

THE MISSISSIPPI GOLF CLUB, LIMITED

FINANCIAL STATEMENTS
(Prepared without Audit)

DECEMBER 31, 2020

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

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

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Shareholders of The Mississippi Golf Club, Limited,

We have reviewed the accompanying financial statements of The Mississippi Golf Club, Limited that comprise the statement of financial position as at December 31, 2020 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.

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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, 2020, 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
March 18, 2021

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

THE MISSISSIPPI GOLF CLUB, LIMITED

STATEMENT OF FINANCIAL POSITION
(Prepared without Audit)

As at December 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 528,092	\$ 63,621
Accounts receivable	396	3,525
Government wage subsidy receivable	43,494	-
HST receivable	23,685	3,662
Inventory	6,438	6,291
Prepaid expenses	<u>2,226</u>	<u>6,972</u>
	604,331	84,071
CAPITAL ASSETS (note 2)	1,944,926	2,053,876
	\$ 2,549,257	\$ 2,137,947
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 34,737	\$ 31,797
Government payables	9,174	5,274
Deferred revenue (note 4)	222,708	93,068
Current portion of obligations under capital lease (note 5)	17,752	84,515
Scheduled repayments for long-term debt (note 6)	<u>46,960</u>	<u>46,000</u>
Current liabilities before callable debt	331,331	260,654
Callable debt (note 6)	<u>40,063</u>	<u>40,063</u>
	371,394	300,717
CAPITAL LEASE OBLIGATIONS (note 5)	40,472	58,534
LONG-TERM DEBT (note 6)	<u>1,063,068</u>	<u>1,047,001</u>
	1,474,934	1,406,252
NET ASSETS	1,074,323	731,695
	\$ 2,549,257	\$ 2,137,947

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, 2020

	2020	2019
REVENUE		
Memberships	\$ 570,512	\$ 540,227
Green fees	429,019	299,193
Bar sales	220,331	209,267
Golf cart rental	176,833	148,861
Locker rental	(35)	3,871
Investment income	1,462	1,441
Advertising and miscellaneous	<u>13,835</u>	<u>23,526</u>
	<u>1,411,957</u>	<u>1,226,386</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and employee benefits	490,710	486,531
Less: wage subsidy (note 11)	(197,984)	-
Greens	208,786	274,248
House	124,105	87,257
Bar purchases	86,416	92,117
Property taxes	18,923	19,177
Insurance	20,477	22,181
Membership fee reductions (note 9)	12,826	11,156
Accounting	19,468	19,468
Match committee	4,920	10,277
Printing, postage and supplies	20,111	12,479
Advertising	11,416	16,731
Mortgage interest - long-term	38,597	39,777
Interest on capital leases	3,140	12,216
Golf carts	14,964	10,845
Interest and bank charges	25,697	20,552
Professional fees	<u>4,500</u>	<u>4,500</u>
	<u>907,072</u>	<u>1,139,512</u>
REVENUE FROM OPERATIONS	504,885	86,874
Amortization	(163,557)	(180,867)
Gain on disposal of capital assets	-	3,000
NET REVENUE (EXPENDITURES)	<u>\$ 341,328</u>	<u>\$ (90,993)</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, 2020

	Unrestricted		Internally Restricted Capital Reserve	Invested in Capital Assets (note 8)	Total 2020	Total 2019
	Share Capital (note 7)	General				
Balance - beginning of year	\$ 122,150	\$ (146,494)	\$ (21,724)	\$ 777,763	\$ 731,695	\$ 822,688
Net revenue (expenditures)	-	428,646	76,239	(163,557)	341,328	(90,993)
Issuance of shares and other capital	1,300	-	-	-	1,300	-
Investment in capital assets (note 8b)	-	(139,432)	(22,973)	162,405	-	-
Balance - end of year	\$ 123,450	\$ 142,720	\$ 31,542	\$ 776,611	\$ 1,074,323	\$ 731,695

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, 2020

	2020	2019
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenditures)	\$ 341,328	\$ (90,993)
Items not affecting cash:		
Amortization	163,557	180,867
Gain on disposal of capital assets	-	(3,000)
Net change in non-cash working capital items:		
Accounts receivable	3,129	2,398
Government subsidies receivable	(43,494)	-
HST receivable	(20,023)	5,984
Inventory	(147)	188
Prepaid expenses	4,746	800
Accounts payable and accrued liabilities	2,940	(1,063)
Government payables	3,900	851
Deferred revenue	<u>129,640</u>	<u>24,854</u>
	<u>585,576</u>	<u>120,886</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(54,607)	(25,786)
Proceeds on disposal of capital assets	<u>-</u>	<u>3,000</u>
	<u>(54,607)</u>	<u>(22,786)</u>
FINANCING ACTIVITIES		
Proceeds on issuance of long-term debt	40,000	-
Repayment of long-term debt	(22,973)	(44,776)
Repayment of capital lease obligations	(84,825)	(49,774)
Issuance of shares	<u>1,300</u>	<u>-</u>
	<u>(66,498)</u>	<u>(94,550)</u>
NET CHANGE IN CASH	464,471	3,550
CASH - BEGINNING OF YEAR	63,621	60,071
CASH - END OF YEAR	<u>\$ 528,092</u>	<u>\$ 63,621</u>

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, 2020

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.

