligible small business included in line 3 ☐ 4b

00

c Add line 4a and line 4b

☐ 4c 00

5 General NOL. Subtract line 4c from line 3

☐ 5 00

6 Current year NOL. Add line 2, line 4c, and line 5. See instructions

☐ 6 00

Part II NOL carryover and disaster loss carryover limitations. See instructions.

1 Net income - Enter the amount from Form 100, line 18; Form 100W, line 18; Form 100S, line 15 less line 16; or Form 109, line 2; (but not less than -0-).

(g) Available balance

0

Prior Year NOLs

(a) Year of loss	(b) Code - See instructions	(c) Type of NOL - See below *	(d) Initial loss - See instructions	(e) Carryover from 2022	(f) Amount used in 2023	(g) Available balance	(h) Carryover to 2024 col. (e) minus col. (f)
2 <input type="radio"/> 2015	<input type="radio"/>	<input type="radio"/> GEN	<input type="radio"/> 539,018	<input type="radio"/> 437,619	<input type="radio"/> 0	<input type="radio"/> 0	<input type="radio"/> 437,619
<input type="radio"/> 2019	<input type="radio"/>	<input type="radio"/> GEN	<input type="radio"/> 161,554	<input type="radio"/> 161,554	<input type="radio"/> 0	<input type="radio"/> 0	<input type="radio"/> 161,554
<input type="radio"/> 2020	<input type="radio"/>	<input type="radio"/> GEN	<input type="radio"/> 160,852	<input type="radio"/> 160,852	<input type="radio"/> 0	<input type="radio"/> 0	<input type="radio"/> 160,852
<input type="radio"/> 2022	<input type="radio"/>	<input type="radio"/> GEN	<input type="radio"/> 55,766	<input type="radio"/> 55,766	<input type="radio"/> 0	<input type="radio"/> 0	<input type="radio"/> 55,766

Current Year NOLs

(a) Year of loss	(b) Code - See instructions	(c) Type of NOL - See below *	(d) Initial loss - See instructions	(e) Carryover from 2022	(f) Amount used in 2023	(g) Available balance	(h) Carryover to 2024 col. (e) minus col. (f)
3 2023		DIS					col. (d) minus col. (f) See instructions.
4 2023							
2023							
2023							
2023							

* Type of NOL: General (GEN), New Business (NB), Eligible Small Business (ESB), or Disaster (DIS).

Part III 2023 NOL deduction

1 Total the amounts in Part II, line 2, column (f)

☐ 1 00

2 Enter the total amount from line 1 that represents disaster loss carryover deduction here and on Form 100, line 21; Form 100W, line 21; or Form 100S, line 19. Form 109 filers enter -0-

☐ 2 00

3 Subtract line 2 from line 1. Enter the result here and on Form 100, line 19; Form 100W, line 19; Form 100S, line 17; or Form 109, line 7

☐ 3 0 00

FORM 5806		COMPUTATION OF INTEREST ON UNDERPAYMENT					STATEMENT 1	
Q T R - A	EVENT AMOUNT	REMAINING TYPE UNDERPAYMENT	PERIOD OF UNDERPAYMENT		DAYS	INTEREST RATE	AMOUNT OF PENALTY	
	800.	Q	800.	10/15/2023	12/31/2023	77	7.0000	12.
		R	800.	12/31/2023	06/30/2024	182	7.0000	28.
		R	800.	06/30/2024	09/15/2024	77	8.0000	13.
TOTAL TO FORM 5806 LINE 22B								53.

EVENT TYPE: Q = QUARTERLY AMOUNT DUE
P = PAYMENT
R = INTEREST RATE CHANGE
L = LEAP YEAR CHANGE
W = NONRESIDENT WITHHOLDING
O = PRIOR YEAR OVERPAYMENTS & PAYMENTS MADE AFTER AN
INSTALLMENT DUE DATE BUT BEFORE THE 1ST DAY OF THE MONTH
THE NEXT INSTALLMENT IS DUE - APPLIED AS LATE PAYMENT TO
A PREVIOUS INSTALLMENT

FORM 100/100W		PENALTY AND INTEREST				STATEMENT 2	
BALANCE DUE FROM FORM 100						800	
FAILURE TO FILE A TAX RETURN / LATE FILING PENALTY							
	AMOUNT DUE		MONTHS		PERCENT		
PENALTY CALC:		X		X	%		
FAILURE TO PAY TAX / LATE PAYMENT PENALTY (TWO PART PENALTY)							
	AMOUNT DUE		MONTHS		PERCENT		
PART I:	800	X	N/A	X	5% %	40	
PART II:	800	X	7	X	1% %	28	
TOTAL OF PART I AND PART II						68	
TOTAL FAILURE TO FILE AND FAILUTE TO PAY						68	
MAXIMUM ALLOWABLE PENALTY (25% OF TAX)						200	
LESSER OF PRECEDING TWO LINES						68	
LATE PAYMENT INTEREST						42	
TOTAL OF LATE FILING, LATE PAYMENT AND LATE PAYMENT INTEREST						110	
UNDERPAYMENT PENALTY FROM FORM 5806						53	
TOTAL PENALTIES AND INTEREST TO FORM 100						163	

FORM 100/100W, SCHEDULE F		OTHER INCOME	STATEMENT 3
DESCRIPTION			AMOUNT
CONTRIBUTIONS FROM PRIMARY GOVERNMENT			241,726.
TOTAL TO FORM 100/100W, SCHEDULE F			241,726.

