

# **Skytop Lodge Corporation**

Financial Statements

December 31, 2021 and 2020

# Skytop Lodge Corporation

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## Independent Auditors' Report

To the Shareholders and Board of Directors of  
Skytop Lodge Corporation

### Opinion

We have audited the financial statements of Skytop Lodge Corporation (Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS, 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 Company'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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.

#### **Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the Letter to Shareholders and Management's Discussion and Analysis of Financial Condition and Results of Operation but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Wilkes-Barre, Pennsylvania  
March 29, 2022

# Skytop Lodge Corporation

## Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 4,171,067	\$ 472,162
Accounts receivable, net	273,013	99,845
Inventories	414,276	291,412
Other current assets	483,369	296,083
Prepaid income taxes	54,954	80,870
	<u>5,396,679</u>	<u>1,240,372</u>
Total current assets	5,396,679	1,240,372
<b>Cash Held for Property and Equipment</b>	480,964	1,004,329
<b>Operating Lease Right of Use Assets</b>	414,963	539,997
<b>Property and Equipment, Net</b>	18,969,192	18,726,239
<b>Other Assets</b>	59,487	70,108
	<u>59,487</u>	<u>70,108</u>
Total	<u>\$ 25,321,285</u>	<u>\$ 21,581,045</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Current maturities of notes payable	\$ 356,037	\$ 340,193
Current maturities of PPP note payable	2,000,000	1,238,785
Current maturities of finance leases	42,497	70,381
Current maturities of operating leases	129,342	125,034
Accounts payable, trade	747,173	544,984
Accrued expenses	1,481,748	600,750
Advance deposits	2,470,567	1,666,898
	<u>7,227,364</u>	<u>4,587,025</u>
Total current liabilities	7,227,364	4,587,025
<b>Notes Payable</b>	5,014,806	5,361,892
<b>PPP Note Payable</b>	-	967,015
<b>Finance Leases</b>	58,983	101,304
<b>Operating Leases</b>	285,621	414,963
	<u>285,621</u>	<u>414,963</u>
Total liabilities	<u>12,586,774</u>	<u>11,432,199</u>
<b>Shareholders' Equity</b>		
Preferred stock	943,300	943,300
Common stock	9,822	9,822
Additional paid-in capital	191,561	191,561
Retained earnings	11,589,828	9,004,163
	<u>12,734,511</u>	<u>10,148,846</u>
Total shareholders' equity	12,734,511	10,148,846
Total	<u>\$ 25,321,285</u>	<u>\$ 21,581,045</u>

See notes to financial statements

**Skytop Lodge Corporation**

## Statements of Operations

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Rooms	\$ 11,648,718	\$ 7,399,065
Food and beverage	8,934,370	4,783,017
Sports and recreation	2,119,861	1,712,428
Other operated departments	651,301	281,266
Other income	242,511	320,357
	<u>23,596,761</u>	<u>14,496,133</u>
<b>Departmental Expenses</b>		
Rooms	2,905,229	2,539,509
Food and beverage	7,102,426	4,838,501
Sports and recreation	2,084,452	1,646,266
Other operated departments	542,208	356,008
	<u>12,634,315</u>	<u>9,380,284</u>
<b>Other Expenses (Income)</b>		
Overhead:		
Administrative and general	3,345,179	2,476,913
Sales and marketing	1,183,939	1,313,498
Information technology and telecomm	225,306	215,873
Repairs and maintenance	2,018,383	1,485,992
Utilities	822,249	619,144
	<u>7,595,056</u>	<u>6,111,420</u>
Fixed charges:		
Property taxes	553,566	557,463
Insurance	628,906	559,632
Corporate/shareholder expense	138,896	86,210
Investment expense	-	2,479
	<u>1,321,368</u>	<u>1,205,784</u>
Depreciation and amortization	<u>1,390,367</u>	<u>1,392,778</u>
PPP loan forgiveness	<u>(2,205,800)</u>	<u>-</u>
Gain on disposal of assets	<u>(26,687)</u>	<u>(108,554)</u>
	<u>8,074,304</u>	<u>8,601,428</u>
<b>Income (Loss) Before Interest Expense and Income Taxes</b>	2,888,142	(3,485,579)
<b>Interest Expense</b>	<u>276,561</u>	<u>300,570</u>
<b>Income (Loss) Before Provision (Benefit) for Income Taxes</b>	2,611,581	(3,786,149)
<b>Provision (Benefit) for Income Taxes</b>	<u>25,916</u>	<u>(568,485)</u>
<b>Net Income (Loss)</b>	<u>\$ 2,585,665</u>	<u>\$ (3,217,664)</u>

