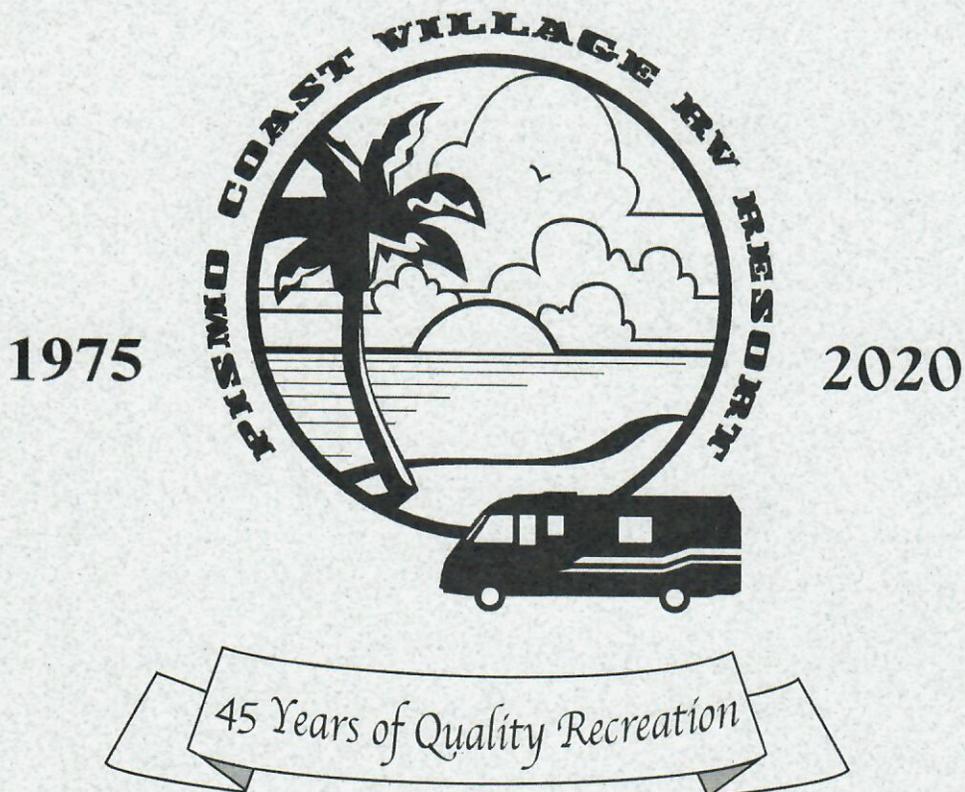


2019 ANNUAL REPORT



Pismo Coast Village, Inc.

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www.pismocoastvillage.com

rv@pismocoastvillage.com

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PRESIDENT'S ANNUAL REPORT

By Terry Hughes

I want to express my appreciation for the opportunity to serve the shareholders for another year. Last year I ended my report with information that the Board was going to look at our three-share policy during 2019. We noticed that some shareholders were using the Certificate of Family Form to extend their stay in the Resort beyond the three-share limit. I would briefly like to explain the action the Board took to resolve this problem.

The intent of the three-share policy was to ensure that shareholders did not acquire large blocks of shares or time in the Resort and thereby reduce space availability for other shareholders. After consultation with our legal counsel for guidance, a policy change was implemented in May of 2019.

The policy change was undertaken to prevent shareholders from circumventing the three-share rule by using the Certificate of Family Form. The three-share policy now states, "Shareholders shall have their name on no more than three shares, either as a shareholder or as a family member on the Certificate of Family use form." I have asked management to aggressively pursue processes to track this usage. I outlined this policy change in greater detail in our recent Fall issue of the "Corporate Chronicle." If you have further questions, I encourage you to visit the Corporate Office for further clarification.

We have seen an increase in occupancy for the last seven (7) years. This year we experienced a decrease of 3.3% in our occupancy rate. Most of this decrease was seen in cancellations due to rain. We really needed the rainfall and are thankful for it even though it impacted our occupancy.

I can also announce that Pismo Coast Village, Inc. has a stable financial foundation. The Finance Committee works diligently with management to keep us on solid ground. We plan to invest funds for capital expenditures for the Resort during this coming year.

Trailer storage continues to be an excellent source of revenue, and we currently show approximately 2,200 units in storage. We continue to look for additional property to enhance this revenue stream. The new RV Service Facility has finally become a reality. After many delays, we have begun to see the building dot the horizon. We expect to celebrate our grand opening in early 2020, and have big plans for the success of this endeavor.

My appreciation to all Board Members who are willing to commit time and energy to the betterment of this corporation. Their efforts are an enormous contribution to our success. I enjoy working with each Director and encourage all shareholders to invest their time and energy back into the Resort. One way to do this is to apply to join the Board. Stop by the Corporate Office and request an application to become a Board member.

Our success starts each day at Pismo Coast Village Resort with the efforts of our CEO/General Manager, Leadership Team, staff, and workforce. I appreciate their commitment and dedication to our shareholders and guests. It takes all of us working together to make our Resort the premier destination on the Central Coast.

It has been a privilege to serve another term as your President of the Board of Directors for Pismo Coast Village.

**OFFICERS
BOARD OF DIRECTORS**

**PHOTO
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AVAILABLE**

TERRIS HUGHES
President

**PHOTO
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AVAILABLE**

GARRY NELSON
Executive Vice
President

**PHOTO
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GEORGE PAPPI, JR.
Vice President –
Secretary



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WAYNE HARDESTY
Vice President – Finance
Chief Financial Officer

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RODNEY ENNS
Vice President –
Operations

