
THE CHESTER GOLF CLUB

FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF CHESTER GOLF CLUB:

Opinion

We have audited the financial statements of Chester Golf Club (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chester Golf Club 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Levy
Casey
Carter
MacLean**
Chartered Professional
Accountants

Stuart S. MacLean Inc.
J.E. Melvin Inc.
Greg T. Strange Inc.
Tracey Wright Inc.
Angela Kinley Inc.

211 Horseshoe Lake Drive
Suite 310
Halifax, NS B3S 0B9
Canada
Phone: (902) 445-4446
Fax: (902) 443-4846
www.lccm.ca

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Nova Scotia
February 28, 2020


Chartered Professional Accountants

THE CHESTER GOLF CLUB

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

	<u>2019</u>	<u>2018</u>
Current		
Cash	\$ 71,390	\$ 59,327
Cash, internally restricted	109,247	255,575
Accounts receivable	17,641	17,752
HST receivable	5,507	12,087
Inventory (note 2 (h))	51,109	51,344
Prepaid expenses	<u>13,595</u>	<u>15,042</u>
	268,489	411,127
Capital assets (note 3)	<u>3,075,435</u>	<u>2,897,755</u>
	<u>\$ 3,343,924</u>	<u>\$ 3,308,882</u>

LIABILITIES

Current		
Payables and accruals (note 4)	\$ 81,412	\$ 150,320
Deferred revenue	7,707	14,442
Current portion of obligations under capital lease	<u>74,804</u>	<u>69,289</u>
	163,923	234,051
Obligations under capital lease (note 5)	<u>204,433</u>	<u>9,688</u>
	<u>368,356</u>	<u>243,739</u>

NET ASSETS

Investment in capital assets	2,796,199	2,818,778
Internally restricted (note 2 (b))	109,247	255,575
Unrestricted	<u>70,122</u>	<u>(9,210)</u>
	2,975,568	3,065,143
	<u>\$ 3,343,924</u>	<u>\$ 3,308,882</u>

On Behalf of the Executive

President

Treasurer

THE CHESTER GOLF CLUB

STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Members' fees	\$ 473,550	\$ 478,734
Initiation fees	18,000	7,500
Green fees	<u>377,901</u>	<u>423,382</u>
	<u>869,451</u>	<u>909,616</u>
Expenses		
Administration, advertising and travel	65,534	59,701
Amortization of course capital assets	146,522	147,838
Bank charges	39,792	54,069
Employee benefits	30,642	29,721
Grounds and maintenance	211,083	192,007
Insurance	5,622	5,248
Interest on capital leases	5,089	7,390
Junior development	3,027	-
Nova Scotia Golf Association fees	22,383	28,260
Professional fees	7,313	6,435
Taxes, civic	13,789	13,897
Wages - marshals	21,520	22,793
- groundskeepers	286,041	302,868
- administration	<u>29,548</u>	<u>29,537</u>
	<u>887,905</u>	<u>899,764</u>
Excess (deficiency) from golf course	(18,454)	9,852
Deficiency from bar and canteen (note 9)	(38,502)	(38,994)
Deficiency from pro shop (note 10)	(111,357)	(113,023)
Other revenue (note 8)	<u>78,739</u>	<u>11,137</u>
Deficiency of revenue over expenses	\$ <u>(89,574)</u>	\$ <u>(131,028)</u>

THE CHESTER GOLF CLUB

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted</u>	Investment in Capital Assets	Reserve Fund	Initiation Fund	<u>Total 2019</u>	Total <u>2018</u>
Balance, beginning of year	\$ (9,210)	\$ 2,818,778	\$ 255,575	\$ -	\$ 3,065,143	\$ 3,196,171
Excess (deficiency) of revenue over expenses	(111,932)	-	4,358	18,000	(89,574)	(131,028)
Amortization	194,481	(194,481)	-	-	-	-
Purchases of capital assets	(23,741)	23,741	-	-	-	-
Capital leases principal repayments	(77,399)	77,399	-	-	-	-
Transfers to general fund	<u>168,685</u>	<u>-</u>	<u>(150,685)</u>	<u>(18,000)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 70,122</u>	<u>\$ 2,796,199</u>	<u>\$ 109,248</u>	<u>\$ -</u>	<u>\$ 2,975,569</u>	<u>\$ 3,065,143</u>