See notes to financial statements

## Skytop Lodge Corporation

Statements of Changes in Shareholders' Equity  
Years Ended December 31, 2021 and 2020

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
<b>Balance at December 31, 2019</b>	\$ 943,300	\$ 9,822	\$ 191,561	\$ 12,221,827	\$ 13,366,510
<b>Net Loss</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,217,664)</u>	<u>(3,217,664)</u>
<b>Balance at December 31, 2020</b>	943,300	9,822	191,561	9,004,163	10,148,846
<b>Net Income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,585,665</u>	<u>2,585,665</u>
<b>Balance at December 31, 2021</b>	<u>\$ 943,300</u>	<u>\$ 9,822</u>	<u>\$ 191,561</u>	<u>\$ 11,589,828</u>	<u>\$ 12,734,511</u>

Note: Preferred stock, 7%  
cumulative, \$100 par value;  
authorized 12,000 shares,  
issued and outstanding  
9,433 shares

Common stock, \$1 par value;  
authorized 1,000,000 shares,  
issued and outstanding  
9,822 shares

See notes to financial statements

# Skytop Lodge Corporation

## Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 2,585,665	\$ (3,217,664)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,390,367	1,392,778
Provision for bad debts	3,257	12,770
Gain on disposal of assets	(26,687)	(108,554)
Deferred income taxes	-	(567,395)
Amortization of operating lease right-of-use assets	125,034	116,185
PPP loan forgiveness	(2,205,800)	-
Changes in assets and liabilities:		
Accounts receivable	(176,425)	504,707
Inventories	(122,864)	23,168
Other current assets and prepaid income taxes	(161,370)	56,181
Other assets	10,621	8,849
Accounts payable, trade	202,189	(222,434)
Accrued expenses	880,998	(228,904)
Operating lease	(125,034)	(116,185)
Advance deposits	803,669	100,444
Net cash provided by (used in) operating activities	<u>3,183,620</u>	<u>(2,246,054)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(1,719,471)	(1,107,755)
Proceeds from disposal of assets	117,315	126,363
Net cash used in investing activities	<u>(1,602,156)</u>	<u>(981,392)</u>
<b>Cash Flows From Financing Activities</b>		
Repayment of notes payable	(335,719)	(323,860)
Proceeds from PPP note payable	2,000,000	2,205,800
Repayment of finance lease liability	(70,205)	(64,107)
Net cash provided by financing activities	<u>1,594,076</u>	<u>1,817,833</u>
<b>Net Increase (Decrease)</b>	3,175,540	(1,409,613)
<b>Cash and Cash Held for Property and Equipment, Beginning</b>	<u>1,476,491</u>	<u>2,886,104</u>
<b>Cash and Cash Held for Property and Equipment, Ending</b>	<u>\$ 4,652,031</u>	<u>\$ 1,476,491</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 276,561</u>	<u>\$ 300,570</u>
Right-of-use assets and finance lease liability recognized	<u>\$ -</u>	<u>\$ 128,184</u>
Right-of-use assets and operating lease liability recognized	<u>\$ -</u>	<u>\$ 364,962</u>

See notes to financial statements

# Skytop Lodge Corporation

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Notes to Financial Statements  
December 31, 2021 and 2020

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

Skytop Lodge Corporation (Company) owns and operates a 5,500-acre, 192 room, full service, destination resort in Skytop, Pennsylvania. This is a four season resort featuring an array of recreational facilities, restaurants and a conference center.