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.

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.

THE MISSISSIPPI GOLF CLUB, LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(Prepared without Audit)

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expense 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
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DECEMBER 31, 2020

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Land	\$ 65,169	\$ -	\$ 65,169	\$ 65,169
Buildings	1,184,251	780,262	403,989	424,797
Course construction and water system	1,428,863	239,726	1,189,137	1,252,736
Computers	44,662	31,572	13,090	15,031
Furniture and fixtures	67,267	53,925	13,342	11,709
Machinery and equipment	1,103,445	959,218	144,227	135,429
Parking lot	73,703	59,183	14,520	15,783
Patio expansion	29,011	23,120	5,891	12,083
Powered golf carts	290,269	194,877	95,392	119,239
Computer software	28,705	28,705	-	1,689
Satellite tower	4,280	4,111	169	211
	\$ 4,319,625	\$ 2,374,699	\$ 1,944,926	\$ 2,053,876

The net book value of vehicles, machinery and equipment acquired under capital leases as at December 31, 2020 is \$119,488 (2019 - \$168,957).

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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5. CAPITAL LEASE OBLIGATIONS

	2020	2019
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 paid on October 31, 2020.	\$ -	\$ 67,828
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.	31,486	38,893
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.	7,936	11,719
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.	10,799	14,314

THE MISSISSIPPI GOLF CLUB, LIMITED
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5. CAPITAL LEASE OBLIGATIONS (continued)

	2020	2019
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>8,003</u>	\$ <u>10,295</u>
	58,224	143,049
Less: current portion	17,752	84,515
	\$ <u>40,472</u>	\$ <u>58,534</u>

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,	2021	\$	21,060
	2022		21,060
	2023		<u>22,694</u>
			64,814
Less: amount representing interest			<u>6,590</u>
			58,224
Less: current portion			<u>17,752</u>
			\$ <u>40,472</u>

THE MISSISSIPPI GOLF CLUB, LIMITED
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6. LONG-TERM DEBT

	2020	2019
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	\$ 40,063	\$ 40,063
Canada Emergency Business Account loan (CEBA), repayable in part or in full at any time, interest free, no security, due December 31, 2022. (note 10)	40,000	-
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>1,070,028</u>	<u>1,093,001</u>
	1,150,091	1,133,064
Less:		
Cash payments required within 12 months	46,960	46,000
Callable debt	40,063	40,063
	<u>\$ 1,063,068</u>	<u>\$ 1,047,001</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 portion of long-term debt that will come due over the next three years will be approximately as follows:

2021	-	\$ 46,960
2022	-	88,660
2023	-	50,420

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
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DECEMBER 31, 2020

7. SHARE CAPITAL

	2020	2019
<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	\$ 108,500	\$ 108,500
2,553 Common shares (2019 - 2,540)	14,950	13,650
	\$ 123,450	\$ 122,150

During the year ended December 31, 2020, 13 shares were issued for \$1,300 (2019 - no shares were issued).

8. INVESTED IN CAPITAL ASSETS

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

	2020	2019
Capital assets	\$ 1,944,926	\$ 2,053,876
Less: Capital lease obligations	(58,224)	(143,049)
Long-term debt (excluding CEBA loan)	(1,110,091)	(1,133,064)
	\$ 776,611	\$ 777,763

(b) Investment in capital assets during the year

	2020	2019
Purchase of capital assets	\$ 54,607	\$ 25,786
Repayment of capital lease obligations	84,825	49,774
Repayment of long-term debt	22,973	44,776
	\$ 162,405	\$ 120,336

THE MISSISSIPPI GOLF CLUB, LIMITED
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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 \$12,826 (2019 - \$11,156). 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. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA) LOAN

The Canada Emergency Business Account (CEBA) is an interest-free loan and 25% of the loan is forgivable if the Company repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan at an interest rate of 5%.

11. CANADA EMERGENCY WAGE SUBSIDY

The Company has claimed the Canada Emergency Wage Subsidy (CEWS) based on Management's interpretation of the applicable legislation in the Income Tax Act. These claims are subject to review by Canada Revenue Agency (CRA); and any future CRA adjustments to these CEWS claims will be recorded by the Company in the year of the adjustment.

12. 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.