

**THE MISSISSIPPI GOLF CLUB, LIMITED**

**FINANCIAL STATEMENTS  
(Prepared without Audit)**

**DECEMBER 31, 2017**

Independent Practitioner's Review Engagement 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

PROFESSIONAL CORPORATION

## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of  
The Mississippi Golf Club, Limited

We have reviewed the accompanying financial statements of The Mississippi Golf Club, Limited that comprise the balance sheet as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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.

### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The Practitioner performs procedures, primarily consisting of making inquiries of Management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of The Mississippi Golf Club, Limited as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Kelly Huibers McNeely*  
*Professional Corporation*

Carleton Place, Ontario  
April 19, 2018

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

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**THE MISSISSIPPI GOLF CLUB, LIMITED**

**STATEMENT OF FINANCIAL POSITION**  
**(Prepared without Audit)**

**As at December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 325,679	\$ 155,023
Investment	-	400,900
Accounts receivable	1,531	13,128
HST receivable	44,670	10,794
Inventory	6,146	5,938
Prepaid expenses	<u>14,220</u>	<u>33,903</u>
	392,246	619,686
CAPITAL ASSETS (note 2)	2,035,728	923,129
	<b>\$ 2,427,974</b>	<b>\$ 1,542,815</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 58,348	\$ 23,375
Government payables	5,451	5,607
Deferred revenue (note 4)	66,937	58,889
Current portion of obligations under capital lease (note 5)	40,499	47,637
Scheduled repayments for long-term debt (note 6)	<u>43,000</u>	<u>22,557</u>
Current liabilities before callable debt	214,235	158,065
Callable debt (note 6)	<u>50,798</u>	<u>64,515</u>
	265,033	222,580
CAPITAL LEASE OBLIGATIONS (note 5)	147,746	134,598
LONG-TERM DEBT (note 6)	<u>1,137,503</u>	<u>310,545</u>
	<u>1,550,282</u>	<u>667,723</u>
<b>NET ASSETS</b>	877,692	875,092
	<b>\$ 2,427,974</b>	<b>\$ 1,542,815</b>

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**  
(Prepared without Audit)

For the year ended December 31, 2017

	2017	2016
<b>REVENUE</b>		
Fees - memberships	\$ 560,135	\$ 545,018
- greens	257,962	266,742
- lockers	4,570	5,091
- golf carts	117,934	137,505
Bar	184,341	192,845
Investment income	5,529	5,491
Miscellaneous	881	2,098
	<u>1,131,352</u>	<u>1,154,790</u>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Wages and employee benefits	461,336	462,402
Greens	193,447	209,357
House	86,101	104,283
Bar purchases	84,085	84,533
Property taxes	19,285	24,165
Insurance	19,929	20,989
Membership fee reductions (note 10)	14,754	14,829
Accounting	18,347	18,517
Match committee	11,592	15,641
Printing, postage and supplies	26,249	17,167
Advertising	12,966	14,326
Mortgage interest - long-term	30,991	13,698
Interest on capital leases	11,592	12,001
Golf carts	11,071	11,879
Interest and bank charges	12,995	11,640
Professional fees	5,000	4,000
	<u>1,019,740</u>	<u>1,039,427</u>
<b>REVENUE FROM OPERATIONS</b>	111,612	115,363
Amortization	(117,647)	(123,207)
Gain on disposal of capital assets	8,535	184,690
<b>NET REVENUE</b>	<u>\$ 2,500</u>	<u>\$ 176,846</u>

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

**THE MISSISSIPPI GOLF CLUB, LIMITED**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**(Prepared without Audit)**

**For the year ended December 31, 2017**

	Unrestricted		Internally Restricted Capital Reserve	Invested in Capital Assets (note 9)	Total 2017	Total 2016
	Share Capital (note 8)	General				
Balance - beginning of year	\$ 121,750	\$ 17,020	\$ 393,045	\$ 343,277	\$ 875,092	\$ 698,046
Net revenue (expense)	-	35,998	84,149	(117,647)	2,500	176,846
Issuance of shares and other capital	100	-	-	-	100	200
Investment in capital assets (note 9b)	-	(111,478)	(279,074)	390,552	-	-
<b>Balance - end of year</b>	<b>\$ 121,850</b>	<b>\$ (58,460)</b>	<b>\$ 198,120</b>	<b>\$ 616,182</b>	<b>\$ 877,692</b>	<b>\$ 875,092</b>

