

THE MISSISSIPPI GOLF CLUB, LIMITED

**FINANCIAL STATEMENTS
(Prepared without Audit)**

DECEMBER 31, 2022

Draft

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 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, 2022 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, 2022, 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.

Carleton Place, Ontario
March 31, 2023

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

Draft

THE MISSISSIPPI GOLF CLUB, LIMITED

STATEMENT OF FINANCIAL POSITION
(Prepared without Audit)

As at December 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 684,976	\$ 804,776
Accounts receivable	1,970	3,435
HST receivable	30,584	11,286
Inventory	6,974	4,994
Prepaid expenses	<u>14,591</u>	<u>42,707</u>
	739,095	867,198
CAPITAL ASSETS (note 2)	2,025,933	1,829,748
	\$ 2,765,028	\$ 2,696,946
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 32,206	\$ 18,931
Government payables	9,852	8,434
Deferred revenue (note 4)	152,008	105,910
Current portion of obligations under capital lease (note 5)	6,682	10,445
Scheduled repayments or renewals of long-term debt (note 6)	<u>85,500</u>	<u>1,023,070</u>
Current liabilities before callable debt	286,248	1,166,790
Callable debt (note 6)	<u>36,905</u>	<u>39,470</u>
	323,153	1,206,260
CAPITAL LEASE OBLIGATIONS (note 5)	-	6,789
LONG-TERM DEBT (note 6)	<u>932,077</u>	<u>40,000</u>
	1,255,230	1,253,049
NET ASSETS	1,509,798	1,443,897
	\$ 2,765,028	\$ 2,696,946

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, 2022

	2022	2021
REVENUE		
Memberships	\$ 772,199	\$ 739,498
Green fees	377,521	389,925
Bar sales	274,711	231,604
Golf cart rental	176,619	177,229
Investment income	17,841	3,260
Advertising and miscellaneous	12,238	12,027
	<u>1,631,129</u>	<u>1,553,543</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and employee benefits	587,831	547,061
Less: wage subsidy (note 10)	-	(155,021)
Greens	346,622	281,954
House	90,775	82,231
Bar purchases	116,339	87,537
Property taxes	19,177	18,797
Insurance	30,587	25,320
Membership fee reductions (note 11)	12,501	13,968
Accounting	22,750	22,796
Match committee	11,076	10,082
Printing, postage and supplies	16,889	14,859
Advertising	10,362	5,251
Mortgage interest - long-term	47,886	37,333
Interest on capital leases	584	2,197
Golf carts	48,947	20,745
Interest and bank charges	27,194	24,489
Professional fees	4,500	4,500
	<u>1,394,020</u>	<u>1,044,099</u>
REVENUE FROM OPERATIONS	237,109	509,444
Amortization	(172,808)	(149,598)
Gain on disposal of capital assets	1,500	9,628
NET REVENUE	\$ 65,801	\$ 369,474

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, 2022

	Unrestricted		Internally Restricted Capital Reserve	Invested in Capital Assets (note 8)	Total 2022	Total 2021
	Share Capital (note 7)	General				
Balance - beginning of year	\$ 123,550	\$ 468,129	\$ 102,244	\$ 749,974	\$ 1,443,897	\$ 1,074,323
Net revenue (expenditures)	-	108,511	130,098	(172,808)	65,801	369,474
Issuance of shares and other capital	100	-	-	-	100	100
Investment in capital assets (note 8b)	-	(379,545)	(48,058)	427,603	-	-
Balance - end of year	\$ 123,650	\$ 197,095	\$ 184,284	\$ 1,004,769	\$ 1,509,798	\$ 1,443,897