**DIRECTORS
BOARD OF DIRECTORS**



David Bessom



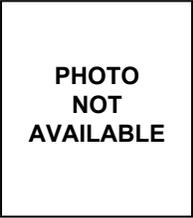
Sam Blank



Harry Buchaklian



William Fischer



Dennis Hearne



Marcus Johnson



Karen King



Ronald Nunlist



Dwight Plumley



Jerry Roberts



Brian Skaggs



Gary Willems



Jack Williams

MANAGEMENT STAFF

PHOTO
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AVAILABLE

JAY JAMISON

Chief Executive Officer/
General Manager/
Asst. Corp. Secretary

Jay Jamison has been employed by the Company since June 1997 as General Manager and serves as Assistant Corporate Secretary. In March 2007, the Board changed his title to Chief Executive Officer/General Manager. He has a B.S. degree in Agricultural Management from Cal Poly San Luis Obispo, graduating in 1976. Mr. Jamison was raised on his family's guest ranch, Rancho Oso, in Santa Barbara County, which included a recreational vehicle park, resident summer camp, equestrian facilities and numerous resort amenities. He worked on the ranch throughout his childhood and after college. The family business was sold in 1983, at which time Mr. Jamison was hired by Thousand Trails, Inc., a private membership resort, as a Resort Operations Manager. His last ten years at Thousand Trails were spent managing a 200-acre, 518-site, full-service resort near Hollister, California. He also managed Thousand Trails resorts in Acton and Idyllwild in Southern California. Prior to his employment with the Company, Mr. Jamison was a General Manager with Skycrest Enterprises in Redding and managed Sugarloaf Marina and Resort on Lake Shasta in Northern California between January 1995 and June 1997. Mr. Jamison was appointed to and served as a commissioner on the Pismo Beach Conference and Visitors Bureau from February 1998 to January 2010, serving as Chair from August 1999 until February 2009. At the 1999 National Association of RV Parks and Campgrounds Annual Convention, he was elected to serve on the Board of Directors representing the ten western states. During his two three-year terms on the Board, he served four years as Treasurer of the National Association, a position he held until he termed out December 2005. In June of 2002, Mr. Jamison was installed as a Director on the Board for the San Luis Obispo County Chapter of the American Red Cross, and served until June 2011, including from June 2006 until July 2008 as Board Chairman. In February 2006, Mr. Jamison was elected to serve as a commissioner on the California Travel and Tourism Commission, which markets California to potential domestic and international visitors. During his two four-year terms, he served on the Audit Committee, two years as committee Chairman, and one year on the Executive Committee. He termed out as a commissioner in June 2014; however, he still remains a member of the Audit Committee. Mr. Jamison was installed as a member of the Board of Directors for the San Luis Obispo County Conference and Visitors Bureau (Visit San Luis Obispo County) in 2012, and currently serves on the Executive Committee following two years as Board Chair. Since 2014 Mr. Jamison has served as a member of the Advisory Council for the Experience Industry Management (EIM) Department at Cal Poly San Luis Obispo.

CHARLES AMIAN has held the position of Operations Manager since June 1995. He began his career with PCV in June 1984 in the Maintenance Department, and has held various positions within the Company, including Reservations Supervisor and Store Supervisor. At the California Association of RV Parks and Campgrounds Annual Convention in March 2001, he was elected Board President and served two successful terms. At the 2002 National Association of RV Parks and Campground's Annual Convention, he was appointed to chair the State President's meeting. He served ten years on the CalARVC Board of Directors. Mr. Amian served four years on the Camp-California Marketing Board of Directors. He served fifteen years on the Board of Trustees of REC PAC (a California Recreation Political Action Committee formed to help protect, preserve and further recreational interests in California), and served two terms as Chair. Mr. Amian is a lifetime-designated Certified Park Operator. In November of 2016, Mr. Amian was appointed to serve as a member of the Board of Directors of the National Association of RV Parks and Campgrounds.

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AVAILABLE

CHARLES AMIAN
Operations Manager

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

The following analysis discusses the Company's financial condition as of September 30, 2019, compared with September 30, 2018. The discussion should be read in conjunction with the audited financial statement and the related notes to the financial statement and the other financial information included elsewhere in this Annual Report.

Certain information included herein contains statements that may be considered forward-looking statements, such as statements relating to anticipated expenses, capital spending and financing sources. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made herein. These risks and uncertainties include, but are not limited to, those relating to competitive industry conditions, California tourism and weather conditions, dependence on existing management, leverage and debt service, the regulation of the recreational vehicle industry, domestic or global economic conditions, and changes in federal or state tax laws or the administration of such laws.

OVERVIEW

Pismo Coast Village, Inc. operates as a 400-space recreational vehicle resort. The Company includes additional business operations to provide its users with a full range of services expected of a recreational resort. These services include a store, video arcade, laundromat, recreational vehicle repair, RV parts shop and an RV storage operation.

The Company is authorized to issue 1,800 shares, of one class, all with equal voting rights and all being without par value. Transfers of shares are restricted by Company bylaws. One such restriction is that transferees must acquire shares with intent to hold the same for the purpose of enjoying camping rights and other benefits to which a shareholder is entitled. Each share of stock is intended to provide the shareholder with the opportunity for 45 nights of free site use per year. However, if the Company is unable to generate sufficient funds from the public, the Company may be required to charge shareholders for services.

Management is charged with the task of developing sufficient funds to operate the Resort through site sales to general public guests by allocating a minimum of 175 sites to general public use and allocating a maximum of 225 sites for shareholder free use. The other service centers are expected to generate sufficient revenue to support themselves and/or produce a profit.

The Company continues to promote and depend upon recreational vehicle camping as the primary source of revenue. The rental of campsites to the general public provides income to cover expenses, complete capital improvements, and allow shareholders up to 45 free nights camping annually. Additional revenues come from RV storage and spotting, RV service and repair, on-site convenience store, and other ancillary activities such as laundromat, arcade, and bike rental.

The RVing public actively seeks accommodations on the Central Coast despite volatile fuel prices and personal financial uncertainties. RVing offers an affordable outdoor recreational experience, and the Company provides quality facilities and services in a highly popular location. Site occupancy for fiscal year 2019 was down 3.3%, following the previous year's record occupancy, primarily due to weather. Revenues from ancillary operations, such as the General Store, RV service, laundromat, arcade, and bike rental, all contribute to the profitability of the Company.

RV storage continues to provide a significant portion of the Company's revenue. RV storage provides numerous benefits to the customer including: no stress of towing, no need to own a tow vehicle, use of RV by multiple family members, and convenience.

After years with no debt, the Board of Directors approved expansion of the RV storage program and understood this investment would require substantial financing. Management has made it a high priority to affect timely construction and successful marketing in order to maximize return on this investment. The Company currently has no outstanding debt.

Ongoing investment in Resort improvements has assured Resort guests and shareholders a top quality, up-to-date facility. This quality and pride of ownership was evident when the National Association of RV Parks and Campgrounds Park of the Year was awarded to the Resort for 2007 - 2008. In addition, in 2008 the Resort was the only industry rated "A" park in California for customer satisfaction based on internet visitor surveys collected nationally by Guest Reviews. The Resort also received the Guest Reviews "A" rated park recognition for the years 2011, 2012, 2013, 2014, 2015, 2016 and one of 30 parks nationally in 2017.

