Financial Statements of

OSOYOOS GOLF CLUB

And Independent Practitioner's Review Engagement Report thereon

Year ended December 31, 2022

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KPMG LLP
200-3200 Richter Street
Kelowna BC V1W 5K9
Canada
Tel 250-979-7150
Fax 250-763-0044

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Osoyoos Golf Club

We have reviewed the accompanying financial statements of Osoyoos Golf Club, which comprise the statement of financial position as at December 31, 2022, the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes, comprising 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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KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.
KPMG Canada provides services to KPMG LLP.

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 Osoyoos Golf Club as at December 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by Section 117(1)(b) of the Societies Act (British Columbia), we are required to state whether these financial statements are prepared on a basis consistent with the basis on which the financial statements that related to the preceding period were prepared. Based on our review, nothing has come to our attention that causes us to believe that the significant accounting policies applied in preparing these financial statements have not been applied on a basis consistent with that of the preceding year.

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Chartered Professional Accountants

Kelowna, Canada

April 6, 2023

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OSOYOOS GOLF CLUB

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 437,616	$ 1,135,791
Accounts receivable	67,406	19,103
Inventories (note 3)	116,108	91,958
Prepaid expenses	28,411	25,604
	649,541	1,272,456
Tangible capital assets (note 4)	5,798,317	3,811,890
	$ 6,447,858	$ 5,084,346
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 130,136	$ 119,010
Deferred revenue	53,606	140,602
Current portion of long-term debt	1,523,021	2,225,671
Current portion of capital lease obligations	209,104	98,221
	1,915,867	2,583,504
Long-term debt (note 6)	1,418,280	-
Capital lease obligations (note 7)	665,495	328,111
	3,999,642	2,911,615
Net assets:		
Invested in tangible capital assets	1,982,418	1,199,887
Unrestricted	465,798	972,844
	2,448,216	2,172,731
Commitments (note 8)		
	$ 6,447,858	$ 5,084,346

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See accompanying notes to financial statements.

On behalf of the Board:

OSOYOOS GOLF CLUB

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Green fees	$ 1,449,129	$ 1,383,009
Members' dues	1,044,265	988,937
Golf carts and storage	676,489	666,734
Food and beverage, net (note 9)	370,552	275,499
Pro shop, net (note 9)	82,080	81,092
Sundry	38,626	15,405
	3,661,141	3,410,676
Expenses:		
Advertising	19,311	21,482
Amortization	351,486	329,466
Bank and credit card charges	52,361	43,392
Chemicals and supplies	224,130	204,840
Equipment and golf cart rentals	191,381	236,504
Fuel	75,956	49,492
Interest	133,830	107,041
Licences and fees	32,312	32,907
Occupancy cost	78,477	72,563
Office and general	106,594	96,704
Professional fees	12,750	17,342
Repairs and maintenance	181,721	148,667
Salaries and benefits	1,925,347	1,729,552
	3,385,656	3,089,952
	275,485	320,724
Gain on disposal of tangible capital assets	-	56,050
Excess of revenue over expenses	$ 275,485	$ 376,774

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See accompanying notes to financial statements.

OSOYOOS GOLF CLUB

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	Investment in tangible capital assets	Unrestricted	Total 2022	Total 2021
Balance, beginning of year	$ 1,199,887	$ 972,844	$ 2,172,731	$ 1,795,957
Excess (deficiency) of revenue over expenses	(351,486)	626,971	275,485	376,774
Net investment in tangible capital assets:				
Purchase of tangible capital assets	1,766,532	(1,766,532)	-	-
Proceeds of long-term debt	(1,401,081)	1,401,081	-	-
Repayment of long-term debt	645,451	(645,451)	-	-
Repayment of capital lease obligations	123,115	(123,115)	-	-
	1,134,017	(1,134,017)	-	-
Balance, end of year	$ 1,982,418	$ 465,798	$ 2,448,216	$ 2,172,731

See accompanying notes to financial statements.

