

SKYTOP



LODGE

My resort for all seasons.™



Annual Report 2024



*Enjoyment on a
higher plane.*



Sprawling over 5,500 acres of pristine mountain country, Skytop Lodge offers a retreat like no other. From its magnificent accommodations to its endless list of amenities and activities, it's like stepping back in time to a world of rich, natural beauty and exquisite comfort.

It might be just a few hours from Philadelphia and New York City, but you'll feel like you're worlds away.





Dear Shareholders:

Skytop Lodge is pleased to report that 2024 proved to be a successful year by staying focused on our mission and core values. Our Team continues to be the essential element in making memorable guest experiences and making Skytop Lodge a Premier Grand Destination. One of the several accolades received in 2024 was our AAA 4-Diamond Rating for the 9th consecutive year, as well as being ranked the #1 Public Golf Course by Golf Pass. A key driver behind our success was exceeding Group Business in both Room Nights and Revenue. The Leisure segment did experience challenges over the Summer months, however rebounded strongly within the fourth quarter. 2024 also proved to be our highest gross revenue year in history, exceeding \$30 million. The primary revenue drivers (Guest Rooms, Food & Beverage, and Sports & Recreation) all outperformed in revenue compared to budget and prior years. Skytop captured occupancy through aggressive yielding strategies, ultimately driving rates and RevPar. Food & Beverage, a-la-carte spending, and Banquet revenue also exceeded expectations and were the drivers behind the increased spend. Our targeted approach and focusing on the details provide great optimism moving forward in 2025.

2024 Highlights:

- \$1.75 MILLION IN CAPITAL EXPENSE HIGHLIGHTS INCLUDE:
 - 21 PREMIUM GUEST ROOM REFURBISHMENTS
 - GOLF COURSE EQUIPMENT & INFRASTRUCTURE
 - I.T. INVESTMENTS
 - CONFERENCE CENTER CARPETING
 - WASTE WATER TREATMENT PLANT UPGRADES
 - REPLACED THE FIRE ALARM SYSTEM AT THE DORMITORIES
 - REPLACEMENT OF LODGE CHILLERS & COOLING TOWER

Our Team Members

Skytop's employees continue to be our most valuable resource. In order to express our appreciation for their dedication and commitment to excellence in hospitality, Skytop hosted several employee appreciation events throughout the year. Staffing shortages continued throughout 2024. Skytop continued our engagement with international labor through the J1 and H2B Programs. This strategy remained in place to ensure that both our guests and financial goals were exceeded. These programs were vital to our success in exceeding our guests' expectations.

Our Year-End

Our year-end guest satisfaction score for 2024 was 92.6%, exceeding industry standards by over 16%. We had another successful year in capturing market share with 68% of our guests new to Skytop. We have many exciting plans for 2025 beginning with the complete renovation of our indoor & outdoor pools, an outdoor kitchen, an indoor pool bar, as well as state-of-the-art fitness center and locker rooms. As is customary, Skytop will continue hosting special theme weekends and holiday events including our traditional Mother's Day Brunch, our annual Fourth of July Spectacular and our Garden Dinner Series. Please check our website (www.skytop.com) for all upcoming events.