The Company's commitment to quality, value, and enjoyment is underscored by the business' success due to word of mouth and referrals from guests. In addition, investment for online marketing, ads in the leading national directories, and trade magazine advertising formulates most of the business-marketing plan.

CURRENT OPERATING PLANS

The Board of Directors continues its previously established policy by adopting a stringent conservative budget for fiscal year 2020, which projects a positive cash flow of approximately \$2,274,675 from operations. This projection is based on paid site occupancy reflecting similar occupancy as experienced in fiscal year 2019. The 2020 budget plan includes a \$5 per night increase for all site rentals effective January 1, 2020. While the Company projects a positive cash flow, this cannot be assured for fiscal year 2020.

FINANCIAL CONDITION

The business of the Company is seasonal and is concentrated on prime days of the year which are defined as follows: President's Day weekend, Easter week, Memorial Day weekend, summer vacation months, Labor Day weekend, Thanksgiving week, and Christmas/New Year's week. There are no known trends that affect business or affect revenue.

The Company develops its income from two sources: (a) Resort Operations, consisting of revenues generated from RV site rentals, from RV storage space operations, and lease revenues from the laundromat, arcade, restaurant operations and property leases for cell tower communications facilities by third party lessees; and (b) Retail Operations, consisting of revenues from general store operations and from RV parts and service operations.

The Company has arranged a \$500,000 line of credit that is currently not drawn on. The financing resulting from the purchase of RV storage property was paid off through accelerated payments and eliminated in September 2017. The Company has no other liabilities to creditors other than current accounts payable arising from its normal day-to-day operations and advance Resort rental reservation deposits, none of which are in arrears.

LIQUIDITY

The Company's policy is to use its ability to generate operating cash flow to meet its expected future needs for internal growth. The Company has continued to maintain sufficient cash so as to not require the use of a short-term line of credit during the off-season period, and the Company expects to be able to do so (although no assurance of continued cash flow can be given).

Net cash provided by operating activities totaled \$1,974,573 in 2019, compared to \$1,671,755 for the 2018 fiscal year.

During fiscal year 2019, capital investment of \$1,135,283 was made that included partial construction of the new RV service facility, a new Hino trailer tow truck, and surveillance cameras for the resort. During

fiscal year 2018, capital investment of \$231,279 was made that included a new trailer tow truck, installation of HVAC in the General Store, a golf cart, and engineering and permits for the new RV service facility. These projects were completed on time and within budget.

With the possibility of requiring additional funds for planned capital improvements and the winter season, the Company maintains a \$500,000 Line of Credit to ensure funds will be available if required. In anticipation of future large projects, the Board of Directors has instructed management to build operational cash balances.

Fiscal year 2019's current ratio (current assets to current liabilities) of 2.35 increased from fiscal year 2018's current ratio of 2.08. The increase in current ratio is the result of increased cash and cash equivalents, increased inventories, and increased prepaid expenses.

Working Capital increased to \$3,075,762 at the end of fiscal year 2019, compared to \$2,317,928 at the end of fiscal year 2018. This increase is primarily a result of increased cash and cash equivalents as a result of increased income from Resort operations and postponement of some capital projects. It should be noted the Company paid off all remaining balance of the note payable of \$1,431,890 during fiscal year 2017.

CAPITAL RESOURCES AND PLANNED EXPENDITURES

The Company plans capital expenditures up to \$650,000 in fiscal year 2020 to further enhance the Resort facilities and services. This would include complete the construction of a new RV service and repair facility, a new trailer tow truck, resort surveillance upgrade, a street sweeper, and a hydraulic RV lift for the RV Service facility. Funding for these projects is expected to come from normal operating cash flows and, if necessary, supplemented with outside financing. These capital expenditures are expected to increase the Resort's value to its shareholders and the general public.

RESULTS OF OPERATIONS

YEAR-TO-YEAR COMPARISON

Revenue: Operating revenue, interest and other income increased above the prior fiscal year ended September 30, 2018, by \$35,939, or 0.42%.

REVENUE BY SEGMENT

	<u>2019</u>	<u>2018</u>
<u>OCCUPANCY</u>		
% of Shareholder Site Use	23.7%	24.4%
% of Paid Site Rental	58.7%	60.8%
% Total Site Occupancy	82.5%	85.3%
% of Storage Rental	99.0%	98.0%
Average Paid Site	\$ 61.49	\$ 61.15
<u>RESORT OPERATIONS</u>		
Site Rental	\$ 5,273,719	\$ 5,248,903
Storage Operations	1,898,369	1,857,578
Support Operations	<u>204,927</u>	<u>200,190</u>
Total	7,377,015	7,306,671
<u>RETAIL OPERATIONS</u>		
Store	624,075	677,801
RV Repair/Parts Store	<u>506,044</u>	<u>485,563</u>
Total	1,130,119	1,163,364
<u>INTEREST INCOME</u>	<u>5,084</u>	<u>6,244</u>
<u>TOTAL REVENUE</u>	<u>\$ 8,512,218</u>	<u>\$ 8,476,279</u>

Occupancy rates on the previous table are calculated based on the quantity occupied as compared to the total sites available for occupancy (i.e., total occupied to number of total available). Average paid site is based on site revenue and paid sites. Resort support operations include revenues received from the arcade, laundromat, recreational activities, and other less significant sources.

2019 COMPARED WITH 2018

Resort operations income increased \$70,344, or 1.0%, primarily due to a \$30,760, or 8.0%, increase in RV Spotting revenue, and a \$24,816 or 0.5% increase in site rental revenue. General Public site occupancy was down 3.5% or 3010 nights primarily due to weather. However, site revenue increased due to a rate increase effective January 1, 2019.

Retail operations income decreased \$33,245, or 2.9%, partly due to a \$53,726, or 7.9%, decrease in the General Store revenue. The General Store operated with less staff and shorter hours in 2019. While the revenue was down, the General Store contributed an increase in profit of \$67,297 over the previous year. The RV Service department increased revenue \$20,481, or 4.2%, over the previous year. In an effort to maximize revenue, management continues to stock more appropriate items, more effectively merchandise, and pay greater attention to customer service. In addition, management has actively promoted the RV service and retail operation locally compared to previous years.

