
THE CHESTER GOLF CLUB

FINANCIAL STATEMENTS
DECEMBER 31, 2020

INDEX

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS 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, 2020, 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 the Organization as at December 31, 2020, 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 the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to 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.

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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 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 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
March 4, 2021



Chartered Professional Accountants

THE CHESTER GOLF CLUB

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

ASSETS

	<u>2020</u>	<u>2019</u>
Current		
Cash	\$ 280,488	\$ 71,390
Cash, internally restricted	290,387	109,247
Accounts receivable	17,907	17,641
HST receivable	4,471	5,507
Inventory (note 2 (h))	55,451	51,109
Prepaid expenses	<u>7,831</u>	<u>13,595</u>
	656,535	268,489
Capital assets (note 3)	<u>2,828,348</u>	<u>3,075,435</u>
	<u>\$ 3,484,883</u>	<u>\$ 3,343,924</u>

LIABILITIES

Current		
Payables and accruals (note 4)	\$ 71,713	\$ 81,412
Deferred revenue	9,276	7,707
Current portion of obligations under capital lease	<u>73,059</u>	<u>74,804</u>
	154,048	163,923
Canada Emergency Business Account loan (note 5) (net of forgivable portion of \$10,000)	30,000	-
Obligations under capital lease (note 6)	<u>154,900</u>	<u>204,433</u>
	<u>338,948</u>	<u>368,356</u>

NET ASSETS

Investment in capital assets	2,600,392	2,796,198
Internally restricted (note 2 (b))	290,387	109,247
Unrestricted	<u>255,156</u>	<u>70,123</u>
	3,145,935	2,975,568
	<u>\$ 3,484,883</u>	<u>\$ 3,343,924</u>

On Behalf of the Executive

President

Treasurer

THE CHESTER GOLF CLUB
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Revenue		
Members' fees	\$ 468,256	\$ 473,550
Initiation fees	1,500	18,000
Green fees	<u>439,683</u>	<u>377,901</u>
	<u>909,439</u>	<u>869,451</u>
Expenses		
Administration, advertising and travel	44,441	65,534
Amortization of course capital assets	148,121	146,522
Bank charges	39,967	39,790
Employee benefits	30,502	30,642
Grounds and maintenance	102,788	211,083
Insurance	6,358	5,622
Interest on capital leases	9,821	5,089
Junior development	-	3,027
Nova Scotia Golf Association fees	21,023	22,383
Professional fees	18,340	7,313
Taxes, civic	13,734	13,789
Wages - marshals	33,748	21,520
- groundskeepers	250,703	286,041
- administration	30,776	29,548
Canada Emergency Wage Subsidy - golf course	<u>(90,647)</u>	<u>-</u>
	<u>659,675</u>	<u>887,903</u>
Excess (deficiency) from golf course	249,764	(18,452)
Deficiency from bar and canteen (note 11)	(5,985)	(38,502)
Deficiency from pro shop (note 12)	(90,958)	(111,357)
Other revenue (note 9)	<u>17,546</u>	<u>78,739</u>
Excess (deficiency) of revenue over expenses	\$ <u>170,367</u>	\$ <u>(89,572)</u>

THE CHESTER GOLF CLUB

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020

	<u>Unrestricted</u>	Investment in Capital <u>Assets</u>	Reserve <u>Fund</u>	Initiation <u>Fund</u>	Total <u>2020</u>	Total <u>2019</u>
Balance, beginning of year	\$ 70,123	\$ 2,796,198	\$ 109,247	\$ -	\$ 2,975,568	\$ 3,065,143
Excess (deficiency) of revenue over expenses	166,727	-	2,140	1,500	170,367	(89,572)
Amortization	251,049	(251,049)	-	-	-	-
Purchases of capital assets	(3,965)	3,965	-	-	-	-
Capital leases principal repayments	(51,278)	51,278	-	-	-	-
Transfers to reserve fund	(179,000)	-	179,000	-	-	-
Transfers to general fund	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 255,156</u>	<u>\$ 2,600,392</u>	<u>\$ 290,387</u>	<u>\$ -</u>	<u>\$ 3,145,935</u>	<u>\$ 2,975,571</u>

THE CHESTER GOLF CLUB
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 170,367	\$ (89,572)
Amortization	251,049	194,481
Gain on disposal of capital assets	-	(70,762)
Canada Emergency Business Account grant forgiveness	<u>(10,000)</u>	<u>-</u>
	411,416	34,147
Net change in non-cash working capital balances related to operations (note 8)	<u>(5,935)</u>	<u>(67,272)</u>
	<u>405,481</u>	<u>(33,125)</u>
Financing activities		
Repayment of obligations under capital leases	(51,278)	(77,399)
Proceeds from Canada Emergency Business Account loan	<u>40,000</u>	<u>-</u>
	<u>(11,278)</u>	<u>(77,399)</u>
Investing activities		
Purchase of		
Computer equipment	(3,064)	(5,825)
Equipment	(901)	(910)
Paving	-	(15,575)
Pull carts	<u>-</u>	<u>(1,431)</u>
	<u>(3,965)</u>	<u>(23,741)</u>
Increase (decrease) in cash and cash equivalents during year	390,238	(134,265)
Cash and cash equivalents, beginning of year	<u>180,637</u>	<u>314,902</u>
Cash and cash equivalents, end of year	<u>\$ 570,875</u>	<u>\$ 180,637</u>
Represented by:		
Cash	\$ 280,488	\$ 71,390
Cash, internally restricted	<u>290,387</u>	<u>109,247</u>
	<u>\$ 570,875</u>	<u>\$ 180,637</u>

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2020

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.

(j) Government assistance

Wage subsidies and grants from the government as part of COVID-19 pandemic programs have been recognized in income based on the claim period.