Sincerely yours,

Jeffrey Rudder
General Manager

Richard L. Price, Jr.
Chairman of the Board



SKYTOP LODGE CORPORATION

OFFICERS

RICHARD L. PRICE, JR.
CHAIRMAN OF THE BOARD

PAUL J. CANEVARI
PRESIDENT

TIMOTHY L. SMITH
VICE PRESIDENT

JOANN H. HEISEN
TREASURER

ALBERT J. PUCCIARELLI
SECRETARY

BOARD OF DIRECTORS

RICHARD B. BERNHARDT
BRADLEY BEACH, NJ

PAUL J. CANEVARI
KUNKLETOWN, PA

JOANN H. HEISEN
LONGBOAT KEY, FL

IAN M. MILLER
NEW YORK, NY

FRANK S. NOFER
NORRISTOWN, PA

RICHARD L. PRICE, JR.
SKYTOP, PA

ALBERT J. PUCCIARELLI
RIDGEWOOD, NJ

TIMOTHY L. SMITH
NAPLES, FL

EXECUTIVE COMMITTEE

JEFFREY RUDDER
GENERAL MANAGER

PATRICIA BEAHAN
CONTROLLER

CONNIE L. TATE-SEVERINO
DIRECTOR OF ROOMS

JENNIFER NELSON
DIRECTOR OF RECREATION

KURT GOCKLEY
DIRECTOR OF FOOD & BEVERAGE

DEBRA GRASSO
DIRECTOR OF HUMAN RESOURCES

CHRISTY RANALLO
DIRECTOR OF SALES & MARKETING

BRIAN STRADER
DIRECTOR OF ENGINEERING

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SUMMARY

The following table indicates the relationship of financial data, as a percentage to the revenues of Skytop for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Revenue:		
Rooms	47.5%	48.3%
Food and beverage	39.5%	39.2%
Sports and other recreation	8.4%	8.1%
Other operated departments	2.6%	2.7%
Other income	<u>2.0%</u>	<u>1.7%</u>
Total revenue	100.0%	100.0%
Department Expenses:		
Rooms expenses	12.4%	12.5%
Food and beverage expenses	32.0%	31.8%
Sports and recreation	9.4%	9.6%
Other department expenses	2.6%	2.4%
Overhead Expenses:		
Administrative and general	13.2%	11.9%
Advertising and promotion	5.7%	5.6%
Other operating expenses	<u>12.2%</u>	<u>12.4%</u>
Gross operating profit	12.5%	13.8%
Fixed and other charges:		
Fixed charges	5.2%	4.8%
Depreciation, amortization & gain on disposal	5.0%	5.3%
Employee Retention Credit	.0%	(7.2)%
Interest	.7%	.8%
Provision for income taxes	<u>.6%</u>	<u>2.2%</u>
Net income	<u>1.0%</u>	<u>7.9%</u>

BALANCE SHEET ANALYSIS

All amounts are approximate.

Current assets as of December 31, 2024 were \$7.3 million, a decrease of \$46 thousand from the prior year. In 2024 operating cash balances were \$5.1 million and the cash account designated for capital improvements was \$861 thousand. Accounts receivable increased \$41 thousand from groups and higher guest folios at year end. Current liabilities were \$6.3 million, which is \$1.0 million higher than 2023. The increase in Income taxes payable of \$271 thousand is primarily from a potential change in tax recognition of Advance deposits for future stays. Accounts payable and Accrued expenses increased \$623 thousand from timing of payments for normal operating costs and payroll and benefits. Advance deposits for future stays increased \$86 thousand.

Cash flow from operations and available credit facilities are Skytop's primary source of liquidity. Net cash provided by operating activities was \$2.6 million in 2024, compared to \$4.2 million in 2023 which included \$2.1 million in employee retention credits available from Covid relief funds.

Capital expenditures in 2024 were approximately \$2.5 million, and included the renovation of 21 guest rooms, replacement of the Lodge cooling system, conference center carpet, golf course equipment, point of sale system in the outlets and other information technology enhancements. Capital improvements for 2023 were approximately \$2.2 million, and included replacement of the Pine Room and Library Lounge floors, tennis court and pickle ball court improvements, 26 guest room upgrades, grill enclosure at Callaway's and Streamside Lodge improvements, and other various equipment. Cash from the Fixed Asset Reserve investment account provided the funding for these expenditures. Projects for 2025 include 24 additional guest rooms, Infrastructure upgrades to the Lodge and Pavilion, Kitchen, ski and Information technology equipment, an upgraded playground area, fleet vehicles and the Aquatics area including fitness and locker rooms.

