

**THE MISSISSIPPI GOLF CLUB, LIMITED**

**FINANCIAL STATEMENTS  
(Prepared without Audit)**

**DECEMBER 31, 2019**

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

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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, 2019 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, 2019, 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 23, 2020

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, 2019**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 63,621	\$ 60,071
Accounts receivable	3,525	5,923
HST receivable	3,662	9,646
Inventory	6,291	6,479
Prepaid expenses	<u>6,972</u>	<u>7,772</u>
	84,071	89,891
CAPITAL ASSETS (note 2)	2,053,876	2,208,957
	<b>\$ 2,137,947</b>	<b>\$ 2,298,848</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 31,797	\$ 32,860
Government payables	5,274	4,423
Deferred revenue (note 4)	93,068	68,214
Current portion of obligations under capital lease (note 5)	84,515	49,996
Scheduled repayments for long-term debt (note 6)	<u>46,000</u>	<u>44,500</u>
Current liabilities before callable debt	260,654	199,993
Callable debt (note 6)	<u>40,063</u>	<u>40,318</u>
	300,717	240,311
CAPITAL LEASE OBLIGATIONS (note 5)	58,534	142,827
LONG-TERM DEBT (note 6)	<u>1,047,001</u>	<u>1,093,022</u>
	1,406,252	1,476,160
<b>NET ASSETS</b>	731,695	822,688
	<b>\$ 2,137,947</b>	<b>\$ 2,298,848</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, 2019

	2019	2018
REVENUE		
Memberships	\$ 540,227	\$ 570,037
Green fees	299,193	252,490
Bar sales	209,267	207,324
Golf cart rental	148,861	153,789
Locker rental	3,871	4,095
Investment income	1,441	3,192
Advertising and miscellaneous	23,526	7,514
	<u>1,226,386</u>	<u>1,198,441</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and employee benefits	486,531	492,085
Greens	274,248	205,161
House	87,257	96,443
Bar purchases	92,117	89,354
Property taxes	19,177	19,217
Insurance	22,181	21,048
Membership fee reductions (note 9)	11,156	13,225
Accounting	19,468	19,544
Match committee	10,277	13,052
Printing, postage and supplies	12,479	14,260
Advertising	16,731	24,550
Mortgage interest - long-term	39,777	42,310
Interest on capital leases	12,216	10,462
Golf carts	10,845	13,384
Interest and bank charges	20,552	14,479
Professional fees	4,500	10,100
	<u>1,139,512</u>	<u>1,098,674</u>
REVENUE FROM OPERATIONS	86,874	99,767
Amortization	(180,867)	(157,726)
Gain on disposal of capital assets	3,000	2,655
<b>NET EXPENDITURES</b>	<b>\$ (90,993)</b>	<b>\$ (55,304)</b>

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, 2019**

	Unrestricted		Internally Restricted Capital Reserve	Invested in Capital Assets (note 8)	<b>Total 2019</b>	<b>Total 2018</b>
	Share Capital (note 7)	General				
Balance - beginning of year	\$ 122,150	\$ (96,063)	\$ (41,693)	\$ 838,294	\$ 822,688	\$ 877,692
Net revenue (expenditures)	-	25,384	64,490	(180,867)	(90,993)	(55,304)
Issuance of shares and other capital	-	-	-	-	-	300
Investment in capital assets (note 8b)	-	(75,815)	(44,521)	120,336	-	-
<b>Balance - end of year</b>	<b>\$ 122,150</b>	<b>\$ (146,494)</b>	<b>\$ (21,724)</b>	<b>\$ 777,763</b>	<b>\$ 731,695</b>	<b>\$ 822,688</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, 2019**

	<b>2019</b>	<b>2018</b>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net expenditures	\$ (90,993)	\$ (55,304)
Items not affecting cash:		
Amortization	180,867	157,726
Gain on disposal of capital assets	(3,000)	(2,655)
Net change in non-cash working capital items:		
Accounts receivable	2,398	(4,392)
HST receivable	5,984	35,024
Inventory	188	(333)
Prepaid expenses	800	6,448
Accounts payable and accrued liabilities	(1,063)	(25,488)
Government payables	851	(1,028)
Deferred revenue	<u>24,854</u>	<u>1,277</u>
	<u>120,886</u>	<u>111,275</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(25,786)	(282,155)
Proceeds on disposal of capital assets	<u>3,000</u>	<u>2,655</u>
	<u>(22,786)</u>	<u>(279,500)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(44,776)	(53,461)
Repayment of capital lease obligations	(49,774)	(44,222)
Issuance of shares	<u>-</u>	<u>300</u>
	<u>(94,550)</u>	<u>(97,383)</u>
<b>NET CHANGE IN CASH</b>	3,550	(265,608)
<b>CASH - BEGINNING OF YEAR</b>	60,071	325,679
<b>CASH - END OF YEAR</b>	<u><b>\$ 63,621</b></u>	<u><b>\$ 60,071</b></u>