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

**THE MISSISSIPPI GOLF CLUB, LIMITED**

**STATEMENT OF CASH FLOWS**  
**(Prepared without Audit)**

**For the year ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net revenue	\$ 2,500	\$ 176,846
Items not affecting cash:		
Amortization	117,647	123,207
Gain on disposal of capital assets	(8,535)	(184,690)
Net change in non-cash working capital items:		
Accounts receivable	11,597	(4,689)
HST receivable	(33,876)	(12,095)
Inventory	(208)	(3,241)
Prepaid expenses	19,683	(2,664)
Accounts payable and accrued liabilities	34,973	2,911
Government payables	(156)	5,402
Deferred revenue	<u>8,048</u>	<u>4,526</u>
	<u>151,673</u>	<u>105,513</u>
<b>INVESTING ACTIVITIES</b>		
Sale (purchase) of investment	400,900	(400,900)
Purchase of capital assets	(1,171,246)	(86,590)
Proceeds on disposal of capital assets	<u>8,535</u>	<u>334,314</u>
	<u>(761,811)</u>	<u>(153,176)</u>
<b>FINANCING ACTIVITIES</b>		
Increase in long-term debt	871,415	-
Repayment of long-term debt	(37,731)	(31,761)
Repayment of capital lease obligations	(52,990)	(52,273)
Issuance of shares and other capital	<u>100</u>	<u>200</u>
	<u>780,794</u>	<u>(83,834)</u>
<b>NET CHANGE IN CASH</b>	<b>170,656</b>	<b>(131,497)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>155,023</b>	<b>286,520</b>
<b>CASH - END OF YEAR</b>	<b>\$ 325,679</b>	<b>\$ 155,023</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Capital lease equipment purchases	\$ 59,000	\$ -

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

# THE MISSISSIPPI GOLF CLUB, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Prepared without Audit)

DECEMBER 31, 2017

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### 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**  
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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%	reducing balance
Computer	-	30%	reducing balance
Course construction and water system	-	6%	reducing balance
Furniture and fixtures	-	20%	reducing balance
Machinery and equipment	-	20%	reducing balance
New course	-	15 to 30 yrs	straight-line
Parking lot	-	4% to 8%	reducing balance
Powered golf carts	-	20%	reducing balance
Pro shop	-	5%	reducing balance
Pump house	-	5%	reducing balance
Vehicles	-	30%	reducing balance
Computer software	-	100%	reducing balance
Satellite tower	-	20%	reducing balance



**THE MISSISSIPPI GOLF CLUB, LIMITED**  
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**DECEMBER 31, 2017**

**2. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Land	\$ 65,169	\$ -	\$ 65,169	\$ 65,169
Buildings	1,020,111	591,592	428,519	443,943
Computer	22,369	20,749	1,620	2,314
Course construction and water system	1,246,535	113,442	1,133,093	39,324
Furniture and fixtures	127,908	115,692	12,216	3,307
Greens building	101,562	78,786	22,776	23,975
Machinery and equipment	684,080	580,505	103,575	103,056
New course	409,455	409,455	-	4,616
Parking lot	87,837	65,251	22,586	24,371
Patio expansion	29,011	4,352	24,659	-
Powered golf carts	290,269	103,958	186,311	166,514
Pro shop	43,212	35,180	8,032	8,455
Pump house	9,619	7,828	1,791	1,886
Vehicles	363,772	338,720	25,052	35,788
Computer software	25,326	25,326	-	-
Satellite tower	4,280	3,951	329	411
	<b>\$ 4,530,515</b>	<b>\$ 2,494,787</b>	<b>\$ 2,035,728</b>	<b>\$ 923,129</b>

The net book value of vehicles, machinery and equipment acquired under capital leases as at December 31, 2017 is \$190,136 (2016 - \$195,765).