Skytop has a note payable for the construction and equipment of the Executive Conference Center, The Inn at Skytop and the employee dormitory and the refurbishment of other public areas with Fidelity Deposit and Discount Bank (Fidelity) for \$4.3 million at a fixed rate of 4.8% for ten years. The loan matures in 2029. Principal payments on this loan were \$372 thousand for 2024. Skytop also has a construction loan for the Aquatics Center which will be completed in 2025. The current amount outstanding is \$621 thousand.

Skytop had an available operating line of credit of \$1.5 million with Fidelity at December 31, 2024. Fidelity's credit facility expires on August of 2025. The line of credit is used to support resort operations during the off-peak season. There were no outstanding balances on this credit facility at the end of 2024.

RESULTS OF OPERATIONS

Revenues:

Total revenue in 2024 was \$30.6 million, compared to \$29.1 million in 2023, an increase of \$1.5 million or a gain of 5%. The occupancy rate of Skytop was 51.8% for 2024 and 50.3% in 2023. The average revenue per guest for the total hotel was \$406 in 2024 and \$395 in 2023.

Rooms – Total room revenue increased \$481 thousand to \$14.6 million from higher room rates. Skytop continued to offer various packages throughout the year with or without meals to attract travelers and increased marketing of our outdoor activities. Average revenue per occupied room was \$340 for 2024 and \$339 for 2023.

Food and beverage – Total food and beverage revenue increased \$696 thousand to \$12.1 million. The Windsor Dining Room, Banquet and Lakeview had the largest combined increase of \$499 thousand from seasonal changes in menu offerings and increased hours of operation at the Lakeview. Beverage experienced a decline in Banquet from a decrease in weddings in 2024, however all other outlet revenue was higher than 2023.

Sports – Overall sports and recreation revenue increased \$223 thousand to \$2.6 million. Golf increased \$220 thousand from higher rounds and retail sales. Activities increased \$16 thousand from team building and other miscellaneous activity offerings. These increases were offset by lower Adventure Center revenue, specifically Tree Top Course and Outfitters shooting revenue.

Other Departments increased \$27 thousand in 2024. This was from higher gift shop sales offset by lower flower shop sales.

Other Income increased \$101 thousand from increased interest income, employee dorm room rentals and game room commissions.

Departmental Expenses:

Overall departmental expenses increased \$878 thousand to \$17.3 million in 2024 from \$16.4 million in 2023. These expenses as a percentage of revenue were 56.4% in 2024 and 56.3% in 2023. Payroll and benefits accounted for 34.4% of these costs in 2024 compared to 34.1% in 2023.

Room expenses as a percentage of total revenue were 12.4% for 2024 and 12.5% in 2023. Wage and benefit costs increased 5% from annual increases. Expenses relating to complimentary guest costs, linens and vehicle repairs decreased. These savings were offset by increases for commissions paid to travel agencies, laundry costs and printing costs.

Food and beverage expenses were 32% of total revenue in 2024 and 31.8% of total revenue in 2023. Cost of food and beverage product was 31.5% of revenue comparative to 30.1% in 2023. Food and beverage wages including contract labor were 46.8% of revenue in 2024 and 46.7% in 2023. Operating expenses decreased \$35 thousand from cost savings in cleaning, paper and complimentary guest costs. These savings were offset by increases in garden expenses and laundry costs.

Sports and other recreation costs increased \$81 thousand and represented 9.4% of revenue in 2024, compared to 9.6% in 2023. Wages and benefits were 67.7% of department revenue in 2024 compared to 73.4% in 2023. The decrease is from lower Activities wages. Expense increases were from golf cart rental costs, chemicals for course improvements and equipment repairs. Activities entertainment costs increased from additional events during the year.