Interest/Dividend Income decreased \$1,160, or 18.6%, below the previous year. Loss on Disposal of Assets for fiscal year 2019 was \$1,200, compared to \$1,249 the previous year. In addition, Interest Expense increased to \$17,532 in 2019 compared to \$10,133 the previous year.

Operating Expenses increased \$43,331, or 0.8%, as a result of labor, repairs and maintenance, advertising, pension match, credit card processing, electricity, and television. Expenses that were significantly below the previous year included workers' compensation, insurance benefits, and small equipment purchases.

Maintaining a conservative approach, most expense items were managed well below plan and in many categories below the previous year. The Board of Directors has directed management to continue maintenance projects as needed to provide a first-class resort for campers using recreational vehicles.

Income before provision for income taxes of \$2,115,613, a 5.2% increase above last year, is reflective of increased income from operations and gain from sale of investments.

Net income of \$1,478,233 for fiscal year 2019 shows a decrease of \$145,967, or 9.0%, below a net income of \$1,624,200 in 2018. This decrease in net income is a reflection of the increase in the provision for income tax.

INFLATION has not had a significant impact on our profit position. The Company has increased rates, which have more than compensated for the rate of inflation.

FUTURE OPERATING RESULTS could be unfavorably impacted to the extent that changing prices result in lower discretionary income for customers and/or increased transportation costs to the Resort. In addition, increasing prices affect operations and liquidity by raising the replacement cost of property and equipment.

FACTORS THAT MAY AFFECT FUTURE OPERATING RESULTS:

A number of factors, many of which are common to the lodging industry and beyond our control, could affect our business, including the following:

- increased gas prices;
- increased competition from other resorts in our market;
- increases in operating costs due to inflation, labor costs, workers' compensation and healthcare related costs, utility costs, insurance and unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased rates;

- changes in interest rates, cost and terms of debt financing;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- adverse effects of market conditions, which may diminish the desire for leisure travel; and
- adverse effects of a downturn in the leisure industry.

The leisure and travel business is seasonal and seasonal variations in revenue at our Resort can be expected to cause quarterly fluctuations in our revenue.

Our revenue is generally highest in the third and fourth quarters. Quarterly revenue also may be harmed by events beyond our control, such as extreme weather conditions, terrorist attacks or alerts, contagious diseases, economic factors, and other considerations affecting travel. To the extent that cash flow from operations is insufficient during any quarter due to temporary or seasonal fluctuations in revenue, we have to rely on our short-term line of credit for operations.

In the recent past, events beyond our control, including an economic slowdown and terrorism, harmed the operating performance of the leisure industry generally, and if these or similar events occur again, our operating and financial results may be harmed by declines in average daily rates or occupancy.

Carrying our outstanding debt may harm our business and financial results by:

- requiring us to use a substantial portion of our funds from operations to make required payments on principal and interest, which will reduce the amount of cash available to us for our operations and capital expenditures, future business opportunities and other purposes;
- making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions;
- limiting our ability to borrow more money for operations, capital expenditures or to finance acquisitions in the future; and
- requiring us to sell one or more properties, possibly on disadvantageous terms, in order to make required payments of interest and principal.

Our Resort has a need for ongoing renovations and potentially significant capital expenditures in connection with improvements, and the costs of such renovations or improvements may exceed our expectations.

Occupancy and the rates we are able to charge are often affected by the maintenance and capital improvements at a resort, especially in the event that the maintenance of improvements is not completed on schedule, or if the improvements result in the closure of the General Store or a significant number of sites. The costs of capital expenditures we need to make could harm our financial condition and reduce amounts available for operations. These capital improvements may also give rise to additional risks including:

- construction cost overruns and delays;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing of these expenditures may not be available to us on favorable terms;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun;
- disruption in service and site availability causing reduced demand, occupancy, and rates; and

- possible environmental issues.

We rely on our executive officers, the loss of whom could significantly harm our business.

Our continued success will depend, to a significant extent, on the efforts and abilities of our C.E.O. and General Manager, Jay Jamison. Mr. Jamison is important to our business and strategy and to the extent that were he to depart and is not replaced with an experienced substitute, Mr. Jamison's departure could harm our operations, financial condition and operating results.

Uninsured and underinsured losses could harm our financial condition, and results of operations.

Various types of catastrophic issues, such as losses due to wars, terrorist acts, earthquakes, floods, pollution or environmental matters, generally are either uninsurable or not economically insurable, or may be subject to insurance coverage limitations, such as large deductibles or co-payments. Our Resort is located on the coast of California, which has been historically at greater risk to certain acts of nature (such as severe storms, fires and earthquakes).

In the event of a catastrophic loss, our insurance coverage may not be sufficient to cover the full current market value or replacement cost of our lost properties. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in the Resort, as well as the anticipated future revenue from the Resort. In that event, we might nevertheless remain obligated for any notes payable or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate the Resort after it has been damaged or destroyed. Under these circumstances, the insurance proceeds we receive might be inadequate to restore our economic position on the damaged or destroyed property.

MARKET FOR COMMON STOCK

Common stock of the Corporation is not listed through an exchange or quoted on NASDAQ or any other national quotation system. While Pismo Coast Investments, a licensed broker/dealer located at 165 South Dolliver Street, Pismo Beach, California 93449, assists shareholders by processing trades and occasionally taking positions in the Company's stock for its own account, that firm does not technically make a market in the stock, as that term is commonly understood in the securities industry. Thus, there is not a true "public market" for the stock of the Company. However, through the last fiscal year the sales process of transactions informally reported to the Company ranged from a low selling price of \$41,000 to a high selling price of \$42,000, with an average selling price of \$41,780. Stock trades are reported to the Company through the licensed broker/dealer or private parties processing transfers as appropriate. The Board must act to approve all trades, which if approved, are then forwarded to the official transfer agent. No dividends were paid on common stock for fiscal year 2019.