THE CHESTER GOLF CLUB

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Operating activities		
Deficiency of revenue over expenses	\$ (89,574)	\$ (131,028)
Amortization	194,481	225,246
Gain on disposal of capital assets	<u>(70,762)</u>	<u>-</u>
	34,145	94,218
Net change in non-cash working capital balances related to operations (note 7)	<u>(67,270)</u>	<u>69,757</u>
	<u>(33,125)</u>	<u>163,975</u>
Financing activities		
Repayment of obligations under capital leases	<u>(77,399)</u>	<u>(101,300)</u>
Investing activities		
Purchase of		
Building improvements	-	(8,883)
Computer equipment	(5,825)	(6,312)
Equipment	(910)	(56,613)
Paving	(15,575)	-
Pull carts	<u>(1,431)</u>	<u>(2,798)</u>
	<u>(23,741)</u>	<u>(74,606)</u>
Decrease in cash and cash equivalents during year	(134,265)	(11,931)
Cash and cash equivalents, beginning of year	<u>314,902</u>	<u>326,833</u>
Cash and cash equivalents, end of year	\$ <u>180,637</u>	\$ <u>314,902</u>
Represented by:		
Cash	\$ 71,390	\$ 59,327
Cash, internally restricted	<u>109,247</u>	<u>255,575</u>
	\$ <u>180,637</u>	\$ <u>314,902</u>

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. Purpose of organization

The Chester Golf Club was incorporated under the Societies Act of the Province of Nova Scotia on July 21, 1960. In accordance with the wishes of the late Joseph N. and Alberta Pew, the donors of the golf links, the object of the Club is to provide a golf club for the use of the permanent and summer residents of Chester. The Club is a not for profit organization and as such is not subject to income tax.

2. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents consists of balances with banks and short term highly liquid securities which are readily convertible into known amounts of cash.

(b) Internally restricted fund

The initiation fees fund was established by a resolution of the membership to accumulate initiation fees. The cash in this fund is to be used to fund major capital projects.

The reserve fund was established by the board of directors to set aside money for potential capital asset replacement, debt replacement and continuity of operations in the event that there is a downturn in the economy.

(c) Capital assets

Capital assets are recorded at cost and are amortized using the straight-line method in years (SL) at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization is calculated at one-half the annual rate in the year of acquisition. No amortization is recorded in the year of disposal.

(d) Impairment of long-lived assets

Capital assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the future service potential of the asset is impaired. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(e) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

THE CHESTER GOLF CLUB
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. Significant accounting policies (continued)

(f) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized over the estimated useful lives of the respective assets on commencement of use of the related assets.

(g) Revenue recognition

Revenues from memberships are recognized as invoiced at the beginning of each fiscal period. Revenues from green fees are recognized as the rounds of golf are played. Bar sales, kitchen sales, pro shop sales and other income are all recorded in the accounts as the services or goods are provided.

(h) Inventories

Inventories are valued at the lower of cost and current replacement cost using the first in first out (FIFO) method.

(i) Financial instruments

The Club initially measures its financial assets and financial liabilities at fair value, adjusted by the amount of transaction costs directly attributable to the instrument. The Club subsequently measures all of its financial assets and financial liabilities at amortized cost. Transaction costs are amortized on the straight line basis over the life of the instrument.

For financial assets measured at cost or amortized cost, the Club determines whether there are indications of possible impairment. Where there is an indication of impairment, and the Club determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

3. Capital assets

	2019			2018	
	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land, course and well		\$ 1,936,936	\$ -	\$ 1,936,936	\$ 1,936,936
Buildings	15 SL	1,094,430	988,182	106,248	128,039
Equipment	5 SL	848,217	677,205	171,012	188,947
Computer equipment	3 SL	25,021	16,549	8,472	6,902
Water system and power line	20 SL	833,275	580,058	253,217	292,008
Carts and clubs	5 SL	513,595	139,156	374,439	109,233
Paving	15 SL	<u>403,562</u>	<u>178,451</u>	<u>225,111</u>	<u>235,690</u>
		<u>\$ 5,655,036</u>	<u>\$ 2,579,601</u>	<u>\$ 3,075,435</u>	<u>\$ 2,897,755</u>

Included in equipment are assets under capital lease with a cost of \$427,848 (2018 - \$271,805), having accumulated amortization of \$37,411 (2018 - \$138,725) and a net book value of \$390,437 (2018 - \$133,080).

During the year, equipment with a cost of \$365,658, was purchased and financed under capital lease.

4. Payables and accruals

Included in payables and accruals as at December 31, 2019 are government remittances (other than income taxes) of \$10,142 (2018 - \$5,529).