Other Operating Expenses:

Administrative and general expenses, including human resources, increased \$592 thousand. Wages and benefits increased \$159 thousand from added positions and merit pay raises. Credit card fees increased \$139 thousand which was a 4.7% increase over 2023. This was from higher usage by groups and guests and pricing increases from processing companies. Professional fees decreased \$24 thousand, as there were less consulting engagements in 2024. Skytop paid a holiday bonus and funded a 401k match in 2024 totaling \$170 thousand. Also, the management team, department heads and assistants earned an incentive bonus from exceeding profit above budget, individual goals, guest satisfactions scores and bank covenant requirements, which was not earned in 2023.

Sales and marketing costs increased \$114 thousand compared to the prior year. Salaries, benefits and commissions for the Sales team were \$71 thousand higher than the prior year from annual increases, commissions earned and all positions filled for the full year. To continue to attract guests to Skytop, social media advertising increased \$13 thousand, public relations in travel publications or on-line sites increased \$11 thousand and other advertising including purchased lists increased \$28 thousand.

Repairs and maintenance expenses increased \$42 thousand. Maintenance wages and benefits remained steady to 2023. Expenses for elevators, kitchen equipment, laundry equipment, sewer maintenance and landscaping increased \$132 thousand. We changed outside contractors for kitchen and laundry with more preventative maintenance scheduled. HVAC, painting and building repairs decreased \$102 thousand from more costs going to capital projects for these areas instead of repairs.

Fixed costs increased \$185 thousand, mainly from property and liability insurance costs.

Utilities increased \$78 thousand attributable to higher costs in our electricity pricing contract.

Interest expense decreased \$17 thousand from 2023 as we continue to pay down our long-term debt.

Provision for Income Taxes:

The provision for income tax is calculated at the federal rate of 21% and the state rate of 8.49%, net of any operating loss carryforward benefits remaining from prior years. The effective tax rate is 40.1% for 2024 and 22.1% for 2023. The change in the effective tax rate is from the increased tax resulting from the employee tax credit amended in a prior year return and a potential change in timing of tax payments due for advanced deposits as determined by the Internal Revenue Service regulations.

Skytop Lodge Corporation

Financial Statements

December 31, 2024 and 2023

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 (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, 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, 2024 and 2023, 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 (GAAP).

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 GAAP, 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.

Philadelphia, Pennsylvania
March 17, 2025

Skytop Lodge Corporation

Balance Sheets

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	\$ 5,165,012	\$ 5,250,330
Accounts receivable, net	1,175,842	1,134,864
Inventories	502,047	502,823
Other current assets	462,473	463,776
Total current assets	7,305,374	7,351,793
Cash Held for Property and Equipment	860,666	487,682
Operating Lease Right-of-Use Assets	203,696	151,008
Property and Equipment, Net	20,821,624	19,987,382
Other Assets	11,909	17,687
Total assets	<u>\$ 29,203,269</u>	<u>\$ 27,995,552</u>
Liabilities and Shareholders' Equity		
Current Liabilities		
Current maturities of notes payable	\$ 490,855	\$ 378,878
Current maturities of finance leases	5,199	27,429
Current maturities of operating leases	76,577	115,139
Accounts payable, trade	948,191	868,470
Accrued expenses	1,807,865	1,263,975
Advance deposits	2,562,302	2,475,860
Income taxes payable	442,393	171,473
Total current liabilities	6,333,382	5,301,224
Notes Payable	4,403,722	4,284,694
Finance Leases	-	5,199
Operating Leases	127,119	35,869
Deferred Tax Liability	241,045	427,295
Total liabilities	<u>11,105,268</u>	<u>10,054,281</u>
Shareholders' Equity		
Preferred stock	943,300	943,300
Common stock	9,822	9,822
Additional paid-in capital	191,561	191,561
Retained earnings	16,953,318	16,796,588
Total shareholders' equity	<u>18,098,001</u>	<u>17,941,271</u>
Total liabilities and shareholders' equity	<u>\$ 29,203,269</u>	<u>\$ 27,995,552</u>