The Company's market is nationwide with particular concentration in the northeast region. The Company's clientele is both social and group. The social markets generally consist of holiday and vacation guests augmented by family reunions, weddings and weekend packages. Group markets generally consist of business retreats and meetings and product presentations. Various marketing tools such as the Company's website (<http://www.skytop.com>), newsletters, mailings, site familiarization tours, advertising and other means are used to promote the Company.

Because the resort business is highly competitive, the Company continuously invests substantial capital in property improvement and expansion programs.

The Company also periodically divests itself of small amounts of real estate for private noncommercial development.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when deemed uncollectible based upon a periodic review of individual accounts. The allowance for doubtful accounts is estimated based upon periodic review of individual accounts. The allowance for doubtful accounts was \$20,000 at December 31, 2021 and 2020.

### Inventories

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value.

### Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Finance lease right-of-use assets are recorded at an amount equal to the lease liability at commencement plus initial direct costs and are amortized over the shorter of the lease term or the estimated life of the asset. The lease liability is equal to the present value of the minimum lease payments. Amortization of finance lease right-of-use assets is included in depreciation expense.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of the asset. No impairment was recognized in 2021 and 2020.

# Skytop Lodge Corporation

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Notes to Financial Statements  
December 31, 2021 and 2020

## Revenue Recognition

Revenue consists of amounts derived from hotel operations, including the rental of rooms, food and beverage and other ancillary services (i.e., sports and recreation and other operated departments). Room revenue is a fixed amount based on published rates and is recognized daily as the guest occupies the room. Revenue from food and beverage and other ancillary services is generated when a guest chooses to purchase goods or services separately from a hotel room and revenue is recognized on these distinct goods and services at the point in time that goods or services are provided to the guest. Payment is due in full at the time the services are rendered or the goods are provided and are generally paid upon the guest's checkout. If a guest enters into a package including multiple goods or services, the fixed price is allocated to each distinct good or service based on the stand-alone selling price for each item. Certain ancillary services are provided by third parties and the Company assesses whether it is the principal or agent in these arrangements. If the Company is the agent, revenue is recognized based upon the commission earned from the third party. If the Company is the principal, the Company recognizes revenue based upon the gross sales price. Some contracts for rooms or food and beverage services require an upfront deposit which is recorded as advance deposits, a contract liability, in the accompanying balance sheets and recognized as revenue when the Company provides the room, food or beverage or related ancillary service in the following period. Neither type of customer or type of product sale or service significantly impacts the nature, timing, or uncertainty of revenue and cash flows.

The Commonwealth of Pennsylvania imposes a sales tax of 6% on all of the Company's sales to nonexempt customers. The County of Monroe, Pennsylvania imposes a hotel occupancy tax of 3% on room sales. The Company collects the sales and hotel occupancy tax from customers and remits the amount to the appropriate taxing body. The Company's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

## Income Taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities. These deferred taxes are measured by the provisions of currently enacted tax laws. As changes in the tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

## Advertising Costs

Advertising costs are charged to operations when incurred and amounted to \$365,216 in 2021 and \$354,105 in 2020.

## Subsequent Events

Subsequent events have been evaluated for recognition or disclosure through March 29, 2022, the date the financial statements were available to be issued.

