Financial Statements of

OSOYOOS GOLF CLUB

And Independent Practitioner's Review Engagement Report thereon

Year ended December 31, 2023

DRAFT

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

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

DRAFT

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, 2023, the statement of operations, statement of changes in net assets and statement of cash flows 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.

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, 2023, 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.

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.

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.

Can't Show .

Chartered Professional Accountants

Kelowna, Canada

April 24, 2024

DRAFT

OSOYOOS GOLF CLUB

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 437,616
Accounts receivable	52,707	67,406
Inventories (note 2)	119,411	116,108
Prepaid expenses	-	28,411
	172,118	649,541
Tangible capital assets (note 3)	6,756,556	5,798,317
	$ 6,928,674	$ 6,447,858
Liabilities		
Current liabilities:		
Operating credit facility (note 4)	$ 121,166	$ -
Accounts payable and accrued liabilities (note 5)	79,738	130,136
Deferred revenue	100,626	53,606
Current portion of long-term debt	260,199	1,523,021
Current portion of capital lease obligations	257,652	209,104
	819,381	1,915,867
Deferred capital contributions (note 6)	270,000	-
Long-term debt (note 7)	2,913,119	1,418,280
Capital lease obligations (note 8)	932,447	665,495
	4,934,947	3,999,642
Net assets:		
Invested in tangible capital assets	2,123,139	1,982,418
Unrestricted	(129,412)	465,798
	1,993,727	2,448,216
Commitments (note 9)		
	$ 6,928,674	$ 6,447,858

See accompanying notes to financial statements.

On behalf of the Board:

OSOYOOS GOLF CLUB

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Green fees	$ 1,290,527	$ 1,449,129
Members' dues	1,008,086	1,044,265
Golf carts and storage	660,388	676,489
Food and beverage, net (note 10)	436,389	370,552
Pro shop, net (note 10)	53,150	82,080
Sundry	29,027	38,626
Amortization of deferred capital contributions	30,000	-
	3,507,567	3,661,141
Expenses:		
Advertising	26,780	19,311
Amortization of tangible capital assets	543,386	351,486
Bank and credit card charges	82,626	52,361
Chemicals and supplies	258,880	224,130
Equipment and golf cart rentals	89,840	191,381
Fuel	69,468	75,956
Interest	289,460	133,830
Licences and fees	42,507	32,312
Occupancy cost	91,606	78,477
Office and general	141,942	106,594
Professional fees	13,400	12,750
Repairs and maintenance	226,840	181,721
Salaries and benefits	2,071,927	1,925,347
	3,948,662	3,385,656
	(441,095)	275,485
Loss on disposal of tangible capital assets	(13,394)	-
Excess (deficiency) of revenue over expenses	$ (454,489)	$ 275,485

See accompanying notes to financial statements.

OSOYOOS GOLF CLUB

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Investment in tangible capital assets	Unrestricted	Total 2023	Total 2022
Balance, beginning of year	$ 1,982,418	$ 465,798	$ 2,448,216	$ 2,172,731
Excess (deficiency) of revenue over expenses	(513,386)	58,897	(454,489)	275,485
Net change in investment in tangible capital assets:				
Purchase of tangible capital assets	971,966	(971,966)	-	-
Disposal of tangible capital assets	(85,004)	85,004	-	-
Deferred capital contributions received	(300,000)	300,000	-	-
Proceeds of long-term debt	(695,366)	695,366	-	-
Repayment of long-term debt	463,349	(463,349)	-	-
Repayment of capital lease obligations	299,162	(299,162)	-	-
Balance, end of year	$ 2,123,139	$ (129,412)	$ 1,993,727	$ 2,448,216

See accompanying notes to financial statements.

OSOYOOS GOLF CLUB

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (454,489)	$ 275,485
Items not involving cash:		
Amortization of deferred capital contributions	(30,000)	-
Amortization of tangible capital assets	543,386	351,486
Loss on disposal of tangible capital assets	13,394	-
Changes in non-cash operating working capital:		
Accounts receivable	14,699	(48,303)
Inventories	(3,303)	(24,150)
Prepaid expenses	28,411	(2,807)
Accounts payable and accrued liabilities	(50,399)	11,127
Deferred revenue	47,020	(86,996)
	108,719	475,842
Financing activities:		
Deferred capital contributions received	300,000	-
Proceeds from long-term debt	695,366	1,401,081
Repayment of long-term debt	(463,349)	(685,451)
Repayment of capital lease obligations	(299,162)	(123,115)
	232,855	592,515
Investing activities:		
Purchase of tangible capital assets	(971,966)	(1,766,532)
Net proceeds on disposal of tangible capital assets	71,610	-
	(900,356)	(1,766,532)
Decrease in cash and cash equivalents	(558,782)	(698,175)
Cash and cash equivalents, beginning of year	437,616	1,135,791
Cash and cash equivalents (operating credit facility), end of year	$ (121,166)	$ 437,616
Non-cash transactions:		
Equipment acquired through capital leases	$ 614,662	$ 571,382

See accompanying notes to financial statements.

