

THE MISSISSIPPI GOLF CLUB, LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2018

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS MCNEELY

P R O F E S S I O N A L C O R P O R A T I O N

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Mississippi Golf Club, Limited,

Opinion

We have audited the accompanying financial statements of The Mississippi Golf Club, Limited, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Mississippi Golf Club, Limited as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Mississippi Golf Club, Limited in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing The Mississippi Golf Club, Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate The Mississippi Golf Club, Limited or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing The Mississippi Golf Club, Limited's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Kelly Huibers McNeely
Professional Corporation

Carleton Place, Ontario
March 18, 2019

Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

THE MISSISSIPPI GOLF CLUB, LIMITED

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 60,071	\$ 325,679
Accounts receivable	5,923	1,531
HST receivable	9,646	44,670
Inventory	6,479	6,146
Prepaid expenses	<u>7,772</u>	<u>14,220</u>
	89,891	392,246
CAPITAL ASSETS (note 2)	2,208,957	2,035,728
	\$ 2,298,848	\$ 2,427,974
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 32,860	\$ 58,348
Government payables	4,423	5,451
Deferred revenue (note 4)	68,214	66,937
Current portion of obligations under capital lease (note 5)	49,996	40,499
Scheduled repayments for long-term debt (note 6)	<u>44,500</u>	<u>43,000</u>
Current liabilities before callable debt	199,993	214,235
Callable debt (note 6)	<u>40,318</u>	<u>50,798</u>
	240,311	265,033
CAPITAL LEASE OBLIGATIONS (note 5)	142,827	147,746
LONG-TERM DEBT (note 6)	<u>1,093,022</u>	<u>1,137,503</u>
	1,476,160	1,550,282
NET ASSETS	822,688	877,692
	\$ 2,298,848	\$ 2,427,974

APPROVED ON BEHALF OF THE BOARD:

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

THE MISSISSIPPI GOLF CLUB, LIMITED

STATEMENT OF OPERATIONS

For the year ended December 31, 2018

	2018	2017
REVENUE		
Memberships	\$ 570,037	\$ 560,135
Green fees	252,490	256,569
Bar sales	207,324	184,341
Golf cart rental	153,789	117,934
Locker rental	4,095	4,570
Investment income	3,192	5,529
Advertising and miscellaneous	7,514	2,274
	<u>1,198,441</u>	<u>1,131,352</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and employee benefits	492,085	461,336
Greens	205,161	193,447
House	96,443	86,101
Bar purchases	89,354	84,085
Property taxes	19,217	19,285
Insurance	21,048	19,929
Membership fee reductions (note 9)	13,225	14,754
Accounting	19,544	18,347
Match committee	13,052	11,592
Printing, postage and supplies	14,260	26,249
Advertising	24,550	12,966
Mortgage interest - long-term	42,310	30,991
Interest on capital leases	10,462	11,592
Golf carts	13,384	11,071
Interest and bank charges	14,479	12,995
Professional fees	10,100	5,000
	<u>1,098,674</u>	<u>1,019,740</u>
REVENUE FROM OPERATIONS	99,767	111,612
Amortization	(157,726)	(117,647)
Gain on disposal of capital assets	2,655	8,535
NET REVENUE (EXPENDITURES)	\$ (55,304)	\$ 2,500

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

THE MISSISSIPPI GOLF CLUB, LIMITED
STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31, 2018

	Unrestricted		Internally Restricted Capital Reserve	Invested in Capital Assets (note 8)	Total 2018	Total 2017
	Share Capital (note 7)	General				
Balance - beginning of year	\$ 121,850	\$ (58,460)	\$ 198,120	\$ 616,182	\$ 877,692	\$ 875,092
Net revenue (expenditures)	-	30,293	72,129	(157,726)	(55,304)	2,500
Issuance of shares and other capital	300	-	-	-	300	100
Investment in capital assets (note 8b)	-	(67,896)	(311,942)	379,838	-	-
Balance - end of year	\$ 122,150	\$ (96,063)	\$ (41,693)	\$ 838,294	\$ 822,688	\$ 877,692