See notes to financial statements

Skytop Lodge Corporation

Statements of Operations

Years Ended December 31, 2024 and 2023

	2024	2023
Revenues		
Rooms	\$ 14,551,562	\$ 14,070,386
Food and beverage	12,114,256	11,418,460
Sports and recreation	2,579,930	2,357,100
Other operated departments	793,536	766,173
Other income	592,939	492,362
Total revenues	30,632,223	29,104,481
Departmental Expenses		
Rooms	3,786,544	3,638,195
Food and beverage	9,812,421	9,249,493
Sports and recreation	2,877,662	2,797,592
Other operated departments	789,947	703,456
Total departmental expenses	17,266,574	16,388,736
Other Expenses (Income)		
Overhead:		
Administrative and general	3,782,845	3,190,738
Sales and marketing	1,752,118	1,638,102
Information technology and telecomm	259,303	269,432
Repairs and maintenance	2,626,133	2,583,234
Utilities	1,114,883	1,036,350
Total overhead	9,535,282	8,717,856
Fixed charges:		
Property taxes	490,474	459,242
Insurance	910,033	767,804
Corporate/shareholder expense	176,698	164,944
Total fixed charges	1,577,205	1,391,990
Depreciation and amortization	1,674,350	1,546,387
Employee retention credit earned	-	(2,099,399)
Gain on disposal of assets	(123,968)	(11,600)
Total other expenses, net	12,662,869	9,545,234
Income before interest expense and income taxes	702,780	3,170,511
Interest Expense	220,586	237,592
Income before provision for income taxes	482,194	2,932,919
Provision for Income Taxes	193,402	648,277
Net income	\$ 288,792	\$ 2,284,642

See notes to financial statements

Skytop Lodge Corporation

Statements of Changes in Shareholders' Equity
Years Ended December 31, 2024 and 2023

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
Balance at December 31, 2022	\$ 943,300	\$ 9,822	\$ 191,561	\$ 14,577,977	\$ 15,722,660
Net income	-	-	-	2,284,642	2,284,642
Dividends paid	-	-	-	(66,031)	(66,031)
Balance at December 31, 2023	943,300	9,822	191,561	16,796,588	17,941,271
Net income	-	-	-	288,792	288,792
Dividends paid	-	-	-	(132,062)	(132,062)
Balance at December 31, 2024	<u>\$ 943,300</u>	<u>\$ 9,822</u>	<u>\$ 191,561</u>	<u>\$ 16,953,318</u>	<u>\$ 18,098,001</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Net income	\$ 288,792	\$ 2,284,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,674,350	1,546,387
Provision for bad debts	1,760	13,955
Gain on disposal of assets	(123,968)	(11,600)
Amortization of operating lease right-of-use assets	155,043	134,612
Deferred income taxes	(186,250)	427,295
Changes in assets and liabilities:		
Accounts receivable	(42,738)	(136,689)
Inventories	776	45,844
Other current assets and prepaid income taxes	1,303	(356)
Other assets	5,778	-
Accounts payable, trade	79,721	43,626
Accrued expenses	543,890	(148,047)
Operating leases	(155,043)	(134,612)
Advance deposits	86,442	(61,993)
Income taxes payable	270,920	171,473
Net cash provided by operating activities	<u>2,600,776</u>	<u>4,174,537</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(2,533,521)	(2,219,537)
Proceeds from disposal of assets	<u>153,370</u>	<u>66,462</u>
Net cash used in investing activities	<u>(2,380,151)</u>	<u>(2,153,075)</u>
Cash Flows From Financing Activities		
Repayment of notes payable	(374,787)	(363,876)
Proceeds from issuance of note payable	601,318	-
Repayment of finance lease liability	(27,428)	(26,354)
Dividends paid	<u>(132,062)</u>	<u>(66,031)</u>
Net cash provided by (used in) financing activities	<u>67,041</u>	<u>(456,261)</u>
Net increase	287,666	1,565,201
Cash and Cash Held for Property and Equipment, Beginning	<u>5,738,012</u>	<u>4,172,811</u>
Cash and Cash Held for Property and Equipment, Ending	<u><u>\$ 6,025,678</u></u>	<u><u>\$ 5,738,012</u></u>
Supplemental Disclosures of Cash Flow Information		
Income taxes paid	<u>\$ 130,189</u>	<u>\$ 35,000</u>
Interest paid	<u><u>\$ 220,586</u></u>	<u><u>\$ 237,592</u></u>