OSOYOOS GOLF CLUB

Notes to Financial Statements

Year ended December 31, 2023

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%
Vehicle	10%
Irrigation system	5% - 10%
Equipment	10%
Furniture and fixtures	10%
Computer	55% - 100%

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.

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) Deferred capital contributions:

Contributions for the purpose of acquiring or developing a depreciable tangible capital asset are recorded, and referred to, as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(f) 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.

(g) 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.

1. Significant accounting policies (continued):

(h) 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.

(i) 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. Inventories:

		2023		2022
Food and beverage	$	26,340	$	12,297
Pro Shop		69,563		76,197
Chemicals and supplies		23,508		27,614
	$	119,411	$	116,108

Food and beverage and Pro Shop inventories are charged to food and beverage and Pro Shop revenues as disclosed in note 10. Chemicals and supplies are expensed in chemicals and supplies expense.

3. Tangible capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Leasehold assets:				
Course and property improvements	$ 4,427,982	$ 2,174,461	$ 2,253,521	$ 2,353,565
Buildings	2,749,365	2,014,035	735,330	770,856
Irrigation system	2,166,969	115,929	2,051,040	7,943
Equipment	3,324,759	3,084,863	239,896	210,673
Furniture and fixtures	258,413	230,028	28,385	27,721
Computer	155,741	152,018	3,723	1,975
Vehicle	25,781	3,867	21,914	24,492
Construction in progress	-	-	-	1,417,328
	13,109,010	7,775,201	5,333,809	4,814,553
Equipment acquired through capital leases	1,704,705	281,958	1,422,747	983,764
	$ 14,813,715	$ 8,057,159	$ 6,756,556	$ 5,798,317

4. Operating credit facility:

The Club has an available operating credit facility of $150,000. Amount borrowed under the facility bear interest at the bank's prime rate plus 1.5% and are secured as disclosed in note 7.

5. Accounts payable and accrued liabilities:

	2023	2022
Accounts payable and accrued liabilities	$ 75,410	$ 126,579
Government remittances	4,328	3,557
	$ 79,738	$ 130,136

6. Deferred capital contributions:

Deferred capital contributions, beginning of year	$	-
Capital contributions received		300,000
Amortization		(30,000)
Deferred capital contributions, end of year	$	270,000

7. Long-term debt:

	2023	2022
Term loan, bearing interest at 6.49% repayable in blended monthly payments of $18,193, maturing July 2025	$ 1,418,192	$ 1,540,220
Instalment payment contract, bearing interest at 7.25%, repayable in blended monthly payments of $21,090, maturing August 2033	1,755,126	1,401,081
	3,173,318	2,941,301
Current portion	260,199	1,523,021
	$ 2,913,119	$ 1,418,280

Interest expense includes interest on long-term debt totaling $229,953 (2022- $110,881).

The Club's bank debt arrangements, including its operating credit facility (note 4) and loans above, are secured by a registered mortgage, a first ranking general security agreement and an assignment of insurance.

Scheduled principal repayments on long-term debt over the next five years, based on existing terms, are as follows:

2024	$ 260,199
2025	1,428,045
2026	150,342
2027	161,611
2028	173,725

8. Capital lease obligations:

	2023	2022
2023	$ -	$ 252,910
2024	317,834	180,487
2025	286,348	180,487
2026	265,530	159,669
2027	340,804	233,819
2028	105,861	-
2029	44,109	-
Total lease payments	1,360,486	1,007,372
Less amount representing interest at 3.18% to 8.14%	170,387	132,773
	1,190,099	874,599
Current portion	257,652	209,104
	$ 932,447	$ 665,495

Interest expense includes interest on capital lease obligations totaling $59,507 (2022 - $22,949).

9. Commitments:

The Club has entered into various lease agreements, expiring between April 2024 and October 2025, with estimated minimum annual payments as follows:

2024	$ 22,376
2025	4,460
	$ 26,836

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 2028. 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.

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

	2023	2022
Food and beverage:		
Sales	$ 787,955	$ 608,818
Cost of sales	351,566	238,266
	$ 436,389	$ 370,552

	2023	2022
Pro Shop:		
Sales	$ 273,658	$ 294,445
Cost of sales	220,508	212,365
	$ 53,150	$ 82,080

11. 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 4, 7 and 8.

(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 2023 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.