## Skytop Lodge Corporation

Notes to Financial Statements  
December 31, 2021 and 2020

### 2. COVID-19 Pandemic

In March 2020, as a result of the outbreak of the COVID-19 pandemic, Pennsylvania's governor declared a disaster emergency and issued an order requiring all non-life-sustaining businesses to close effective March 18, 2020. The Company shut down its operations until May 18, 2020. Upon re-opening, capacity was restricted to varying levels for in-house dining and events. Effective December 12, 2020, Pennsylvania prohibited all in-person dining, use of gyms and fitness facilities, and indoor gatherings in excess of 10 persons for the period through January 3, 2021. These actions had a significant adverse effect on the Company's 2020 results as the closure and limitations on capacity resulted in fewer room and group event sales and related food and beverage revenues. As vaccines became widely available in 2021, restrictions were lifted and operations returned to a more normal level. However, due to mutations of the virus, the pandemic continues. While the restrictions which occurred in 2020 have not been reinstated, there is no guarantee that future operations will not be affected.

As discussed in Note 7, the Company is participating in the Payroll Protection Program (PPP), a program administered by the Small Business Administration (SBA) to provide assistance to qualifying businesses affected by the COVID-19 pandemic.

### 3. Inventories

Inventories consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Beverage	\$ 128,235	\$ 108,819
Retail merchandise	122,319	94,985
Food	121,622	57,207
Operating supplies	42,100	30,401
Total	<u>\$ 414,276</u>	<u>\$ 291,412</u>

### 4. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 624,786	\$ 625,179
Land improvements	8,125,756	7,819,268
Buildings and improvements	27,263,732	27,170,384
Furniture, equipment and other assets	12,720,150	12,411,421
Finance lease right-of-use assets	264,967	264,967
Construction in progress	510,904	46,854
Total	49,510,295	48,338,073
Less accumulated depreciation	<u>30,541,103</u>	<u>29,611,834</u>
Net	<u>\$ 18,969,192</u>	<u>\$ 18,726,239</u>

Depreciation expense was \$1,385,890 in 2021 and \$1,388,359 in 2020. Accumulated depreciation on assets under finance leases was \$85,829 and \$47,417 at December 31, 2021 and 2020, respectively.

## Skytop Lodge Corporation

Notes to Financial Statements  
December 31, 2021 and 2020

### 5. Line of Credit

The Company has a \$1,500,000 line of credit with Fidelity Deposit and Discount Bank (Fidelity). Interest is charged on borrowings at the bank's prime rate less .50%, with a floor of 4.50%. The line expires December 2022. There were no borrowings at December 31, 2021 and 2020.

### 6. Notes Payable

Notes payable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
<u>Fidelity</u>		
Term note, due in monthly payments of \$49,344 including interest through June 2034; interest is fixed at 4.80% through June 2029 at which time the parties will negotiate the rate for the remaining five years	\$ 5,376,917	\$ 5,698,715
<u>Ally Bank</u>		
Term note, due in monthly payments of \$551, including interest at 3.99%, maturing November 2022; secured by vehicle	5,938	12,109
Term note, due in monthly payments of \$840, including interest at 8.54%, maturing April 2024; secured by vehicle	<u>21,185</u>	<u>28,935</u>
Total	5,404,040	5,739,759
Less deferred financing costs	33,197	37,674
Less current maturities	<u>356,037</u>	<u>340,193</u>
Long-term notes payable	<u>\$ 5,014,806</u>	<u>\$ 5,361,892</u>

The term note and the operating line of credit with Fidelity (Note 5) are secured by substantially all of the Company's property and equipment and require the Company to maintain certain financial covenants.

The Fidelity loan agreements require the Company to deposit 3% of gross revenue each month into a furniture, fixtures and equipment reserve. The reserve was \$480,964 at December 31, 2021 and \$1,004,329 at December 31, 2020 and is reported as cash held for property and equipment on the accompanying balance sheets.

The scheduled future principal repayments are as follows:

Years ending December 31	
2022	\$ 356,037
2023	367,619
2024	379,011
2025	394,261
2026	413,607
Thereafter	<u>3,493,505</u>
Total	<u>\$ 5,404,040</u>

## Skytop Lodge Corporation

Notes to Financial Statements  
December 31, 2021 and 2020

### 7. PPP Note Payable

The Company elected to participate in the PPP, a program administered by the SBA and authorized by the Coronavirus Aid, Relief, and Economic Stability Act (CARES Act), and obtained a \$2,205,800 unsecured loan from Fidelity in April 2020. Under the program, the loan is 100% forgivable if the Company meets specified requirements. The Company met the specified requirements and its application for forgiveness was accepted by the SBA in June 2021. As such, the \$2,205,800 has been recognized as PPP loan forgiveness income in the 2021 statement of operations.

