

Mt. Pleasant Golf Club

Audited Financial Statements
Years Ended October 31, 2020 and 2019

Mt. Pleasant Golf Club

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STAFFORD, GAUDET & ASSOCIATES, LLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Mt. Pleasant Golf Club
Lowell, Massachusetts 01851

We have audited the accompanying financial statements of Mt. Pleasant Golf Club, (a Massachusetts nonprofit organization) which comprise the statements of financial position as of October 31, 2020 and 2019, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mt. Pleasant Golf Club as of October 31, 2020 and 2019, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note B to the financial statements, during the year ended October 31, 2020, the Club adopted the following: ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* as amended. Our opinion is not modified with respect to these matters.

Other Matter

The financial statements of Mt. Pleasant Golf Club as of October 31, 2019, and for the year then ended were audited by other auditors who have ceased operations. Those auditors express an unqualified opinion on those financial statements in their report dated December 5, 2019.

Stafford, Gaudet & Associates, LLC

STAFFORD, GAUDET & ASSOCIATES, LLC
Chelmsford, MA
December 3, 2020

Mt. Pleasant Golf Club

Statements of Financial Position

<i>October 31,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 84,956	\$ 91,174
Accounts receivable, net	81,534	63,497
Inventory	23,192	25,913
Prepaid expenses	34,750	59,323
Other current assets	49,429	276,231
Total Current Assets	273,861	516,138
Property and Equipment		
Building and improvements	2,183,814	2,201,060
Land and improvements	1,314,140	716,686
Furniture, fixtures, and equipment	1,239,265	1,425,194
	4,737,219	4,342,940
Less accumulated depreciation	(2,605,483)	(2,676,735)
Net Property and Equipment	2,131,736	1,666,205
Total Assets	\$ 2,405,597	\$ 2,182,343
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 43,395	\$ 67,965
Accounts payable - irrigation project	-	241,523
Accrued expenses	34,703	26,110
Deferred revenue	38,486	25,402
Demand note payable	755,363	196,251
Current portion of leases payable	52,893	54,599
Total Current Liabilities	924,840	611,850
Long-term Liabilities		
Leases payable	51,719	104,613
Total Long-term Liabilities	51,719	104,613
Net Assets		
Without donor restrictions	1,429,038	1,465,880
Total Net Assets	1,429,038	1,465,880
Total Liabilities and Net Assets	\$ 2,405,597	\$ 2,182,343

See accompanying notes and independent auditors' report.

Mt. Pleasant Golf Club

Statements of Activities and Net Assets

<i>Years Ended October 31,</i>	2020	2019
Net Assets Without Donor Restrictions		
Revenue		
Dues	\$ 949,045	\$ 853,955
Initiation fees	35,000	60,500
Bar receipts	385,046	553,106
Cart rentals	109,373	112,764
Greens fees	60,503	61,937
House income and hall rental	9,037	45,031
Miscellaneous	7,819	13,866
Total Revenue	1,555,823	1,701,159
Functional Expenses		
Golf course expenses	425,366	382,637
House expenses	450,851	578,498
Tournament expenses	170,476	189,421
General and administrative	316,256	304,459
Total Functional Expenses	1,362,949	1,455,015
Income From Operations	192,874	246,144
Other Expense		
Depreciation	177,946	170,709
Loss on disposal of property and equipment	13,070	-
Interest expense, net	38,700	22,372
Total Other Expense	229,716	193,081
Change in Net Assets Without Donor Restrictions	(36,842)	53,063
Net Assets Without Donor Restrictions, Beginning of Year	1,465,880	1,412,817
Net Assets Without Donor Restrictions, End of Year	\$ 1,429,038	\$ 1,465,880

See accompanying notes and independent auditors' report.

Mt. Pleasant Golf Club

Statements of Functional Expenses

<i>Years Ended October 31,</i>	Golf Course Expenses	2020	2019
Salaries and wages	\$	249,204	\$ 221,671
Repairs, maintenance, supplies		152,935	108,125
Employee benefits		20,255	18,938
Payroll taxes		2,073	22,548
Miscellaneous		899	11,355
Total Golf Course Expenses	\$	425,366	\$ 382,637
House Expenses			
Salaries and wages	\$	191,524	\$ 232,195
Bar merchandise		131,043	169,879
Repairs, maintenance, supplies		66,019	83,595
Employee benefits		51,015	51,570
Miscellaneous		3,541	5,292
Function package and house event		2,466	4,120
Liquor license		2,000	2,000
Laundry		1,811	4,973
Meeting expense		1,131	1,409
Payroll taxes		301	23,465
Total House Expenses	\$	450,851	\$ 578,498
Tournament Expenses			
Salaries and wages	\$	130,704	\$ 136,250
Employee benefits		17,438	16,721
Miscellaneous		9,327	7,901
Payroll taxes		4,623	14,627
Professional expense		2,794	4,291
Awards and printing		2,235	2,372
Golf cart		1,417	1,805
Member tournaments		1,312	3,143
Meeting expense		626	2,311
Total Tournament Expenses	\$	170,476	\$ 189,421

See accompanying notes and independent auditors' report.