See notes to financial statements

Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2024 and 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Skytop Lodge Corporation (the 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 (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 consists primarily of balances billed and unbilled for group and event fees.

The Company recognizes an allowance for credit losses for accounts receivable to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the balance sheet date. The Company uses the historic loss rate method in estimating the allowance for credit losses. Receivables are written off when the Company determined that such receivables are deemed uncollectible. The Company pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Company measures those receivables individually.

The allowance for credit losses was \$24,000 at December 31, 2024 and 2023.

Inventories

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

Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2024 and 2023

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.

Long Lived Assets

Long lived assets, such as property and right-of-use assets, 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 2024 and 2023.

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. Some contracts include billing for the room, food or beverage or related ancillary service after the fact based on final delivered goods and services, which is recorded as accounts receivable, a contract asset, in the accompanying balance sheets. Neither type of customer or type of product sale or service significantly impacts the nature, timing or uncertainty of revenue and cash flows. Opening and closing balances for contract liabilities and assets arising from contracts with customers include:

	2024	2023	2022
Contract liabilities, advance deposits	\$ 2,562,302	\$ 2,475,860	\$ 2,537,853
Contract assets, net	1,175,842	1,134,864	1,012,130

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 expenses.

Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2024 and 2023

Right-of-Use Assets and Lease Liabilities

The Company's leases are generally for equipment. At lease inception, the Company classifies leases as either finance or operating leases and measures the associated right-of-use asset and lease liability at the net present value of future lease payments. In determining the discount rate used to measure the right-of-use asset and lease liability for each lease, the Company uses the rate implicit in the lease, or if not readily available, the Company's incremental borrowing rate is used.

As of December 31, 2024, the Company did not have any lease agreements with material residual value guarantees where a payment at the end of the lease term was probable or material restrictions or covenants.

Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the noncancelable lease term. Cash payments arising from operating leases are classified within operating activities in the consolidated statement of cash flows.

Lease expense for the Company's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. The principal portion of the finance lease payment is classified in the finance activities of the consolidated statement of cash flows.

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 \$525,651 in 2024 and \$526,521 in 2023.

Subsequent Events

Subsequent events have been evaluated for recognition or disclosure through March 17, 2025, the date the financial statements were available to be issued.

2. Inventories

Inventories consist of the following at December 31:

	2024	2023
Beverage	\$ 114,315	\$ 107,851
Retail merchandise	214,318	200,340
Food	121,572	106,187
Operating supplies	51,842	88,445
Total	<u>\$ 502,047</u>	<u>\$ 502,823</u>

Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2024 and 2023

3. Property and Equipment

Property and equipment consist of the following at December 31:

	2024	2023
Land	\$ 624,448	\$ 624,786
Land improvements	9,136,399	8,798,505
Buildings and improvements	28,684,483	28,368,996
Furniture, equipment and other assets	15,582,598	15,054,878
Finance lease right-of-use assets	100,257	100,257
Construction in progress	1,473,691	315,149
Total	55,601,876	53,262,571
Less accumulated depreciation	(34,780,252)	(33,275,189)
Net	\$ 20,821,624	\$ 19,987,382

Depreciation expense was \$1,669,874 in 2024 and \$1,541,911 in 2023. Accumulated depreciation on assets under finance leases was \$64,451 and \$47,668 at December 31, 2024 and 2023, respectively.