In February 2021, the Company received a \$2,000,000 unsecured loan from Fidelity under a second round of PPP. This loan bears interest at 1% and matures February 2026. Similar to the first PPP loan, this loan is 100% forgivable if the Company meets specified requirements. The Company believes it has met the specified requirements and has applied to the SBA for forgiveness. The Company expects to receive full forgiveness of this loan in 2022. In the event the Company does not receive forgiveness, it would be required to repay the loan by February 2026.

The SBA reserves the right to audit any PPP loan for a period of 6 years after date of forgiveness.

### 8. Leases

The Company entered into fixed payment equipment lease agreements that qualify as finance leases due to bargain purchase options. The Company recognized a right-of-use asset (included in property and equipment) and related finance lease liability for these agreements using its incremental borrowing rate of 4%. The weighted average remaining lease term for these finance leases is approximately three years at December 31, 2021 and four years at December 31, 2020.

The future minimum lease payments and the present value of the net minimum lease payments under the terms of finance lease agreements are as follows as of December 31, 2021:

Years ending December 31:	
2022	\$ 46,497
2023	28,234
2024	28,234
2025	<u>4,707</u>
Total minimum lease payments	107,672
Less amount representing interest	<u>6,192</u>
Present value of net minimum lease payments	101,480
Less current maturities	<u>42,497</u>
Long-term finance lease liability	<u>\$ 58,983</u>

Total finance lease cost was \$44,049 in 2021 and \$41,836 in 2020, consisting of interest of \$5,637 in 2021 and \$7,030 in 2020 and depreciation of the right-of-use assets of \$38,412 in 2021 and \$34,806 in 2020. Total payments made for finance leases were \$75,842 in 2021 and \$71,137 in 2020.

The Company also leases equipment under the terms of fixed payment operating leases. The Company recognizes a right-of-use asset and related operating lease liability for these agreements based on the present value of future minimum lease payments.

## Skytop Lodge Corporation

Notes to Financial Statements  
December 31, 2021 and 2020

Total operating lease expense was \$144,182 in 2021 and \$135,070 in 2020. There are no variable lease costs. The weighted average remaining lease term for operating leases is approximately three years at December 31, 2021 and four years at December 31, 2020 and the weighted average discount rate is 4% at December 31, 2021 and 2020.

The future minimum lease payments and the present value of the net minimum lease payments under the terms of operating lease agreements are as follows as of December 31, 2021:

Years ending December 31:		
2022	\$	144,180
2023		144,180
2024		119,430
2025		35,005
		<hr/>
Total minimum lease payments		442,795
		<hr/>
Less amount representing interest		27,832
		<hr/>
Present value of net minimum lease payments		414,963
		<hr/>
Less current maturities		129,342
		<hr/>
Long-term operating lease liability	\$	<u>285,621</u>

### 9. Income Taxes

The provision (benefit) for income taxes is comprised of the following:

	<u>2021</u>	<u>2020</u>
Current	\$ 25,916	\$ (1,090)
Deferred	-	(567,395)
	<hr/>	<hr/>
Total	<u>\$ 25,916</u>	<u>\$ (568,485)</u>

The reconciliation between the expected statutory income tax provision and the actual provision (benefit) for income tax is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Expected provision (benefit) at statutory rate	\$ 548,432	21.0 %	\$ (795,091)	(21.0) %
State income taxes	32,227	1.2	(377,839)	(10.0)
Valuation allowance	(86,320)	(3.3)	600,761	15.9
PPP loan forgiveness	(463,218)	(17.7)	-	-
Other	(5,205)	(0.2)	3,684	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
Actual provision (benefit) and rate	<u>\$ 25,916</u>	<u>1.0 %</u>	<u>\$ (568,485)</u>	<u>(15.0) %</u>

## Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2021 and 2020

The following temporary differences give rise to deferred tax assets (liabilities) at December 31:

	<u>2021</u>	<u>2020</u>
Accrued leave	\$ 65,265	\$ 73,872
Allowance for doubtful accounts	5,778	5,778
Operating lease liability	119,892	150,739
Other	2,366	2,541
Advance deposits, gift certificates	107,253	80,073
Net operating loss carryforwards	1,237,114	1,289,317
Operating lease right-of-use asset	(119,892)	(150,739)
Property and equipment	<u>(903,335)</u>	<u>(850,820)</u>
Gross deferred tax asset	514,441	600,761
Valuation allowance	<u>(514,441)</u>	<u>(600,761)</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The Company recognized a valuation allowance in 2020 when it was concluded it was more likely than not the Company would not be able to recover the deferred tax assets. The valuation allowance decreased by \$86,320 in 2021 due to taxable income during the year.

At December 31, 2021, the Company has approximately \$3.7 million of federal and \$4.7 million of Pennsylvania net operating loss carryforwards (NOLs). The federal NOLs do not expire. The Pennsylvania NOLs expire beginning in 2035 if not previously utilized.

### 10. Preferred Stock/ Subsequent Event

The Company's 7% cumulative preferred stock may be redeemed in whole or in part at the option of the Board of Directors by paying \$110 per share plus the cumulative preferred stock dividends in arrears to such shares. No shares of 7% cumulative preferred stock were redeemed during 2021 and 2020.

The Company's arrearage in cumulative preferred stock dividends per share was \$238.00 at December 31, 2021 and \$231.00 at December 31, 2020. The total arrearage for all shares was \$2,245,034 at December 31, 2021 and \$2,179,023 at December 31, 2020. There were no preferred dividends declared or paid in 2021 and 2020.

On March 11, 2022, the Board of Directors declared a \$7 per share dividend to preferred stockholders of record on April 15, 2022, payable May 2, 2022. The dividend totals \$66,031.

### 11. 401(k) Plan Expense

The Company sponsors a defined contribution 401(k) plan. 401(k) plan expense was \$77,041 in 2021 and \$15,147 in 2020.

### 12. Concentrations of Credit Risk

The Company maintains cash and cash equivalents in various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company generally maintains cash and cash equivalents in banks in excess of the insured limits.

The Company also extends trade credit to customers.

## Skytop Lodge Corporation

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Notes to Financial Statements  
December 31, 2021 and 2020

### 13. Shareholder Rights Plan

On December 31, 2019, the Board of Directors declared a distribution of one common share purchase right (Purchase Rights) for each share of the Company's common shares outstanding on December 31, 2019. The Purchase Rights are currently not exercisable, but would become exercisable if certain events occurred relating to a person or group (Acquiring Person) acquiring or attempting to acquire 10% or more of the outstanding shares of the Company (Triggering Event). If a Triggering Event occurs, each holder of record, other than the Acquiring Person, would have the right to receive, upon payment of the exercise price (currently defined as \$6,000), that number of shares having a fair value at the time of the transaction equal to two times the exercise price. In lieu of the Company requiring payment of the exercise price in cash upon the exercise of rights, the Company may exchange the rights at a ratio of three shares per right. The Purchase Rights are redeemable at \$0.001 per right payable in shares or cash by the Company prior to the Triggering Event. The Purchase Rights expire on December 31, 2029, unless redeemed or exchanged by the Company earlier. The Company will supply a copy of the Rights Agreement governing the Purchase Rights, which includes a more detailed summary of the Purchase Rights, upon request to any shareholder. The description of the Purchase Rights in this footnote and in the summary is qualified in its entirety by the terms of the Rights Agreement.