

THE MISSISSIPPI GOLF CLUB, LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
(Prepared without Audit)
DECEMBER 31, 2015

Review Engagement Report
Consolidated Statement of Financial Position
Consolidated Statement of Operations
Consolidated Statement of Changes in Net Assets
Consolidated Statement of Cash Flows
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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

REVIEW ENGAGEMENT REPORT

To the Directors of
The Mississippi Golf Club, Limited

We have reviewed the consolidated statement of financial position of The Mississippi Golf Club, Limited as at December 31, 2015 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussions related to information supplied to us by the Club.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Kelly Huibers McNeely
Professional Corporation

Carleton Place, Ontario
March 15, 2016

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

106B McGonigal St. W.
Arnrior, Ontario K7S 1M4

9 Emily Street
Carleton Place, Ontario K7C 1R9

16 Gore Street West
Perth, Ontario K7H 2L6

5992 Hazeldean Rd.
Stittsville, Ontario K2S 1B9

Phone: 613-963-1430 (1-866-999-1339)

Fax: 613-686-3960 (Perth local 613-267-3949)

acctg@khmpc.ca

THE MISSISSIPPI GOLF CLUB, LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Prepared without Audit)

As at December 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 286,520	\$ 136,684
Accounts receivable	7,138	9,930
Inventory	3,445	3,945
Prepaid expenses	<u>31,239</u>	<u>23,948</u>
	328,342	174,507
CAPITAL ASSETS (note 2)	1,109,370	960,104
	\$ 1,437,712	\$ 1,134,611
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 19,826	\$ 23,233
Government payables	1,591	5,373
Deferred revenue (note 4)	54,363	21,899
Current portion of obligations under capital lease (note 5)	50,333	25,391
Scheduled repayments for long-term debt (note 6)	<u>31,267</u>	<u>28,292</u>
Current liabilities before callable debt	157,380	104,188
Callable debt (note 6)	<u>74,619</u>	<u>84,010</u>
	231,999	188,198
CAPITAL LEASE OBLIGATIONS (note 5)	184,175	33,630
LONG-TERM DEBT (note 6)	<u>323,492</u>	<u>347,259</u>
	<u>739,666</u>	<u>569,087</u>
NET ASSETS		
Unrestricted	252,562	124,002
Invested in capital assets (note 8a)	<u>445,484</u>	<u>441,522</u>
	698,046	565,524
	\$ 1,437,712	\$ 1,134,611

APPROVED ON BEHALF OF THE BOARD:

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

THE MISSISSIPPI GOLF CLUB, LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS
(Prepared without Audit)

For the year ended December 31, 2015

	2015	2014
REVENUE		
Fees - memberships	\$ 563,950	\$ 599,702
- greens	239,676	198,805
- lockers	3,928	4,350
- golf carts	140,012	113,710
- initiation	12,375	19,175
Bar	172,383	149,137
Vacant land rental	-	1,985
Investment income	1,946	2,759
Miscellaneous	1,597	5,767
	<u>1,135,867</u>	<u>1,095,390</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and employee benefits	425,174	471,693
Greens	199,026	246,406
House	85,843	98,202
Bar purchases	74,779	71,970
Golf carts	12,624	17,672
Property taxes	24,754	25,160
Membership fee reductions (note 9)	15,051	19,212
Mortgage interest - long-term	14,934	15,764
Match committee	11,904	11,478
Health and safety	2,057	4,526
Insurance	19,434	19,920
Course improvement	-	8,874
Accounting	16,453	17,554
Interest and bank charges	7,295	9,067
Interest on capital leases	8,441	5,884
Printing, postage and supplies	12,962	11,925
Audit and legal	4,000	6,500
Advertising	13,026	9,552
	<u>947,757</u>	<u>1,071,359</u>
REVENUE FROM OPERATIONS	188,110	24,031
Amortization	(102,464)	(87,958)
Gain on disposal of capital assets	46,376	-
NET REVENUE (EXPENSE)	\$ 132,022	\$ (63,927)

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

THE MISSISSIPPI GOLF CLUB, LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(Prepared without Audit)

For the year ended December 31, 2015

	Unrestricted			Capital Reserve Fund	Invested in Capital Assets	2015	2014
	Share Capital (note 7)	Surplus	Total				
Balance - beginning of year	\$ 121,050	\$ 2,952	\$ 124,002	\$ -	\$ 441,522	\$ 565,524	\$ 629,351
Excess (deficiency) of revenue over expenses	-	129,486	129,486	105,000	(102,464)	132,022	(63,927)
Issuance of shares and other capital	500	-	500	-	-	500	100
Transfers (note 8b)	-	(106,426)	(106,426)	-	106,426	-	-
Balance - end of year	\$ 121,550	\$ 26,012	\$ 147,562	\$ 105,000	\$ 445,484	\$ 698,046	\$ 565,524

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

THE MISSISSIPPI GOLF CLUB, LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Prepared without Audit)

For the year ended December 31, 2015

	2015	2014
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expense)	\$ 132,022	\$ (63,927)
Items not affecting cash:		
Amortization	102,464	87,958
Gain on disposal of capital assets	(46,376)	-
Net change in non-cash working capital items:		
Accounts receivable	2,792	5,608
Inventory	500	(892)
Prepaid expenses	(7,291)	23,861
Accounts payable and accrued liabilities	(3,407)	1,306
Government payables	(3,782)	5,062
Deferred revenue	<u>32,464</u>	<u>7</u>
	<u>209,386</u>	<u>58,983</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(75,737)	(2,540)
Proceeds on disposal of capital assets	<u>76,450</u>	<u>-</u>
	<u>713</u>	<u>(2,540)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(30,183)	(31,467)
Repayment of capital lease obligations	(30,580)	(32,195)
Issuance of shares and other capital	<u>500</u>	<u>100</u>
	<u>(60,263)</u>	<u>(63,562)</u>
NET CHANGE IN CASH	149,836	(7,119)
CASH - BEGINNING OF YEAR	136,684	143,803
CASH - END OF YEAR	\$ 286,520	\$ 136,684

SUPPLEMENTAL INFORMATION:

Capital lease equipment purchases	\$ 206,067	\$ -
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The accompanying notes are an integral part of these financial statements.