4. Accrued Expenses

Accrued expenses consisted of the following as of December 31:

	2024	2023
Accrued payroll and benefits	\$ 1,245,361	\$ 793,397
Accrued occupancy and sales taxes	175,460	155,476
Accrued other	387,044	315,102
Total	\$ 1,807,865	\$ 1,263,975

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 August 2025. There were no borrowings at December 31, 2024 and 2023.

Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2024 and 2023

6. Notes Payable

Notes payable consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Fidelity:		
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.	\$ 4,313,029	\$ 4,684,570
Construction loan, total loan availability \$4,000,000. Monthly payments of interest only through September 2025. Interest and principal payments of \$48,797 due monthly beginning October 2025 through loan maturity in September 2035. Interest during the construction period only will be at the National Prime rate and not lower than 5.00%. The interest rate after period of construction shall equal the National Prime Rate plus 0.50%, and not lower than 5.00%.	621,634	-
Ally Bank:		
Term note, due in monthly payments of \$840, including interest at 8.54%, maturing April 2024; secured by vehicle.	-	3,247
Total	4,934,663	4,687,817
Less deferred financing costs	(40,086)	(24,245)
Less current maturities	(490,855)	(378,878)
Long-term notes payable	<u>\$ 4,403,722</u>	<u>\$ 4,284,694</u>

The term note, construction loan 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 \$860,666 at December 31, 2024 and \$487,682 at December 31, 2023 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:	
2025	\$ 490,855
2026	812,873
2027	559,052
2028	454,966
2029	477,291
Thereafter	<u>2,139,626</u>
Total	<u>\$ 4,934,663</u>

Skytop Lodge Corporation

Notes to Financial Statements

December 31, 2024 and 2023

7. 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 Company has elected to not capitalize leases with a term of 12 months or less.

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, 2024:

Years ending December 31:	
2025	\$ 5,226
Less amount representing interest	<u>(27)</u>
Present value of net minimum lease payments	5,199
Less current maturities	<u>(5,199)</u>
Long-term finance lease liability	<u>\$ -</u>

Total finance lease cost was \$17,564 in 2024 and \$14,697 in 2023, consisting of interest of \$781 in 2024 and \$1,879 in 2023 and depreciation of the right-of-use assets of \$16,783 in 2024 and \$12,818 in 2023. Total payments made for finance leases were \$28,210 in 2024 and \$26,355 in 2023.

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.

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, 2024:

Years ending December 31:	
2025	\$ 80,098
2026	43,582
2027	43,582
2028	<u>43,582</u>
Total minimum lease payments	210,844
Less amount representing interest	<u>(7,148)</u>
Present value of net minimum lease payments	203,696
Less current maturities	<u>(76,577)</u>
Long-term operating lease liability	<u>\$ 127,119</u>

Total operating lease expense was \$160,690 and \$143,410 in 2024 and 2023, respectively. There are no variable lease costs. The weighted average remaining lease term for operating leases is approximately three years at December 31, 2024 and one year at December 31, 2023 and the weighted average discount rate is 4% at December 31, 2024 and 2023.

Skytop Lodge Corporation

Notes to Financial Statements
December 31, 2024 and 2023

8. Income Taxes

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

	<u>2024</u>	<u>2023</u>
Current	\$ 379,652	\$ 220,982
Deferred	(186,250)	427,295
Total	<u>\$ 193,402</u>	<u>\$ 648,277</u>

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

	<u>2024</u>		<u>2023</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Expected provision at statutory rate	\$ 101,261	21.0 %	\$ 615,913	21.0 %
State income taxes	11,190	2.3	62,553	2.1
Valuation allowance	-	-	(231,883)	(7.9)
Employee retention credit recognition adjustment	-	-	49,054	1.7
Amendment of prior year returns	267,201	55.4	192,302	6.6
Other	(186,250)	(38.6)	(39,662)	(1.4)
Actual provision and rate	<u>\$ 193,402</u>	<u>40.1 %</u>	<u>\$ 648,277</u>	<u>22.1 %</u>