**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**  
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**DECEMBER 31, 2017**

**5. CAPITAL LEASE OBLIGATIONS**

	2017	2016
<b>Turf Care Financial</b>		
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.	\$ 118,668	\$ 140,705
<b>Turf Care Financial</b>		
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.	52,326	-
<b>John Deere</b>		
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.	17,251	26,300
<b>Maxium Golf Leasing</b>		
Groundskeeper equipment under capital lease with blended monthly payments of \$2,645 from May to October of each year, including interest at an implied rate of 6.5%, and a final purchase option of \$1 due on October 31, 2017.	-	15,230
	188,245	182,235
Less: current portion	40,499	47,637
	\$ 147,746	\$ 134,598

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**5. CAPITAL LEASE OBLIGATIONS (continued)**

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,	2018	\$	50,562
	2019		50,562
	2020		80,698
	2021		9,798
	2022		9,798
	2023		<u>15,553</u>
			216,971
Less: amount representing interest			<u>28,726</u>
			188,245
Less: current portion			<u>40,499</u>
		<b>\$</b>	<b><u>147,746</u></b>

**6. LONG-TERM DEBT**

	2017	2016
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	\$ 50,798	\$ 56,332
First mortgage due to Bank of Montreal monthly payments of \$2,977 consisting of principal and interest at 4.08%, secured by property held by the Club, due September 2018.	-	333,102
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.	1,180,503	-
First mortgage due to Bank of Montreal monthly payments of \$649 consisting of principal and interest at prime plus 1%, secured by equipment held by the Club, due on demand.	<u>-</u>	<u>8,183</u>
	1,231,301	397,617
Less:		
Cash payments required within 12 months	43,000	22,557
Callable debt	50,798	64,515
	<u><b>\$ 1,137,503</b></u>	<u><b>\$ 310,545</b></u>

**THE MISSISSIPPI GOLF CLUB, LIMITED**  
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**6. LONG-TERM DEBT (continued)**

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 five years will be approximately as follows:

2018	-	\$ 43,000
2019	-	44,500
2020	-	46,100
2021	-	47,800
2022	-	999,100

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.

**7. COMMITMENTS**

Course Construction and Water System

The Club has contracted Atkinson Irrigation Limited (Atkinson) for the installation of the irrigation system. The Club's accounts payable at December 31, 2017 includes \$41,464 that is due to Atkinson for holdbacks relating to 2017 invoices. In addition to these holdbacks, the Club is committed to pay Atkinson \$152,500 for the completion of the installation work. The Club's internally restricted capital reserve funds will be used to pay for these committed completion costs, as well as other completion costs in 2018.

**THE MISSISSIPPI GOLF CLUB, LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. SHARE CAPITAL**

	<b>2017</b>	<b>2016</b>
<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 (2016 - 1,084)	\$ 108,500	\$ 108,500
2,537 Common shares (2016 - 2,536)	13,350	13,250
	<b>\$ 121,850</b>	<b>\$ 121,750</b>

During the year ended December 31, 2017, one Common share was issued for \$100 (two in 2016) and no Class "A" preference shares were issued.

**9. INVESTED IN CAPITAL ASSETS**

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

	<b>2017</b>	<b>2016</b>
Capital assets	\$ 2,035,728	\$ 923,129
Less: Capital lease obligations	(188,245)	(182,235)
Long-term debt	(1,231,301)	(397,617)
	<b>\$ 616,182</b>	<b>\$ 343,277</b>

(b) Investment in capital assets during the year

	<b>2017</b>	<b>2016</b>
Purchase of capital assets	\$ 1,171,246	\$ 86,590
Financed by new long-term debt	(871,415)	-
Cost of assets sold	-	(149,624)
Repayment of capital lease obligations	52,990	52,273
Repayment of long-term debt	37,731	31,761
	<b>\$ 390,552</b>	<b>\$ 21,000</b>

**THE MISSISSIPPI GOLF CLUB, LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. 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 \$14,754 (2016 - \$14,829). 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.

**11. 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.