**SUPPLEMENTAL INFORMATION:**

Machinery and equipment purchased by capital lease	\$	-	\$	48,800
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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, 2019**

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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.

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**  
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**DECEMBER 31, 2019**

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**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 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**  
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**2. CAPITAL ASSETS**

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Land	\$ 65,169	\$ -	\$ 65,169	\$ 65,169
Buildings	1,183,808	759,011	424,797	446,745
Course construction and water system	1,428,863	176,127	1,252,736	1,319,977
Computers	44,662	29,631	15,031	16,845
Furniture and fixtures	63,372	51,663	11,709	8,817
Machinery and equipment	1,053,177	917,748	135,429	167,677
Parking lot	73,703	57,920	15,783	17,153
Patio expansion	29,011	16,928	12,083	17,262
Powered golf carts	290,269	171,030	119,239	149,049
Computer software	28,705	27,016	1,689	-
Satellite tower	4,280	4,069	211	263
	<b>\$ 4,265,019</b>	<b>\$ 2,211,143</b>	<b>\$ 2,053,876</b>	<b>\$ 2,208,957</b>

The net book value of vehicles, machinery and equipment acquired under capital leases as at December 31, 2019 is \$168,957 (2018 - \$166,590).

**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, 2019**

**5. CAPITAL LEASE OBLIGATIONS**

	<b>2019</b>	<b>2018</b>
<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.	\$ 67,828	\$ 93,962
<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, 2021. The Club intends to exercise this option.	38,893	45,829
<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.	-	7,875
<b>Turf Care Financial</b>		
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.	11,719	15,343
<b>Maxium Financial</b>		
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.	14,314	17,314

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

	<b>2019</b>	<b>2018</b>
<b>Turf Care Financial</b>		
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>10,295</u>	\$ <u>12,500</u>
	143,049	192,823
Less: current portion	84,515	49,996
	<b>\$ <u>58,534</u></b>	<b>\$ <u>142,827</u></b>

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,				
	2020	\$	91,960	
	2021		21,060	
	2022		21,060	
	2023		<u>22,694</u>	
			156,774	
Less: amount representing interest			<u>13,725</u>	
			143,049	
Less: current portion			<u>84,515</u>	
		<b>\$</b>	<b><u>58,534</u></b>	

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

	<b>2019</b>	<b>2018</b>
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	\$ 40,063	\$ 40,318
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>1,093,001</u>	<u>1,137,522</u>
	1,133,064	1,177,840
Less:		
Cash payments required within 12 months	46,000	44,500
Callable debt	40,063	40,318
	<b>\$ 1,047,001</b>	<b>\$ 1,093,022</b>

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:

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.

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**7. SHARE CAPITAL**

	<b>2019</b>	<b>2018</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	\$ 108,500	\$ 108,500
2,540 Common shares	13,650	13,650
	<b>\$ 122,150</b>	<b>\$ 122,150</b>

During the year ended December 31, 2019, no shares were issued (2018 - three common shares issued for \$300).

**8. INVESTED IN CAPITAL ASSETS**

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

	<b>2019</b>	<b>2018</b>
Capital assets	\$ 2,053,876	\$ 2,208,957
Less: Capital lease obligations	(143,049)	(192,823)
Long-term debt	(1,133,064)	(1,177,840)
	<b>\$ 777,763</b>	<b>\$ 838,294</b>

(b) Investment in capital assets during the year

	<b>2019</b>	<b>2018</b>
Purchase of capital assets	\$ 25,786	\$ 282,155
Repayment of capital lease obligations	49,774	44,222
Repayment of long-term debt	44,776	53,461
	<b>\$ 120,336</b>	<b>\$ 379,838</b>

**THE MISSISSIPPI GOLF CLUB, LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 \$11,156 (2018 - \$13,225). 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.