- (a) The approximate number of holders of the Company's stock on September 30, 2019 was 1,506.
- (b) The Company has paid no dividends since it was organized in 1975, and although there is no legal restriction impairing the right of the Company to pay dividends, the Company does not intend to pay dividends in the foreseeable future. The Company selects to invest its available working capital to enhance the facilities at the Resort.
- (c) The Company renewed a lease agreement with Ms. Jeanne Sousa, a California Corporations Licensed Broker, for the lease of a 200-square foot building at the Resort from which she conducts sales activities in the Company's stock. The term of the lease is for three years commencing on January 1, 2020 and ending on December 31, 2022. Continued renewal is expected without significant impact. Termination or cancellation may be made by either Lessor or Lessee by giving the other party sixty-days (60 days) written notice.

Effective July 30, 2007, Computershare Trust Company, N.A. ("Computershare") has served as the transfer agent and registrar for the Company. The contact information for Computershare is as follows:

For Standard U. S. Postal Mail
Computershare Trust Company, N.A.
P O Box 43070
Providence RI 02940-3070

For Overnight/Express Delivery
Computershare Trust Company, N.A.
250 Royall Street
Canton MA 02021

Telephone and Fax
Toll free 1-800-962-4284
Telephone 1-303-262-0600
Fax 1-303-262-0700

Website
www.computershare.com

Shareholders wishing to receive a copy of the Corporation's Annual Report to the Securities Exchange Commission on Form 10-K may do so, without charge, by writing to Jay Jamison, Chief Executive Officer/General Manager, at the Corporate address listed on the cover of this report.

DIRECTORS AND OFFICERS OF THE CORPORATION

DAVID BESSOM, Director. Retired.

SAM BLANK, Director. Mr. Blank is a retired school administrator, and a licensed real estate agent for Coldwell Banker Real Estate in the San Diego, California area.

HARRY BUCHAKLIAN, Director. Retired.

RODNEY ENNS, Director and Vice President - Operations. Mr. Enns teaches mathematics and engineering at Mission Oak High School in Tulare, California.

WILLIAM FISCHER, Director. Retired.

WAYNE HARDESTY, Director, Vice President – Finance, and Chief Financial Officer. Mr. Hardesty is a licensed Enrolled Agent and currently operates Hardesty Financial Services in Rancho Cucamonga, California.

DENNIS HEARNE, Director. Mr. Hearne serves as a member of the board of directors for his family's agriculture business, L.A. Hearne Company, located in the Salinas Valley in California.

TERRIS HUGHES, Director and President. Semi-retired.

MARCUS JOHNSON, Director. Mr. Johnson is a retired educator with thirty-seven years of active service. He currently serves as the co-director of the John D. Welty Center for Educational Policy and Leadership at California State University, Fresno, and is the Executive Director of the Fresno Compact.

KAREN KING, Director. Mrs. King is a Mortgage Operations Risk Consultant with Wells Fargo Bank in Camarillo, California.

GARRY NELSON, Director and Executive Vice President. Retired.

RONALD NUNLIST, Director. Retired.

GEORGE PAPPI, JR., Director and Vice President - Secretary. Mr. Pappi is employed as a property major case general adjuster for The Hartford Insurance.

DWIGHT PLUMLEY, Director. Mr. Plumley owned, operated and was president of Packers Manufacturing, Inc., a company that produced fruit and vegetable packing and processing systems. The company was located in Visalia, California.

JERRY ROBERTS, Director. Mr. Roberts is a Certified Public Accountant and is a partner in the firm of Lampros & Roberts, a financial and tax consulting firm, practicing in Los Gatos, California.

BRIAN SKAGGS, Director. Mr. Skaggs is a Registered Civil Engineer and a partner in Summers Engineering, Inc., a consulting engineering firm operating in Hanford, California, that specializes in water resources with an emphasis on municipal water supply, irrigation and drainage projects.

GARY WILLEMS, Director. Retired.

JACK WILLIAMS, Director. Mr. Williams owns and operates a CPA practice in Bakersfield, California.

OTHER OFFICERS AND KEY EMPLOYEES:

JAY JAMISON, Chief Executive Officer/General Manager and Assistant Corporate Secretary.

DESCRIPTION OF BUSINESS

The Company is engaged in only one business, namely, the ownership and operation of the recreational vehicle resort with recreational vehicle storage lots and a repair and service facility. Accordingly, all of the revenues, operating profit (loss) and identifiable assets of the Company are attributable to a single industry segment. The Company engages in no foreign operations and derives no revenues or income from export sales.

REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Pismo Coast Village, Inc.
165 South Dolliver Street
Pismo Beach, California

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Pismo Coast Village, Inc. (the Company) (a California corporation) as of September 30, 2019 and 2018, and the related statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended September 30, 2019, and the notes and Schedule of Operating Expenses (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended September 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

We have served as the Company's auditor since 2005.

Bakersfield, California
November 25, 2019

PISMO COAST VILLAGE, INC.
BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 5,076,024	\$ 4,202,436
Accounts receivable	50,412	55,409
Inventories	191,246	182,437
Prepaid income taxes	4,900	-
Prepaid expenses	26,107	15,423
Total current assets	5,348,689	4,455,705
 Property and equipment		
Net of accumulated depreciation and amortization	15,314,959	14,607,089
 Investments		
	-	111,204
Total assets	\$ 20,663,648	\$ 19,173,998
 Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 276,371	251,861
Accrued salaries and vacation	359,910	338,106
Rental deposits	1,592,692	1,499,084
Income taxes payable	-	8,300
Current portion of capital lease obligations	43,954	40,426
Total current liabilities	2,272,927	2,137,777
 Long-term liabilities		
Deferred taxes	444,800	520,300
Capital lease obligations, net of current portion	198,247	168,476
Total liabilities	2,915,974	2,826,553
 Stockholders' equity		
Common stock - no par value, 1,800 shares issued, 1,775 shares outstanding	5,569,268	5,569,268
Retained earnings	12,178,406	10,700,173
Accumulated other comprehensive income	-	78,004
Total stockholders' equity	17,747,674	16,347,445
Total liabilities and stockholders' equity	\$ 20,663,648	\$ 19,173,998

The accompanying notes are an integral part of these financial statements.