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OSOYOOS GOLF CLUB

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 275,485	$ 376,774
Items not involving cash:		
Amortization	351,486	329,466
Gain on disposal of tangible capital assets	-	(56,050)
Changes in non-cash operating working capital:		
Accounts receivable	(48,303)	(9,556)
Inventories	(24,150)	1,278
Prepaid expenses	(2,807)	(15,824)
Accounts payable and accrued liabilities	11,127	70,979
Deferred revenue	(86,996)	66,674
	475,842	763,741
Financing activities:		
Proceeds from long-term debt	1,401,081	-
Repayment of long-term debt	(685,451)	(159,470)
Repayment of capital lease obligations	(123,115)	(88,946)
	592,515	(248,416)
Investing activities:		
Purchase of tangible capital assets	(1,766,532)	(588,908)
Net proceeds on disposal of tangible capital assets	-	56,050
	(1,766,532)	(532,858)
Decrease in cash and cash equivalents	(698,175)	(17,533)
Cash and cash equivalents, beginning of year	1,135,791	1,153,324
Cash and cash equivalents, end of year	$ 437,616	$ 1,135,791
Non-cash transactions:		
Equipment acquired through capital leases	$ 571,382	$ 374,120

See accompanying notes to financial statements.

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Osoyoos Golf Club (the "Club"), a Society registered under the Societies Act of British Columbia, operates and maintains for the benefit and use of its members and guests, a club house and golf courses in Osoyoos, British Columbia. The Club is a not-for-profit organization under the Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and its significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash and instruments readily convertible to into known amounts of cash.

(b) Inventories:

Inventories, consisting of food and beverage and Pro Shop inventories and chemicals and supplies held for sale and use in these operations, are recorded at the lower of purchase cost and net realizable value. Cost is determined on a first in, first out basis. Net realizable value is the estimated selling price in the ordinary course of operations less estimated direct selling costs.

(c) Tangible capital assets:

Tangible capital assets are recorded at cost, less accumulated amortization. Amortization is provided using the straight-line method and following annual rates:

Asset	Rate
Course and property improvements	3% - 10%
Buildings	5% - 10%
Irrigation system	5% - 10%
Equipment	10%
Furniture and fixtures	10%
Computer	55% - 100%
Vehicle	10%

Equipment acquired through capital leases are amortized over their estimated useful lives on the same basis as outlined above. Construction in progress is amortized in the period the asset is available for use.

The carrying amount of a tangible capital asset is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the asset no longer contributes to the Club's operations.

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1. Significant accounting policies (continued):

(d) Leases:

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Club are accounted for as capital leases. At the inception of the capital lease, a tangible capital asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Payments under operating leases are expensed as incurred.

(e) Revenue recognition:

The Club follows the deferral method of accounting for revenue. Members' dues are recognized as revenue in the year to which the dues apply and when collection of the fees is reasonably assured. Green fees, food and beverage, Pro Shop and sundry revenue is recognized at the time the goods or services have been provided and proceeds are received or receivable. Members' initiation fees are recorded as an unrestricted contribution to the Club when the proceeds received.

(f) Contributed services:

Individuals and organizations contribute numerous gift-in-kind donations each year to assist the Club in carrying out its operations. Because of the difficulty in determining the fair value of the contributed services, contributed services are not recognized in these financial statements.

The Town of Osoyoos provides a lease for the Club at nominal cost. The fair market value of these services is difficult to determine, and as a result is not reflected in the financial statements.

(g) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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1. Significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Club measures cash and cash equivalents at fair value and measures all other financial assets and liabilities at amortized cost.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Club determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Club expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Cash and cash equivalents:

The Club has an available line of credit of $150,000. The line of credit bears interest at the bank's prime rate plus 1.5% and secured as disclosed in note 6. No amount has been drawn from the facility as of December 31, 2022.

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3. Inventories:

	2022	2021
Food and beverage	$ 12,297	$ 15,072
Pro Shop	76,197	51,941
Chemicals and supplies	27,614	24,945
	$ 116,108	$ 91,958

Food and beverage and Pro Shop inventories are charged to food and beverage and Pro Shop revenues as disclosed in note 9. Chemicals and supplies are expensed in chemicals and supplies expense.