5. Obligations under capital leases

	<u>2019</u>	<u>2018</u>
4.92% 2017 club cars, amortized to and maturing in 2020, repayable in six seasonal payments per year of principal and interest of \$2,128. Secured by a equipment having a net book value of \$31,095. This capital lease includes a purchase option of \$1 at the end of the lease term.	\$ 12,410	\$ 24,226
5.55% 2019 club cars, amortized to and maturing in 2022, repayable in six seasonal payments per year of principal and interest of \$2,200. Secured by equipment having a net book value of \$56,894. This capital lease included a purchase option of \$10 at the end of the lease term.	36,329	-
5.85% 2019 toro greenmaster, amortized to and maturing in 2024, repayable in six seasonal payments per year of principal and interest of \$1,798. Secured by equipment having a net book value of \$46,575. This capital lease included a purchase option of \$1 at the end of the lease term.	46,575	-

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

5. Obligations under capital leases (continued)

4.88% 2020 club cars, amortized to and maturing in 2023, repayable in six seasonal payments per year of principal and interest of \$8,467. Secured by equipment having a net book value of \$255,923. This capital lease includes a purchase option of \$10 at the end of the lease term.

	183,923	-
Leases repaid during the year	<u>-</u>	<u>54,751</u>
	279,237	78,977
Principal portion repayable within one year	<u>74,804</u>	<u>69,289</u>
	<u>\$ 204,433</u>	<u>\$ 9,688</u>

Future minimum lease repayments required within the next five years are as follows:

2020	\$ 87,559
2021	74,790
2022	74,790
2023	74,790
2024	<u>10,788</u>
	322,717
Less: interest portion	<u>(43,480)</u>
	<u>\$ 279,237</u>

6. Financial instruments

(a) Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Club's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the Club has adopted credit policies which include the regular review of past due accounts. The Club does not have a significant exposure to any individual customer or counterpart.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The obligations under capital lease bear fixed interest rates for most of the leases. Consequently, the obligations under capital lease risk exposure is minimal.

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

7. Net change in non-cash working capital balances related to operations

	<u>2019</u>	<u>2018</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ 111	\$ 11,439
HST receivable	6,580	(4,133)
Prepaid expenses	1,447	(9,983)
Payables and accruals	(68,908)	67,056
Inventory	235	(4,844)
Deferred revenue	<u>(6,735)</u>	<u>10,222</u>
	<u>\$ (67,270)</u>	<u>\$ 69,757</u>

8. Other revenue

	<u>2019</u>	<u>2018</u>
Tournaments	\$ 317	\$ 2,052
Endorsement revenue	-	3,500
Gain on disposal of capital assets	70,762	-
Interest income	4,366	5,285
Other	<u>3,294</u>	<u>300</u>
	<u>\$ 78,739</u>	<u>\$ 11,137</u>

9. Bar and canteen

	<u>2019</u>	<u>2018</u>
Revenue	<u>\$ 664,129</u>	<u>\$ 707,365</u>
Direct costs		
Amortization of equipment	6,287	7,094
Insurance	1,663	2,138
Purchases	308,500	334,418
Repairs and maintenance	35,247	35,382
Supplies	14,393	19,739
Telephone	2,483	2,342
Utilities	19,304	19,556
Wages and benefits	<u>314,754</u>	<u>325,690</u>
	<u>702,631</u>	<u>746,359</u>
Deficiency from bar and canteen	<u>\$ (38,502)</u>	<u>\$ (38,994)</u>

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. Pro shop

	<u>2019</u>	<u>2018</u>
Revenue		
Pro Shop Sales	\$ 116,705	\$ 113,411
Locker rentals	920	1,025
Cart trail fees	1,000	1,400
Club cleaning, storage and repairs	38,250	39,229
Club and cart rentals	15,692	18,038
Power cart rentals	139,046	144,969
Driving range	<u>15,268</u>	<u>14,393</u>
	<u>326,881</u>	<u>332,465</u>
Direct costs		
Amortization of equipment	41,672	70,314
Dues	2,760	1,798
Equipment lease and rentals	1,603	1,110
Insurance	3,313	2,683
Purchases	99,017	91,209
Repairs & maintenance	22,572	13,121
Supplies	15,021	14,518
Telephone	1,460	2,207
Utilities	10,698	9,748
Wages and benefits	<u>240,122</u>	<u>238,780</u>
	<u>438,238</u>	<u>445,488</u>
Deficiency from pro shop	<u>\$ (111,357)</u>	<u>\$ (113,023)</u>

11. Complimentary green fees

During the year, the Club passed out complimentary green fee passes to 437 non-members with an approximate value of \$21,850 based on an average green fee of \$50 (2018 - 579 - \$28,950). The value of these passes have not been reflected in the statement of operations.