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

THE MISSISSIPPI GOLF CLUB, LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenditures)	\$ (55,304)	\$ 2,500
Items not affecting cash:		
Amortization	157,726	117,647
Gain on disposal of capital assets	(2,655)	(8,535)
Net change in non-cash working capital items:		
Accounts receivable	(4,392)	11,597
HST receivable	35,024	(33,876)
Inventory	(333)	(208)
Prepaid expenses	6,448	19,683
Accounts payable and accrued liabilities	(25,488)	34,973
Government payables	(1,028)	(156)
Deferred revenue	<u>1,277</u>	<u>8,048</u>
	<u>111,275</u>	<u>151,673</u>
INVESTING ACTIVITIES		
Sale of investment	-	400,900
Purchase of capital assets	(282,155)	(1,171,246)
Proceeds on disposal of capital assets	<u>2,655</u>	<u>8,535</u>
	<u>(279,500)</u>	<u>(761,811)</u>
FINANCING ACTIVITIES		
Increase in long-term debt	-	871,415
Repayment of long-term debt	(53,461)	(37,731)
Repayment of capital lease obligations	(44,222)	(52,990)
Issuance of shares	<u>300</u>	<u>100</u>
	<u>(97,383)</u>	<u>780,794</u>
NET CHANGE IN CASH	(265,608)	170,656
CASH - BEGINNING OF YEAR	325,679	155,023
CASH - END OF YEAR	\$ 60,071	\$ 325,679
SUPPLEMENTAL INFORMATION:		
Machinery and equipment purchased by capital lease	\$ 48,800	\$ 59,000

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

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NATURE OF OPERATIONS

The Club is incorporated under the laws of Ontario and operates a non-profit golf and country club. The Club, being a recreational organization, is exempt from income taxes under Section 149(1)(L) of the Income Tax Act.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The principal accounting policies of the Club are summarized as follows:

Revenue Recognition

All revenue is recognized on the date goods or services are provided and collectibility can be reasonably assured.

Membership fees are recognized as revenue in the year that membership to the Club is provided.

Capital equipment assessments included in membership fees are allocated to the capital reserve fund. This fund is internally restricted by the Club for future capital purposes.

Cash and Cash Equivalents

The Club considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

Investment

The investment has a term to maturity greater than three months and is carried at fair market value.

Inventory

The Club values its bar inventory at the lesser of cost and net realizable value. Cost is determined on a first-in, first-out basis.

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

Capital Lease Obligations

Leases entered into, that transfer substantially all the benefits and risks associated with ownership, are recorded as the acquisition of capital assets and the incurrence of an obligation. The asset is amortized in a manner consistent with assets owned by the Club, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expected as incurred.

Accounting Estimates

In preparing the Club's financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual amounts could differ from these estimates.

Capital Assets

Capital assets are stated at cost. Amortization is provided on current purchases at half-rate. When capital assets are disposed of, the related profit or loss is included in current operations. Amortization is calculated using the declining balance method at the following annual rates:

Buildings	-	5%
Course construction and water system	-	5%
Computers	-	30%
Furniture and fixtures	-	20%
Machinery and equipment	-	20%
Parking lot	-	8%
Patio expansion	-	30%
Powered golf carts	-	20%
Computer software	-	100%
Satellite tower	-	20%

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Land	\$ 65,169	\$ -	\$ 65,169	\$ 65,169
Buildings	1,183,408	736,663	446,745	461,118
Course construction and water system	1,428,864	108,887	1,319,977	1,133,093
Computers	40,852	24,007	16,845	1,620
Furniture and fixtures	57,908	49,091	8,817	12,216
Machinery and equipment	1,040,440	872,763	167,677	128,627
Parking lot	73,703	56,550	17,153	22,586
Patio expansion	29,011	11,749	17,262	24,659
Powered golf carts	290,269	141,220	149,049	186,311
Computer software	25,326	25,326	-	-
Satellite tower	4,280	4,017	263	329
	\$ 4,239,230	\$ 2,030,273	\$ 2,208,957	\$ 2,035,728

The net book value of vehicles, machinery and equipment acquired under capital leases as at December 31, 2018 is \$166,590 (2017 - \$190,136).

3. BANK INDEBTEDNESS

The Club has available a revolving credit facility at BMO with a limit of \$100,000 at prime plus 0.5%, secured by the property of the Club. As at year end, this credit facility was not used.

4. DEFERRED REVENUE

Deferred revenue represents amounts received from Members and prospective Members as a deposit against future membership fees.

