

THE MISSISSIPPI GOLF CLUB, LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
(Prepared without Audit)
DECEMBER 31, 2016

Review Engagement Report
Consolidated Statement of Financial Position
Consolidated Statement of Operations
Consolidated Statement of Changes in Net Assets
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS McNEELY

PROFESSIONAL CORPORATION

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, 2016 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 08, 2017

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

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THE MISSISSIPPI GOLF CLUB, LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Prepared without Audit)

As at December 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 155,023	\$ 286,520
Investment	400,900	-
Accounts receivable	23,922	7,138
Inventory	5,938	2,697
Prepaid expenses	<u>33,903</u>	<u>31,239</u>
	619,686	327,594
CAPITAL ASSETS (note 2)	923,129	1,109,370
	\$ 1,542,815	\$ 1,436,964
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,375	\$ 20,464
Government payables	5,607	205
Deferred revenue (note 4)	58,889	54,363
Current portion of obligations under capital lease (note 5)	47,637	50,333
Scheduled repayments for long-term debt (note 6)	<u>22,557</u>	<u>31,267</u>
Current liabilities before callable debt	158,065	156,632
Callable debt (note 6)	<u>64,515</u>	<u>74,619</u>
	222,580	231,251
CAPITAL LEASE OBLIGATIONS (note 5)	134,598	184,175
LONG-TERM DEBT (note 6)	<u>310,545</u>	<u>323,492</u>
	<u>667,723</u>	<u>738,918</u>
NET ASSETS	875,092	698,046
	\$ 1,542,815	\$ 1,436,964

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, 2016

	2016	2015
REVENUE		
Fees - memberships	\$ 548,918	\$ 563,950
- greens	266,742	239,676
- lockers	5,091	3,928
- golf carts	137,505	140,012
- initiation	-	12,375
Bar	192,845	172,383
Investment income	5,491	2,065
Miscellaneous	2,098	1,478
	<u>1,158,690</u>	<u>1,135,867</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and employee benefits	462,402	425,174
Greens	209,357	199,026
House	104,283	85,843
Bar purchases	84,533	74,779
Property taxes	24,165	24,754
Insurance	20,989	19,434
Membership fee reductions (note 9)	18,729	15,051
Accounting	18,517	16,453
Match committee	15,641	11,904
Printing, postage and supplies	15,008	12,962
Advertising	14,326	13,026
Mortgage interest - long-term	13,698	14,934
Interest on capital leases	12,001	8,441
Golf carts	11,879	12,624
Interest and bank charges	11,640	7,295
Professional fees	4,000	4,000
Health and safety	2,159	2,057
	<u>1,043,327</u>	<u>947,757</u>
REVENUE FROM OPERATIONS	115,363	188,110
Amortization	(123,207)	(102,464)
Gain on disposal of capital assets	184,690	46,376
NET REVENUE	\$ 176,846	\$ 132,022

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, 2016

	Unrestricted				Invested in Capital Assets (note 8)	Total 2016	Total 2015
	Share Capital (note 7)	General	Internally Restricted Capital Reserve				
Balance - beginning of year	\$ 121,550	\$ 26,012	\$ 105,000	\$ 445,484	\$ 698,046	\$ 565,524	
Excess (deficiency) of revenue over expenses	-	196,698	103,355	(123,207)	176,846	132,022	
Issuance of shares and other capital	200	-	-	-	200	500	
Investment in capital assets (note 8b)	-	(21,000)	-	21,000	-	-	
Transfer	-	(184,690)	184,690	-	-	-	
Balance - end of year	\$ 121,750	\$ 17,020	\$ 393,045	\$ 343,277	\$ 875,092	\$ 698,046	

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, 2016

	2016	2015
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue	\$ 176,846	\$ 132,022
Items not affecting cash:		
Amortization	123,207	102,464
Gain on disposal of capital assets	(184,690)	(46,376)
Net change in non-cash working capital items:		
Accounts receivable	(16,784)	2,792
Inventory	(3,241)	510
Prepaid expenses	(2,664)	(7,291)
Accounts payable and accrued liabilities	2,911	(2,031)
Government payables	5,402	(5,168)
Deferred revenue	4,526	32,464
	<u>105,513</u>	<u>209,386</u>
INVESTING ACTIVITIES		
Purchase of investment	(400,900)	-
Purchase of capital assets	(86,590)	(75,737)
Proceeds on disposal of capital assets	334,314	76,450
	<u>(153,176)</u>	<u>713</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(31,761)	(30,183)
Repayment of capital lease obligations	(52,273)	(30,580)
Issuance of shares and other capital	200	500
	<u>(83,834)</u>	<u>(60,263)</u>
NET CHANGE IN CASH	(131,497)	149,836
CASH - BEGINNING OF YEAR	286,520	136,684
CASH - END OF YEAR	\$ 155,023	\$ 286,520

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, 2016

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.