The following temporary differences give rise to deferred tax liability at December 31:

	<u>2024</u>	<u>2023</u>
Accrued leave	\$ 66,899	\$ 61,884
Allowance for doubtful accounts	6,745	6,745
Operating lease liability	57,242	42,436
Other	2,651	2,772
Advance deposits	674,918	123,445
Net operating loss carryforwards	207,574	502,437
Operating lease right-of-use asset	(57,242)	(42,436)
Property and equipment	(1,199,832)	(1,124,578)
Net deferred tax liability	<u>\$ (241,045)</u>	<u>\$ (427,295)</u>

At December 31, 2024, the Company has approximately \$2 million of Pennsylvania net operating loss carryforwards (NOLs). The Pennsylvania NOLs expire beginning in 2035 if not previously utilized.

In a prior year, the Company recognized a valuation allowance when it concluded it was more likely than not the Company would not be able to recover its net deferred tax assets. The valuation allowance decreased \$231,832 in 2023 as a result in the ERC recognition on a tax basis in the 2020 and 2021 tax years, resulting in a reduction of the net operating loss carry forward and a change in the deferred tax asset to a deferred tax liability in 2023.

In the current year, potential changes in timing of recognition of advanced deposits for tax purposes has resulted in additional income taxes payable as of December 31, 2024. The Company had determined that tax payment on advance deposits is reasonably possible. The Company has a deferred tax asset associated with the timing of tax payments compared to the recognition of revenue on advanced deposits.

9. Employee Retention Credits

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security Act and amended by the Consolidated Appropriations Act, the American Rescue Plan Act, and the Infrastructure Investment and Jobs Act, incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Company qualified for the ERC as its operations were partially suspended during the second quarter of 2020 and the first and second calendar quarters of 2021 due to orders from the Pennsylvania Department of Health limiting certain of its activities due to COVID-19. The Company averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a large employer during 2020 and a small employer during 2021. As a large employer in 2020, only wages paid to employees not providing services were eligible for the ERC, while as a small employer in 2021 all of the Company's otherwise qualified wages were eligible. For 2020, the ERC equaled 50% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit for each employee of \$5,000. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

The Company applied for the ERC in 2023 by amending its previously filed forms 941, and as a result, the Company has accounted for this government grant by way of analogy to the Financial Accounting Standards (FASB) Accounting Standards Codification (ASC) 410, *Asset Retirement and Environmental Obligations*. ASC 410-30-35-8 indicates that a claim for recovery should be recognized only when the claim is probable of recovery as defined in ASC 450-20-25-1 (i.e. *Contingencies*). Accordingly, the Company believes that the recovery of employment tax amounts previously paid is probable, and therefore, has recorded \$2,013,406 as employee retention credit earned in the other income section of its statement of operations as of and for the year ended December 31, 2023. The employee retention credit earned is reported inclusive of interest paid with the credits receipt and net of fees incurred for calculation and amendment of forms.

10. Preferred Stock

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 2024 and 2023.

The Company's arrearage in cumulative preferred stock dividends per share was \$231 at December 31, 2024 and \$238 at December 31, 2023. The total arrearage for all shares was \$2,179,023 at December 31, 2024 and \$2,245,054 December 31, 2023.

In 2024, the Company declared and paid \$7 per share dividends and \$7 per share dividends in arrears to preferred stockholders totaling \$133,062. In 2023, the Company declared and paid a \$7 per share dividend to preferred stockholders totaling \$66,031.

11. 401(k) Plan Expense

The Company sponsors a defined contribution 401(k) plan and recognized \$120,429 in 2024 and \$97,808 in 2023 of expense related thereto.

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.

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.

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