FORM 100/100W, SCHEDULE F

OTHER DEDUCTIONS

STATEMENT 4

DESCRIPTION	AMOUNT
AMORTIZATION	71,262.
BANQUET SUPPLIES	0.
CLEANING SUPPLIES	0.
CONTRACT SERVICES	2,807,725.
DISCOUNTS	0.
DUES & SUBSCRIPTIONS	0.
EQUIPMENTAL RENTAL	0.
KITCHEN SUPPLIES	0.
LAUNDRY	0.
MISC	0.
OFFICE SUPPLIES	0.
PRINTING	0.
PROFESSIONAL SERVICE	0.
UNIFORM	0.
TOTAL TO FORM 100/100W, SCHEDULE F	2,878,987.

FORM 100/100W, SCHEDULE L

OTHER CURRENT ASSETS

STATEMENT 5

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
DUE FROM OTHER GOVERNMENTS		1,305,037.
PREPAID INSURANCE	10,937.	11,452.
TOTAL TO FORM 100/100W, SCHEDULE L	10,937.	1,316,489.

FORM 100/100W, SCHEDULE L

OTHER ASSETS

STATEMENT 6

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
RIGHT TO USE LEASED ASSETS, NET OF ACCUMULATED AMORTIZATION	2,494,164.	2,422,902.
TOTAL TO FORM 100/100W, SCHEDULE L	2,494,164.	2,422,902.

FORM 100/100W, SCHEDULE L OTHER CURRENT LIABILITIES

STATEMENT 7

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	328,789.	311,694.
LEASE PAYABLE	53,295.	
TOTAL TO FORM 100/100W, SCHEDULE L	382,084.	311,694.

FORM 100/100W, SCHEDULE L

OTHER LIABILITIES

STATEMENT 8

DESCRIPTION	BEGINNING OF TAX YEAR	END OF TAX YEAR
DUE TO OTHER GOVERNMENT	1,998,564.	1,857,644.
LEASE PAYABLE	2,475,747.	2,421,536.
OTHER LIABILITIES		
TOTAL TO FORM 100/100W, SCHEDULE L	4,474,311.	4,279,180.

PALM DESERT RECREATIONAL FACILITIES CORPORATION BOARD
STAFF REPORT

MEETING DATE: June 9, 2025

PREPARED BY: Austin Yapple, Accounting Manager
Veronica Chavez, Chief Financial Officer

SUBJECT: REVIEW AND APPROVE THE PROPOSED FINANCIAL PLAN FOR THE
FISCAL YEAR 2025-2026

RECOMMENDATION:

Review and approve the financial plan for the 2025-2026 fiscal year.

BACKGROUND/ANALYSIS:

Presented for your consideration are the proposed Fiscal Year (FY) 2025-2026 operational budgeted revenues and expenditures for the Palm Desert Recreational Facilities Corporation (PDRFC). The proposal is based on expected operational goals driven by past achievements, with consideration of the current economic climate. Kemper Sports Management Company, LLC along with the City staff have reviewed the FY 2025-26 financial plan and have implemented the anticipated changes with respectful consideration of the industry as a whole and the expectations of operations during FY 2025-26.

City staff and Kemper Sports understand that the budget process is dynamic and anticipate ongoing economic issues that will require monitoring as the food and beverage operations progress through the next fiscal year. Nonetheless, the City and Kemper Sports are committed to fiscal responsibility coupled with effective resource management to provide the highest level of service while maximizing the fiscal capacity of the Desert Willow food & beverage operations.

FINANCIAL IMPACT:

The anticipated budget indicates a net operating deficit of approximately \$85,440 before rent (\$96,000) and property tax expense (\$28,676). After rent and property tax the budget anticipates a loss of \$210,116. The proposed budget reflects the expectations of business as usual. Kemper Sports will continue to seek options to mitigate the rising costs of supplies and labor.

ATTACHMENTS:

1. Palm Desert Recreational Facilities Corporation Financial Plan for FY 2024-25

**Palm Desert Recreational Facilities Corporation Financial Plan
for the Fiscal Years Ended June 30, 2025 and June 30, 2026**

Palm Desert Recreational Facilities Corporation

	Proposed Budget 2025 / 2026	Projected Actual (1) 2024 / 2025	Change	% Change
<u>Revenues</u>				
Food Sales	2,801,091	2,658,867	142,224	5.35%
Beverage sales	293,094	273,584	19,510	7.13%
Liquor Sales	1,334,666	1,285,977	48,689	3.79%
Service-Facility Fees	450,058	437,871	12,187	2.78%
Cigars	-	1,502	(1,502)	-100.00%
Total Revenues	4,878,909	4,657,801	221,108	4.75%
<u>Expenses:</u>				
Cost of Goods Sold-Food	1,027,877	980,229	47,648	4.86%
Cost of Goods Sold-Beverage	94,077	87,096	6,981	8.02%
Cost of Goods Sold-Liquor/Wine/Beer	277,061	251,428	25,633	10.19%
Cost of Goods Sold-Tobacco	-	751	(751)	-100.00%
Payroll- Gross	2,544,687	2,408,067	136,620	5.67%
Payroll - Benefits	454,094	456,656	(2,562)	-0.56%
Supplies	239,914	236,628	3,286	1.39%
Equipment Rental & repairs	159,287	152,696	6,591	4.32%
General and Administration (Credit card Fees, printing ...)	153,213	151,404	1,809	1.19%
License & Taxes Fees	28,676	28,073	603	2.15%
Uniforms	14,139	14,000	139	0.99%
Facility Rent	96,000	96,000	-	0.00%
Total Expenditures	5,089,025	4,863,028	225,997	4.65%
Total PDRFC Income	(210,116)	(205,227)	(4,889)	2.38%

(1) The actual/estimated column was derived from the budget provided by Kemper Sports, Inc.