PISMO COAST VILLAGE, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Income		
Resort operations	7,377,015	\$ 7,306,671
Retail operations	1,130,119	1,163,364
Total income	<u>8,507,134</u>	<u>8,470,035</u>
Costs and expenses		
Operating expenses	5,528,569	5,485,238
Cost of goods sold	531,177	540,377
Depreciation	427,413	431,280
Total costs and expenses	<u>6,487,159</u>	<u>6,456,895</u>
 Income from operations	 2,019,975	 2,013,140
Other income (expense)		
Interest and dividend income	5,084	6,244
Interest expense	(17,532)	(10,133)
Gain (loss) on disposal of fixed assets	1,200	1,249
Gain (loss) on sale of investments	106,886	
Total other income (expense)	<u>95,638</u>	<u>(2,640)</u>
 Income before provision for income tax	 2,115,613	 2,010,500
 Provision for income tax	 <u>637,380</u>	 <u>386,300</u>
 Net income	 1,478,233	 1,624,200
Other comprehensive income		
Change in unrealized holding gains on available-for-sale securities, net of applicable deferred taxes	 <u>(78,004)</u>	 <u>78,004</u>
 Total other comprehensive income	 <u>(78,004)</u>	 <u>78,004</u>
 Total comprehensive income	 <u>\$ 1,400,229</u>	 <u>\$ 1,702,204</u>
 Net income per share	 <u>\$ 832.81</u>	 <u>\$ 915.04</u>
 Total comprehensive income per share	 <u>\$ 788.86</u>	 <u>\$ 958.99</u>

The accompanying notes are an integral part of these financial statements.

PISMO COAST VILLAGE, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance - September 30, 2016	1,775	\$ 5,569,268	\$ 7,983,671	\$	\$ 13,552,939
Net Income			1,092,302		1,092,302
Balance - September 30, 2017	1,775	\$ 5,569,268	\$ 9,075,973	\$	\$ 14,645,241
Net Income			1,624,200		1,624,200
Unrealized gain on investments				78,004	78,004
Balance - September 30, 2018	<u>1,775</u>	<u>\$ 5,569,268</u>	<u>\$ 10,700,173</u>	<u>\$ 78,004</u>	<u>\$ 16,347,445</u>
Net Income			1,478,233		1,478,233
Unrealized gain on investments				(78,004)	(78,004)
Balance - September 30, 2019	<u>1,775</u>	<u>\$ 5,569,268</u>	<u>\$ 12,178,406</u>	<u>\$ -</u>	<u>\$ 17,747,674</u>

The accompanying notes are an integral part of these financial statements.

PISMO COAST VILLAGE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Net income	\$ 1,478,233	\$ 1,624,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	427,413	431,280
Loss on disposal of fixed assets		(1,249)
Changes in operating assets and liabilities:		
Accounts receivable	4,997	(34,148)
Inventory	(8,809)	8,586
Prepaid income taxes	(4,900)	
Prepaid expenses	(10,684)	4,553
Accounts payable and accrued liabilities	24,511	(15,889)
Accrued salaries and vacation	21,804	12,024
Rental deposits	93,608	10,198
Income taxes payable	(8,300)	(44,300)
Deferred taxes	(42,300)	(323,500)
Total adjustments	497,340	47,555
Net cash provided by operating activities	1,974,573	1,671,755
 Cash flows from investing activities		
Proceeds from sale of fixed assets		1,400
Capital expenditures	(1,135,283)	(231,279)
Net cash used in investing activities	(1,135,283)	(229,879)
 Cash flows from financing activities		
Acquisition of capital lease assets	81,369	
Principal payments on capital lease obligations	(48,071)	(51,206)
Net cash used in financing activities	33,298	(51,206)
 Net increase in cash and cash equivalents	873,588	1,390,670
 Cash and cash equivalents - beginning of year	4,202,436	2,811,766
 Cash and cash equivalents - end of year	\$ 5,076,024	\$ 4,202,436
 Schedule of payments of interest and taxes		
Cash paid for income tax	\$ 687,000	\$ 684,050
Cash paid for interest	\$ 17,532	\$ 10,133
 Non-cash financing and investing activities:		
Property, plant and equipment obtained through capital lease obligations	\$ -	\$ 81,369
Increase in investments from dividend distribution	\$ -	\$ 111,204

The accompanying notes are an integral part of these financial statements.

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1: Nature of Business

Pismo Coast Village, Inc. (the Company) is a recreational vehicle camping resort. Its business is seasonal in nature with the fourth quarter, the summer, being its busiest and most profitable.

NOTE 2: Summary of Significant Accounting Policies

Revenue and Cost Recognition

The Company's revenue is recognized on the accrual basis as earned based on the date of stay. Expenses are recorded on the accrual basis whereby expenses are recorded when incurred, rather than when paid.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. As of September 30, 2019 and 2018, the Company had \$6,088 and \$6,070 of cash equivalents.

Allowance for Doubtful Accounts

It is the policy of management to review the outstanding accounts receivable at year-end, as well as historical bad debt write-offs, and establish an allowance for doubtful accounts for estimated uncollectible accounts. Management did not believe an allowance for doubtful accounts was necessary as of September 30, 2019 or 2018.

Inventories

Inventories have been valued at the lower of cost or market on a first-in, first-out basis. Inventories are comprised primarily of finished goods in the general store and in the RV repair shop.

Property and Equipment

All property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight line method based on the cost of the assets, less allowance for salvage value, where appropriate. Depreciation rates are based upon the following estimated useful lives :

Building and park improvements	5 to 40 years
Furniture, fixtures, equipment and leasehold improvements	3 to 31.5 years
Transportation equipment	5 to 10 years

NOTE 2: Summary of Significant Accounting Policies (Continued)

Investments

Investments in securities have been classified in the balance sheet, according to management's intent, as securities available-for-sale under the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 320 Investments – Debt and Equity Securities.

Available-for-sale securities consist of investment securities not classified as trading securities nor as held-to-maturity securities. Unrealized holding gains and losses, net of deferred taxes, on available-for-sale securities are reported as a net amount in a separate component of stockholders' equity until realized. Gains and losses on the sale of available-for-sale securities are determined using the specific identification method.

Fair Value Measurements

The Company records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) (the Topic). This Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy, as follows, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 3

NOTE 2: Summary of Significant Accounting Policies (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments: Investments in common stock are recorded at fair value based upon quoted market prices using Level 1 inputs.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

At September 30, 2019, the following sets forth by level, within the fair value hierarchy, the Company's assets at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in common stock	\$ -	\$ -	\$ -
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2018, the following sets forth by level, within the fair value hierarchy, the Company's assets at fair value :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in common stock	\$ 111,204	\$ -	\$ -
Total assets at fair value	<u>\$ 111,204</u>	<u>\$ -</u>	<u>\$ -</u>

Earnings Per Share

The earnings per share are based on the 1,775 shares outstanding. The financial statements report only basic earnings per share, as there are no potentially dilutive shares outstanding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

The Company follows the policy of charging the costs of non-direct advertising as incurred. Advertising expense was \$66,722 and \$46,005 for the years ended September 30, 2019 and 2018, respectively. Advertising expense was included in operating expenses on the statement of operations.