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Prepared without Audit)

DECEMBER 31, 2015

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:

Basis of Consolidation

These financial statements have been prepared on a consolidated basis and include the assets, liabilities, and operations of Mississippi Golf Club (2005) Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

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.

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Obligations under Capital Lease

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
Land Held by Mississippi Golf Club (2005) Inc.	\$ 149,624	\$ -	\$ 149,624	\$ 149,624
Land	65,169	-	65,169	65,169
Buildings	971,012	546,966	424,046	446,364
Computer	22,369	19,064	3,305	4,722
Course construction and water system	134,368	108,027	26,341	28,022
Furniture and fixtures	116,649	112,515	4,134	5,168
Greens building	101,562	76,325	25,237	26,565
Machinery and equipment	633,080	530,272	102,808	128,510
New course	409,455	394,055	15,400	26,184
Parking lot	87,837	61,533	26,304	28,398
Powered golf carts	231,269	23,127	208,142	23,904
Pro shop	43,212	34,312	8,900	9,369
Pump house	9,619	7,634	1,985	2,090
Vehicles	358,472	313,781	44,691	15,373
Computer software	25,326	22,556	2,770	-
Satellite tower	4,280	3,766	514	642
	\$ 3,363,303	\$ 2,253,933	\$ 1,109,370	\$ 960,104

The total cost of vehicles, machinery and equipment acquired under capital leases as at December 31, 2015 is \$361,557 (2014 - \$103,545) and the accumulated amortization is \$81,892 (2014 - \$63,440).

3. BANK INDEBTEDNESS

The Club has available a revolving credit facility agreement of \$150,000 at prime plus 0.5%. 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 CONSOLIDATED FINANCIAL STATEMENTS
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DECEMBER 31, 2015

5. OBLIGATIONS UNDER CAPITAL LEASE

	2015	2014
Turfcare Financial		
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.	\$ 164,111	\$ -
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.	36,624	-
Maxium Golf Leasing		
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.	29,669	42,932
Maxium Financial		
Golf course machinery under capital lease with blended monthly payments of \$1,421 from May to October, including interest at an implied rate of 6.3%. The Club purchased the equipment for \$1 on October 1, 2015.	-	8,150
Maxium Financial		
Golf course machinery under capital lease with blended monthly payments of \$714 from May to October of each year, including interest at an implied rate of 6.8%, and a final purchase option of \$1 on October 1, 2016.	4,104	7,939
	234,508	59,021
Less: current portion	50,333	25,391
	\$ 184,175	\$ 33,630

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. OBLIGATIONS UNDER CAPITAL LEASE (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,	2016	\$	60,918
	2017		56,634
	2018		40,764
	2019		40,764
	2020		<u>70,900</u>
			269,980
Less: amount representing interest			<u>35,472</u>
			234,508
Less: current portion			<u>50,333</u>
		\$	<u>184,175</u>

6. LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	\$ 61,600	\$ 66,900
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.	354,759	375,551
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>13,019</u>	<u>17,110</u>
	429,378	459,561
Less:		
Cash payments required within 12 months	31,267	28,292
Callable debt	74,619	84,010
	<u>\$ 323,492</u>	<u>\$ 347,259</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 three years will be approximately as follows:

2016	-	\$ 31,267
2017	-	22,557
2018	-	310,545

Bank Covenants

The Club is fully compliant with all borrowing covenants contained in the Bank of Montreal loan agreement.

7. SHARE CAPITAL

	2015	2014
<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	\$ 108,400
2,534 Common shares	13,050	12,650
	\$ 121,550	\$ 121,050

During the year ended December 31, 2015, four Common shares were issued for \$100 (none in 2014) and one Class "A" preference share was issued for \$100 (one share was issued for \$100 in 2014).

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Prepared without Audit)

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8. INVESTED IN CAPITAL ASSETS

(a) Net assets invested in capital assets

	2015	2014
Capital assets	\$ 1,109,370	\$ 960,104
Less: Capital lease obligations	(234,508)	(59,021)
Long-term debt	(429,378)	(459,561)
	\$ 445,484	\$ 441,522

(b) Transfer to invested in capital assets

	2015	2014
Purchase of capital assets	\$ 75,737	\$ 2,540
Proceeds on disposal of capital assets	(76,450)	-
Repayment of capital lease obligations	30,580	32,195
Repayment of long-term debt	30,183	31,467
Gain on disposal of capital assets	46,376	-
	\$ 106,426	\$ 66,202

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 the loans are repaid. The loans from Members resulted in membership fee reductions of \$15,051 (2014 - \$19,212). 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.

11. SUBSEQUENT EVENT

On February 25, 2016, the Club sold the land held by Mississippi Golf Club (2005) Inc. at a price of \$352,000. The net proceeds from this sale will be designated for the Capital Reserve Fund.