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, 2022

	2022	2021
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue	\$ 65,801	\$ 369,474
Items not affecting cash:		
Amortization	172,808	149,598
Gain on disposal of capital assets	(1,500)	(9,628)
Net change in non-cash working capital items:		
Accounts receivable	1,465	(3,039)
Government wage subsidy receivable	-	43,494
HST receivable	(19,298)	12,399
Inventory	(1,980)	1,444
Prepaid expenses	28,116	(40,481)
Accounts payable and accrued liabilities	13,275	(15,806)
Government payables	1,418	(740)
Deferred revenue	46,098	(116,798)
	306,203	389,917
INVESTING ACTIVITIES		
Purchase of capital assets	(368,993)	(34,420)
Proceeds on disposal of capital assets	1,500	9,628
	(367,493)	(24,792)
FINANCING ACTIVITIES		
Repayment of long-term debt	(48,058)	(47,551)
Repayment of capital lease obligations	(10,552)	(40,990)
Issuance of shares	100	100
	(58,510)	(88,441)
NET CHANGE IN CASH	(119,800)	276,684
CASH - BEGINNING OF YEAR	804,776	528,092
CASH - END OF YEAR	\$ 684,976	\$ 804,776

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, 2022

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 expensed as incurred.

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

DECEMBER 31, 2022

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
(Prepared without Audit)

DECEMBER 31, 2022

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Land	\$ 65,169	\$ -	\$ 65,169	\$ 65,169
Buildings	1,240,635	821,166	419,469	385,213
Course construction and water system	1,571,282	381,774	1,189,508	1,126,832
Computers	44,662	38,193	6,469	9,487
Furniture and fixtures	90,288	57,878	32,410	22,252
Machinery and equipment	1,269,943	1,026,913	243,030	134,800
Parking lot	73,703	61,761	11,942	13,315
Patio expansion	29,011	27,748	1,263	1,805
Powered golf carts	290,269	233,669	56,600	70,750
Computer software	28,705	28,705	-	-
Satellite tower	4,280	4,207	73	125
	\$ 4,707,947	\$ 2,682,014	\$ 2,025,933	\$ 1,829,748

The net book value of vehicles, machinery and equipment under capital leases as at December 31, 2022 is \$12,509 (2021 - \$17,870).

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
(Prepared without Audit)

DECEMBER 31, 2022

5. CAPITAL LEASE OBLIGATIONS

	2022	2021
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.	\$ -	\$ 4,031
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.	4,224	7,739
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>2,458</u>	<u>5,464</u>
	6,682	17,234
Less: current portion	6,682	10,445
	<u>\$ -</u>	<u>\$ 6,789</u>

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

	2022	2021
Bank of Montreal (BMO) mortgage repayable \$8,322 per month including interest at 5.74%, secured by property held by the Club, due for renewal in May 2027.	\$ 977,577	\$ 1,023,070
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	36,905	39,470
Canada Emergency Business Account loan (CEBA), repayable in part or in full at any time, interest free, no security, due December 31, 2023 (note 9).	<u>40,000</u>	<u>40,000</u>
	1,054,482	1,102,540
Less:		
- BMO principal due within 12 months	85,500	1,023,070
- Callable debt	36,905	39,470
	<u>\$ 932,077</u>	<u>\$ 40,000</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 two years will be approximately as follows:

2023	-		\$ 85,500
2024	-		48,500
2025	-		51,000
2026	-		54,000
2027	-		778,500

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, 2022

7. SHARE CAPITAL

	2022	2021
<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>		
1,110 Class "A" preference shares (2021 - 1,109)	\$ 111,000	\$ 110,900
2,530 <i>Common shares</i>	<i>12,650</i>	<i>12,650</i>
	\$ 123,650	\$ 123,550

During the year ended December 31, 2022, 1 share was issued for \$100 (2021 - 1 share issued).

8. INVESTED IN CAPITAL ASSETS

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

	2022	2021
Capital assets	\$ 2,025,933	\$ 1,829,748
Less: Capital lease obligations	(6,682)	(17,234)
Long-term debt (excluding CEBA loan)	(1,014,482)	(1,062,540)
	\$ 1,004,769	\$ 749,974

(b) Investment in capital assets during the year

	2022	2021
Purchase of capital assets	\$ 368,993	\$ 34,420
Repayment of capital lease obligations	10,552	40,990
Repayment of long-term debt	48,058	47,551
	\$ 427,603	\$ 122,961

THE MISSISSIPPI GOLF CLUB, LIMITED
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9. 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, 2023. If the loan is not repaid by that date, the loan can be converted to a two-year term loan at an interest rate of 5%.

10. 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.

11. 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 \$12,501 (2021 - \$13,968). 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.

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.