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 4

NOTE 2: Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

At September 30, 2019 and 2018, the Company had cash deposits of \$3,239,598 and \$2,301,721, respectively, in excess of the \$250,000 federally insured limit with Pacific Premier Bank. However, because Pacific Premier Bank is a member of the Certificate of Deposit Account Registry Service (CDARS), large deposits are divided into smaller amounts and placed with other FDIC insured banks which are also members of the CDARS network. Then, those member banks issue CDs in amounts under \$250,000, so that the entire deposit balance is eligible for FDIC insurance.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to current year presentation. These reclassifications had no effect on the Company's results of operations or financial position.

Income Taxes

The Company uses the asset-liability method of computing deferred taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Income Taxes topic. FASB ASC 740 requires, among other things, that if income is expected for the entire year, but there is a net loss to date, a tax benefit is recognized based on the annual effective tax rate.

FASB ASC 740 also requires, among other things, the recognition and measurement of uncertain tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of September 30, 2019, management has considered its tax positions and believes that the Company did not maintain any uncertain tax positions under this approach and, accordingly, all tax positions have been fully recorded in the provision for income taxes. It is the policy of the Company to consistently classify interest and penalties associated with income tax expense separately from the provision for income taxes, and accordingly no interest or penalties associated with income taxes have been included in this calculation, or separately in the Statement of Operations and Retained Earnings. The Company does not expect any material changes through September 30, 2020. Although the Company does not maintain any uncertain tax positions, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after September 30, 2016 and by the California Franchise Tax Board for fiscal years ending on or after September 30, 2015.

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 5

NOTE 3: Property and Equipment

At September 30, 2019 and 2018, property and equipment included the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 10,394,746	\$ 10,394,746
Building and resort improvements	11,342,501	11,342,501
Furniture, fixtures, equipment and leasehold improvements	703,255	677,268
Transportation equipment	768,755	709,115
Construction in progress	1,321,095	325,489
	<u>24,530,352</u>	<u>23,449,119</u>
Less accumulated depreciation	<u>(9,215,393)</u>	<u>(8,842,030)</u>
	<u>\$ 15,314,959</u>	<u>\$ 14,607,089</u>

Depreciation and amortization expense was \$427,413 and \$431,280 for the years ended September 30, 2019 and 2018, respectively.

At September 30, 2019 and 2018 the cost of assets under capital lease was \$398,770 and \$374,171, respectively, and related accumulated amortization was \$201,335 and \$196,397, respectively. Depreciation expense on assets under capital lease was \$60,761 and \$49,061 for the years ended September 30, 2019 and 2018, respectively.

NOTE 4: Line of Credit

The Company has a revolving line of credit with Pacific Premier Bank (formerly Heritage Oaks Bank) for \$500,000, expiring April 1, 2020. There currently is a Letter of Credit written in favor of the County of San Luis Obispo (the County), California for \$416,062 to cover a bond requirement relating to public improvements as part of the Company's construction of a new RV service facility. If the Company fails to complete the required public improvements, monies will be drawn from the credit line to satisfy the County. A balance of \$83,938 is available if the Company requires additional funding from the line of credit. The Company expects the RV service facility project to be completed and bond satisfied by December 31, 2019.

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 6

NOTE 5: Capital Lease Obligations

At September 30, 2019 and 2018, capital lease obligations consisted of the following :

	<u>2019</u>	<u>2018</u>
A 2013 Hino truck leased from Donahue Transportation Services Corp, payable in monthly installments of \$1,046, including interest at 4.751% per annum, through April 2019.	\$ -	\$ 7,210
A security system for Lot-K leased from RLC Funding, payable in monthly installments of \$1,295, including interest at 13.537% per annum, through October 2018.	-	1,280
A 2016 Hino truck leased from Donahue Transportation Services Corp, payable in monthly installments of \$1,116, including interest at 4.532% per annum, through January 2023.	41,360	52,600
A 2018 Hino truck leased from Donahue Transportation Services Corp, payable in monthly installments of \$1,116, including interest at 4.644% per annum, through September 2024.	59,652	70,012
A 2019 Hino truck leased from Donahue Transportation Services Corp, payable in monthly installments of \$1,116, including interest at 4.181% per annum, through May 2025.	67,465	77,800
A 2019 Hino truck leased from Donahue Transportation Services Corp, payable in monthly installments of \$1,116, including interest at 4.101% per annum, through December 2025.	73,724	-
	<u>\$ 242,201</u>	<u>\$ 208,902</u>
Less current portion	<u>(43,954)</u>	<u>(40,426)</u>
Total capital lease obligations, net of current portion	<u>\$ 198,247</u>	<u>\$ 168,476</u>

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 7

NOTE 5: Capital Lease Obligations (Continued)

At September 30, 2019, future minimum payments on capital lease obligations were as follows :

<u>For the Twelve Months Ending September 30,</u>		
	2020	\$ 53,568
	2021	53,568
	2022	53,568
	2023	44,640
	2024	40,176
	Thereafter	<u>25,668</u>
Present value of future minimum payments		271,188
Less amount representing interest		<u>(28,987)</u>
		242,201
Less current portion of capital lease obligations		<u>(43,954)</u>
Total capital lease obligations, net of current portion		<u>\$ 198,247</u>

NOTE 6: Common Stock

Each share of stock is intended to provide the shareholder with free use of the resort for a maximum of 45 days per year. If the Company is unable to generate sufficient funds from the public, the Company may be required to charge shareholders for services.

A shareholder is entitled to a pro rata share of any dividends as well as a pro rata share of the assets of the Company in the event of its liquidation or sale. The shares are personal property and do not constitute an interest in real property. The ownership of a share does not entitle the owner to any interest in any particular site or camping period.