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. CAPITAL LEASE OBLIGATIONS

	2018	2017
Turf Care Financial		
Forty powered golf carts under capital lease with blended monthly payments of \$5,150 from May to October each year, including interest at an implied rate of 5.6%, and a final optional payment of \$40,000 due on October 31, 2020. The Club intends to exercise this option.	\$ 93,962	\$ 118,668
Turf Care Financial		
Ten powered golf carts under capital lease with blended monthly payments of \$1,633 from May to October each year, including interest at an implied rate of 6.6%, and a final optional payment of \$15,553 due on May 1, 2023. The Club intends to exercise this option.	45,829	52,326
John Deere		
Tractor under capital lease with blended monthly payments of \$1,644 from May to October each year, including interest at an implied rate of 3.6%, and a final purchase option of \$1 due on November 15, 2019.	7,875	17,251
Turf Care Financial		
Beverage cart under capital lease with blended monthly payments of \$687 from June to November each year, including interest at an implied rate of 3.18%, and a final purchase option of \$1 due on November 30, 2022.	15,343	-
Maxium Financial		
Seeder under capital lease with blended monthly payments of \$689 from May to October each year, including interest at an implied rate of 6.95%, and a final purchase option of \$1 due on October 31, 2023.	17,314	-

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. CAPITAL LEASE OBLIGATIONS (continued)

	2018	2017
Turf Care Financial		
Roller under capital lease with blended monthly payments of \$501 from May to October each year, including interest at an implied rate of 7.5%, and a final purchase option of \$1 on October 1, 2023.	\$ <u>12,500</u>	\$ <u>-</u>
	192,823	188,245
Less: current portion	49,996	40,499
	\$ 142,827	\$ 147,746

The obligations under capital lease are secured by the specific equipment being leased. Future minimum lease payments under these capital lease obligations are as follows:

Year ending December 31,				
	2019	\$	61,825	
	2020		91,960	
	2021		21,060	
	2022		21,061	
	2023		<u>22,694</u>	
			218,600	
Less: amount representing interest			<u>25,777</u>	
			192,823	
Less: current portion			<u>49,996</u>	
		\$	<u>142,827</u>	

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. LONG-TERM DEBT

	2018	2017
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	\$ 40,318	\$ 50,798
First mortgage due to Bank of Montreal monthly payments of \$7,024 consisting of principal and interest at 3.56%, secured by property held by the Club, due May 2022.	<u>1,137,522</u>	<u>1,180,503</u>
	1,177,840	1,231,301
Less:		
Cash payments required within 12 months	44,500	43,000
Callable debt	40,318	50,798
	<u>\$ 1,093,022</u>	<u>\$ 1,137,503</u>

The Members' loans are due on demand, however there are no scheduled repayments that are due in the next five years.

Therefore Management expects that the principal repayments of long-term debt over the next four years will be approximately as follows:

2019	-		\$ 44,500
2020	-		46,000
2021	-		48,000
2022	-		999,000

Bank Covenants

The Club is fully compliant with all non-financial borrowing covenants contained in the Bank of Montreal loan agreement; and there are no financial covenants.

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. SHARE CAPITAL

	2018	2017
<u>Authorized</u>		
50,000 Class "A" non-cumulative preference shares		
10,000 Class "B" non-cumulative voting preference shares		
3,000 Common shares		
<u>Issued</u>		
1,084 Class "A" preference shares (2017 - 1,084)	\$ 108,500	\$ 108,500
2,540 Common shares (2017 - 2,537)	13,650	13,350
	\$ 122,150	\$ 121,850

During the year ended December 31, 2018, three Common shares were issued for \$100 (one in 2017) and no Class "A" preference shares were issued.

8. INVESTED IN CAPITAL ASSETS

(a) Net assets invested in capital assets at December 31

	2018	2017
Capital assets	\$ 2,208,957	\$ 2,035,728
Less: Capital lease obligations	(192,823)	(188,245)
Long-term debt	(1,177,840)	(1,231,301)
	\$ 838,294	\$ 616,182

(b) Investment in capital assets during the year

	2018	2017
Purchase of capital assets	\$ 282,155	\$ 1,171,246
Financed by new long-term debt	-	(871,415)
Repayment of capital lease obligations	44,222	52,990
Repayment of long-term debt	53,461	37,731
	\$ 379,838	\$ 390,552

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. MEMBERSHIP FEE REDUCTIONS

Members who have made loans to the Club have received reduced membership fees and will continue to pay reduced membership fees until they leave the Club. The loans from Members resulted in membership fee reductions of \$13,225 (2017 - \$14,754). The fee reductions are reflected on the accompanying financial statements by an increase in membership fee income and a corresponding expense of the same amount.

10. FINANCIAL INSTRUMENTS

The Club's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, capital lease obligations and long-term debt. It is Management's opinion that the fair value of these instruments is not materially different than their cost and that the Club is not exposed to significant interest rate, currency or credit risk.