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

3. Capital assets

	2020			2019
<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	1,006,163	88,267	106,248
Equipment	5 SL 849,117	744,472	104,645	171,012
Computer equipment	3 SL 28,085	21,567	6,518	8,472
Water system and power line	20 SL 833,275	618,849	214,426	253,217
Carts and clubs	5 SL 513,595	234,477	279,118	374,439
Paving	15 SL 403,562	205,124	198,438	225,111
	<u>\$ 5,659,000</u>	<u>\$ 2,830,652</u>	<u>\$ 2,828,348</u>	<u>\$ 3,075,435</u>

Included in equipment are assets under capital lease with a cost of \$427,848 (2019 - \$427,848), having accumulated amortization of \$122,981 (2019 - \$37,411) and a net book value of \$304,867 (2019 - \$390,437).

4. Payables and accruals

Included in payables and accruals as at December 31, 2020 are government remittances (other than income taxes) of \$7,240 (2019 - \$10,142).

5. Government grants and subsidies

The Canada Emergency Business Account (CEBA) provided a loan of \$40,000 to the organization to assist with the financial impact of COVID-19. If the loan is repaid on or before December 31, 2022, the loan is interest-free and 25% of the loan will be forgiven. The balance of the CEBA loan as at December 31, 2020 was \$40,000 less forgivable portion of \$10,000. Subsequent to year end, the organization received a second CEBA advance of \$20,000, 50% of which is forgivable if repaid by December 31, 2022.

The Organization also recorded \$200,516 from the Canada Emergency Wage Subsidy program, and \$5,000 from the Nova Scotia Small Business Reopening & Support grant.

6. Obligations under capital leases

	2020	2019
7.81% 2019 club cars, amortized to and maturing in 2022, repayable in six seasonal payments per year of principal and interest of \$2,682. Secured by equipment having a net book value of \$44,212. This capital lease included a purchase option of \$10 at the end of the lease term.	\$ 29,616	\$ 36,329

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

6. Obligations under capital leases (continued)

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 \$37,260. This capital lease included a purchase option of \$1 at the end of the lease term.

38,311 46,575

6.24% 2020 club cars, amortized to and maturing in 2023, repayable in six seasonal payments per year of principal and interest of \$9,795. Secured by equipment having a net book value of \$208,738. This capital lease includes a purchase option of \$10 at the end of the lease term.

160,032 183,923

Leases repaid during the year

- 12,410

227,959 279,237

Principal portion repayable within one year

73,059 74,804

\$ 154,900 \$ 204,433

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

2021	\$	85,651
2022		85,651
2023		69,561
2024		<u>10,788</u>

251,651

Less: interest portion (23,692)

\$ 227,959

7. 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.

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

7. Financial instruments (continued)

(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.

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

	<u>2020</u>	<u>2019</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ (266)	\$ 111
HST receivable	1,036	6,579
Prepaid expenses	5,764	1,447
Payables and accruals	(9,696)	(68,908)
Inventory	(4,342)	234
Deferred revenue	<u>1,569</u>	<u>(6,735)</u>
	<u>\$ (5,935)</u>	<u>\$ (67,272)</u>

9. Other revenue

	<u>2020</u>	<u>2019</u>
Canada Emergency Business Account grant	\$ 10,000	\$ -
Nova Scotia Small Business Reopening & Support grant	5,000	-
Interest income	2,173	4,366
Other	373	3,294
Gain on disposal of capital assets	-	70,762
Tournaments	<u>-</u>	<u>317</u>
	<u>\$ 17,546</u>	<u>\$ 78,739</u>

10. Complimentary green fees

During the year, the Club passed out 424 complimentary green fee passes with an approximate value of \$21,200 based on an average green fee of \$50 (2019 - 437 - \$21,850). The value of these passes have not been reflected in the statement of operations.

THE CHESTER GOLF CLUB

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

11. Bar and canteen

	<u>2020</u>	<u>2019</u>
Revenue	\$ <u>375,117</u>	\$ <u>664,129</u>
Direct costs		
Amortization of equipment	4,036	6,287
Insurance	1,793	1,663
Purchases	168,480	308,500
Repairs and maintenance	27,244	35,247
Supplies	13,667	14,393
Telephone	2,415	2,483
Utilities	12,179	19,304
Wages and benefits	203,164	314,754
Canada Emergency Wage Subsidy - bar and canteen	<u>(51,876)</u>	<u>-</u>
	<u>381,102</u>	<u>702,631</u>
Deficiency from bar and canteen	\$ <u>(5,985)</u>	\$ <u>(38,502)</u>

12. Pro shop

	<u>2020</u>	<u>2019</u>
Revenue		
Pro Shop Sales	\$ 93,051	\$ 116,705
Locker rentals	394	920
Cart trail fees	1,000	1,000
Club cleaning, storage and repairs	32,282	38,250
Club and cart rentals	10,870	15,692
Power cart rentals	141,922	139,046
Driving range	<u>13,725</u>	<u>15,268</u>
	<u>293,244</u>	<u>326,881</u>
Direct costs		
Amortization of equipment	98,892	41,672
Dues	1,578	2,760
Equipment lease and rentals	1,535	1,603
Insurance	3,571	3,313
Purchases	75,685	99,017
Repairs & maintenance	9,369	22,572
Supplies	11,644	15,021
Telephone	3,883	1,460
Utilities	9,556	10,698
Wages and benefits	226,482	240,122
Canada Emergency Wage Subsidy - proshop	<u>(57,993)</u>	<u>-</u>
	<u>384,202</u>	<u>438,238</u>
Deficiency from pro shop	\$ <u>(90,958)</u>	\$ <u>(111,357)</u>