NOTE 7: Income Taxes

The provisions for income taxes for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Current:		
Federal	\$ 497,780	\$ 497,500
State	<u>215,100</u>	<u>179,100</u>
	712,880	676,600
Deferred:		
Federal	(61,900)	(303,400)
State	<u>(13,600)</u>	<u>13,100</u>
Provision for income taxes	<u>\$ 637,380</u>	<u>\$ 386,300</u>

The Company uses the asset-liability method of computing deferred taxes in accordance with FASB ASC Topic 740. The difference between the effective tax rate and the statutory tax rates is due primarily to the impact of state taxes net of the federal tax benefit and nondeductible variable costs of shareholder usage.

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 8

NOTE 7: Income Taxes (Continued)

At September 30, 2019 and 2018, the deferred income tax liabilities consisted of the following:

	<u>2019</u>	<u>2018</u>
Deferred tax assets (liabilities):		
Federal	\$ (387,300)	\$ (449,200)
State	<u>(57,500)</u>	<u>(71,100)</u>
Net deferred income taxes	<u>\$ (444,800)</u>	<u>\$ (520,300)</u>

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. The majority of the balance is due to timing differences of depreciation expense, caused by the use of accelerated depreciation methods for tax calculations.

At September 30, 2019 and 2018, the deferred income tax liabilities consisted of the following temporary differences:

	<u>2019</u>	<u>2018</u>
Depreciation	\$ (533,000)	\$ (566,100)
Unrealized gain on investments	<u>-</u>	<u>(33,200)</u>
Total gross deferred tax liabilities	<u>(533,000)</u>	<u>(599,300)</u>
Vacation accrual	33,000	24,400
Federal benefit of state taxes	<u>55,200</u>	<u>54,600</u>
Total gross deferred tax assets	<u>88,200</u>	<u>79,000</u>
	<u>\$ (444,800)</u>	<u>\$ (520,300)</u>

There were no net operating loss or tax credit carryforwards for the year ended September 30, 2019 or 2018 for federal or state.

NOTE 8: Operating Leases

The Company leases a lot located in Oceano for \$3,302 per month. The lease has converted to a month-to-month lease; however the lessor is considering a long-term renewal at this time.

The Company has a five-year lease obligation for a copier. Rental expense under this operating lease is \$384 per month. Future minimum lease payments under this obligation are as follows:

PISMO COAST VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
PAGE 9

NOTE 8: Operating Leases (Continued)

<u>For the Twelve Months Ending September 30,</u>	
2020	\$ 4,608
2021	4,608
2022	1,920
	<u>\$ 11,136</u>

Rent expense under these lease agreements was \$43,520 and \$45,211 for the years ended September 30, 2019 and 2018, respectively.

NOTE 9: Employee Retirement Plans

The Company is the sponsor of a 401(k) profit sharing pension plan, which covers substantially all full-time employees. Employer contributions are discretionary and are determined on an annual basis. The Company's matching portion of the 401(k) safe harbor plan was \$73,510 and \$67,370 for the years ended September 30, 2019 and 2018, respectively.

NOTE 10: Subsequent Events

Events subsequent to September 30, 2019 have been evaluated through November 25, 2019, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

PISMO COAST VILLAGE, INC.
SCHEDULE OF OPERATING EXPENSES
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Administrative salaries	\$ 681,348	\$ 597,597
Advertising and promotion	66,722	46,005
Auto and truck expense	125,025	124,808
Bad debts	-	566
Contract services	69,600	65,291
Corporation expense	58,967	60,663
Custodial supplies	28,866	29,251
Direct labor	1,861,533	1,900,768
Employee travel and training	40,257	44,124
Equipment lease	5,144	5,144
Insurance	497,228	599,641
Miscellaneous	55,502	73,360
Office supplies and expense	85,249	79,331
Payroll tax expense	202,794	215,109
Payroll service	48,952	46,930
Pension plan match	73,510	67,370
Professional services	104,124	101,336
Property taxes	222,875	223,903
Recreational supplies	3,724	7,654
Rent - storage lots	43,520	45,211
Repairs and maintenance	260,647	201,683
Retail operating supplies	6,831	6,052
Security	19,633	20,024
Service charges	198,792	173,790
Taxes and licenses	14,309	8,837
Telephone	31,424	33,676
Uniforms	25,310	32,520
Utilities	696,683	674,594
	<u>696,683</u>	<u>674,594</u>
Total operating expenses	<u>\$ 5,528,569</u>	<u>\$ 5,485,238</u>

INDEPENDENT AUDITOR'S REPORT

ON ADDITIONAL INFORMATION

To the Board of Directors and Shareholders
Pismo Coast Village, Inc.
165 South Dolliver Street
Pismo Beach, California

Our report on our audits of the basic financial statements of Pismo Coast Village, Inc. as of September 30, 2019 and 2018 appears on page 14. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statements of Income (unaudited) for the three months ended September 30, 2019 and 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

BROWN ARMSTRONG ACCOUNTANCY CORPORATION

Bakersfield, California
November 25, 2019

PISMO COAST VILLAGE, INC.
STATEMENTS OF INCOME (UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Income:		
Resort operations	\$ 2,213,746	\$ 2,165,718
Retail operations	334,004	349,680
Total income	<u>2,547,750</u>	<u>2,515,398</u>
Costs and expenses:		
Operating expenses	1,584,178	1,602,396
Cost of goods sold	145,512	152,612
Depreciation	106,941	107,662
Total costs and expenses	<u>1,836,631</u>	<u>1,862,670</u>
Income from operations	<u>711,119</u>	<u>652,728</u>
Other income (expense):		
Interest income	507	2,499
Interest expense	(6,256)	(2,791)
Gain/(Loss) on sale of fixed assets		(151)
Total other income (expense)	<u>(5,749)</u>	<u>(443)</u>
Income before provision for income taxes	705,370	652,285
Provision for income tax	<u>1,048,760</u>	<u>229,000</u>
Net income	<u>\$ (343,390)</u>	<u>\$ 423,285</u>
Other comprehensive income		
Change in unrealized holding gains and losses on available-for-sale securities, net of applicable deferred taxes of \$33,200	-	78,004
Total other comprehensive income	<u>-</u>	<u>78,004</u>
Total comprehensive income	<u>\$ (343,390)</u>	<u>\$ 501,289</u>
Net income loss per share	<u>\$ (193.46)</u>	<u>\$ 238.47</u>
Total comprehensive income loss per share	<u>\$ (193.46)</u>	<u>\$ 282.42</u>