4. Tangible capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Leasehold assets:				
Course and property improvements	$ 4,396,294	$ 2,042,729	$ 2,353,565	$ 2,454,055
Buildings	2,728,869	1,958,013	770,856	289,681
Irrigation system	1,562,809	1,554,867	7,942	15,885
Equipment	3,443,009	3,232,335	210,674	119,362
Furniture and fixtures	253,629	225,908	27,721	23,016
Computer	149,182	147,207	1,975	681
Vehicle	25,781	1,289	24,492	-
Construction in progress	1,417,328	-	1,417,328	412,991
	13,976,901	9,162,348	4,814,553	3,315,671
Equipment acquired through capital leases	1,124,069	140,305	983,764	496,219
	$ 15,100,970	$ 9,302,653	$ 5,798,317	$ 3,811,890

Construction in progress relates to an irrigation upgrade project (2021 - $410,938 in relation to a deck replacement and $2,053 in relation to new washroom facilities).

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5. Accounts payable and accrued liabilities:

	2022	2021
Accounts payable and accrued liabilities	$ 126,579	$ 114,981
Government remittances	3,557	4,029
	$ 130,136	$ 119,010

6. Long-term debt:

	2022	2021
Mortgage, bearing interest at 6.49% repayable in blended monthly payments of $18,193, maturing July 2025	$ 1,540,220	$ 2,185,671
Interim bank financing, bearing interest at the bank's prime rate plus 1.15%, due May 2023	1,401,081	-
Canada Emergency Business Account Loan, repaid in year	-	40,000
	2,941,301	2,225,671
Current portion	1,523,021	2,225,671
	$ 1,418,280	$ -

Interest expense includes interest on long-term debt totaling $110,881 (2021 - $98,329).

The Club's bank debt arrangements, including its line of credit (note 2) and bank loans above, are secured by a registered mortgage, a first ranking general security agreement and an assignment of insurance.

Interim bank financing is classified as a current liabitity. The interim financing will be transferred to a term loan upon completion of the Club's construction in progress (note 4).

Scheduled principal repayments on long-term debt, based on existing terms, are as follows:

2023	$ 1,523,021
2024	130,093
2025	$ 1,288,187

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7. Capital lease obligations:

	2022	2021
2022	$ -	$ 113,349
2023	252,910	146,343
2024	180,487	73,920
2025	180,487	73,920
2026	159,669	53,102
2027	233,819	-
Total lease payments	1,007,372	460,634
Less amount representing interest at 3.18% to 8.14%	132,773	34,302
	874,599	426,332
Current portion	209,104	98,221
	$ 665,495	$ 328,111

Interest expense includes interest on capital lease obligations totaling $22,949 (2021 - $8,712).

8. Commitments:

The Club has entered into various lease agreements, expiring between December 2023 and October 2025, with estimated minimum annual payments as follows:

2023	$ 44,393
2024	22,376
2025	4,460
	$ 71,229

In 1993, the Club entered into a lease with the Town of Osoyoos. The lease commenced September 1, 1993, with payments of $1 per year. The Club's current lease term with the Town expires August 2023. The lease agreement provides the Club with the option to renew the lease, on the same terms and conditions, for five additional five year terms.

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9. Food and beverage and Pro Shop revenue, net:

	2022	2021
Food and beverage:		
Sales	$ 608,818	$ 453,811
Cost of sales	238,266	178,312
	$ 370,552	$ 275,499

	2022	2021
Pro Shop:		
Sales	$ 294,445	$ 312,476
Cost of sales	212,365	231,384
	$ 82,080	$ 81,092

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10. Financial risks and concentration of risk:

(a) Interest rate and cash flow risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Club is exposed to interest rate and cash flow risk in connection with its cash and cash equivalents, long-term debt and capital lease obligations, as disclosed in notes 2, 6 and 7.

(b) Liquidity risk:

Liquidity risk is the risk that the Club will encounter difficulty in meeting financial obligations as they become due. The club manages liquidity risk trough the use of budgets and continually monitoring cash flows. Liquidity risk for the 2022 fiscal year was impacted by new capital lease obligations and regular payments on long-term debt and capital lease obligations.

(c) Economic risk:

The Club's operations are located in Osoyoos, British Columbia and are impacted by the general economic conditions, including tourism activity in the South Okanagan.