Investment

The investment has a term to maturity greater than three months and is carried at fair market value.

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Prepared without Audit)

DECEMBER 31, 2016

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.

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
(Prepared without Audit)**

DECEMBER 31, 2016

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Land Held by Mississippi Golf Club (2005) Inc.	\$ -	\$ -	\$ -	\$ 149,624
Land	65,169	-	65,169	65,169
Buildings	1,013,165	569,222	443,943	424,046
Computer	22,369	20,055	2,314	3,305
Course construction and water system	149,304	109,980	39,324	26,341
Furniture and fixtures	116,649	113,342	3,307	4,134
Greens building	101,562	77,587	23,975	25,237
Machinery and equipment	657,280	554,224	103,056	102,808
New course	409,455	404,839	4,616	15,400
Parking lot	87,837	63,466	24,371	26,304
Powered golf carts	231,269	64,755	166,514	208,142
Pro shop	43,212	34,757	8,455	8,900
Pump house	9,619	7,733	1,886	1,985
Vehicles	363,772	327,984	35,788	44,691
Computer software	25,326	25,326	-	2,770
Satellite tower	4,280	3,869	411	514
	\$ 3,300,268	\$ 2,377,139	\$ 923,129	\$ 1,109,370

The total cost of vehicles, machinery and equipment acquired under capital leases as at December 31, 2016 is \$361,557 (2015 - \$361,557) and the accumulated amortization is \$165,792 (2015 - \$81,892).

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
(Prepared without Audit)**

DECEMBER 31, 2016

5. OBLIGATIONS UNDER CAPITAL LEASE

	2016	2015
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.	\$ 140,705	\$ 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.	26,300	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.	<u>15,230</u>	<u>29,669</u>
	182,235	234,508
Less: current portion	47,637	50,333
	<u>\$ 134,598</u>	<u>\$ 184,175</u>

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Prepared without Audit)

DECEMBER 31, 2016

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,	2017	\$	56,635
	2018		40,765
	2019		40,765
	2020		<u>70,900</u>
			209,065
Less: amount representing interest			<u>26,830</u>
			182,235
Less: current portion			<u>47,637</u>
		\$	<u>134,598</u>

6. LONG-TERM DEBT

	2016	2015
Members' loans, non-interest bearing in lieu of membership fees, payable on demand.	\$ 56,332	\$ 61,600
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	354,759
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>8,183</u>	<u>13,019</u>
	397,617	429,378
Less:		
Cash payments required within 12 months	22,557	31,267
Callable debt	64,515	74,619
	\$ 310,545	\$ 323,492

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Prepared without Audit)

DECEMBER 31, 2016

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 two years will be approximately as follows:

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

	2016	2015
<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 (2015 - 1,084)	\$ 108,500	\$ 108,500
2,536 Common shares (2015 - 2,534)	13,250	13,050
	\$ 121,750	\$ 121,550

During the year ended December 31, 2016, two Common shares were issued for \$100 (four in 2015) and no Class "A" preference shares were issued (one share was issued for \$100 in 2015).

THE MISSISSIPPI GOLF CLUB, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Prepared without Audit)

DECEMBER 31, 2016

8. INVESTED IN CAPITAL ASSETS

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

	2016	2015
Capital assets	\$ 923,129	\$ 1,109,370
Less: Capital lease obligations	(182,235)	(234,508)
Long-term debt	(397,617)	(429,378)
	<u>\$ 343,277</u>	<u>\$ 445,484</u>

(b) Investment in capital assets during the year

	2016	2015
Purchase of capital assets	\$ 86,590	\$ 75,737
Cost of assets sold	(149,624)	(30,074)
Repayment of capital lease obligations	52,273	30,580
Repayment of long-term debt	31,761	30,183
	<u>\$ 21,000</u>	<u>\$ 106,426</u>

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 \$18,729 (2015 - \$15,051). 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, investment, 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.

Investment

The Club holds a guaranteed investment certificate that bears interest at 1.25% and matures on July 7, 2017.