Mt. Pleasant Golf Club

Statements of Functional Expenses

<i>Years Ended October 31,</i>	General and Administrative	2020	2019
Electricity, gas, water	\$	60,488	\$ 65,404
Real estate taxes		59,943	56,859
Professional fees		49,300	47,850
Insurance		44,339	42,198
Bad debt expense		33,602	14,408
Office expense		30,430	37,911
Telecommunications		14,424	11,007
Sales, use, other taxes		8,444	11,470
Board of directors expense		7,465	8,565
Credit card fees		6,967	7,090
Miscellaneous		854	1,697
Total General and Administrative Expenses	\$	316,256	\$ 304,459

See accompanying notes and independent auditors' report.

Mt. Pleasant Golf Club

Statements of Cash Flows

<i>Years Ended October 31,</i>	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (36,842)	\$ 53,063
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	177,946	170,709
Loss on disposal of property and equipment	13,070	-
(Increase) decrease in assets:		
Accounts receivable	(18,037)	(23,776)
Inventory	2,721	(613)
Prepaid expenses	24,573	(18,085)
Other current assets	226,802	(255,052)
Increase (decrease) in liabilities:		
Accounts payable	(24,570)	43,751
Accounts payable - irrigation project	(241,523)	241,523
Accrued expenses	8,593	982
Deferred revenue	13,084	(9,255)
Net Cash Provided by Operating Activities	145,817	203,247
Cash Flows from Investing Activities		
Purchase of building and improvements	(9,026)	(4,150)
Purchase of land and improvements	(626,786)	(38,738)
Purchase of furniture, fixtures, and equipment	(20,735)	(53,882)
Net Cash Used by Investing Activities	(656,547)	(96,770)
Cash Flows from Financing Activities		
Proceeds from demand note payable	620,000	-
Payments on demand note payable	(60,888)	(80,612)
Payments on leases payable	(54,600)	(51,692)
Net Cash Provided (Used) by Financing Activities	504,512	(132,304)
Net Decrease in Cash and Cash Equivalents	(6,218)	(25,827)
Cash and Cash Equivalents, Beginning of Year	91,174	117,001
Cash and Cash Equivalents, End of Year	\$ 84,956	\$ 91,174
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 38,953	\$ 23,128

See accompanying notes and independent auditors' report.

Mt. Pleasant Golf Club
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

NOTE A – ORGANIZATION AND PURPOSE

Mt. Pleasant Golf Club (the “Club”) is a member-owned social club located in Lowell, Massachusetts, and was organized in 1910 as a membership organization to provide pleasure and recreation to its members and their guests. It was organized as a tax-exempt organization under Chapter 180 of the Massachusetts General Laws. The Club is exempt from income tax under Section 501(C)(7) of the Internal Revenue Code.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

The Club has adopted the following: ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force.* and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* as amended. Analysis of various provisions of these standards resulted in no significant changes in the way the Club recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis as a result of the adoption of these standards. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

Basis of Accounting

The Club maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation incurred.

Basis of Presentation

The Club reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Club’s net assets are without donor restrictions and are available to support operations. The only limits on the use of these net assets, if any, are internal board designations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Concentration of Credit Risk

The Club considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Club maintains all of its cash balances at one financial institution and the balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. While cash balances may, at times, exceed federally insured limits, the Club had no excess balances at October 31, 2020 and 2019. The Club believes it is not exposed to any significant credit risk with respect to cash and has not experienced any losses in such accounts.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts for the years ended October 31, 2020 and 2019 was \$15,000 and \$7,178, respectively.

Inventory

Inventory is valued at cost with quantities calculated using the first in, first out (FIFO) method.

Property and Equipment

Purchased property and equipment, including significant renewals and betterments, are capitalized at cost. Donated assets are capitalized at estimated fair market value on the date donated. The capitalization policy is to capitalize property and equipment exceeding \$3,600. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the assets. The recovery period of these assets is 5 to 40 years. Maintenance and repair costs are expensed as incurred. Gains and losses on sales or disposals are reflected in income. Depreciation expense for the years ended October 31, 2020 and 2019 was \$177,946 and \$170,709, respectively.

Revenue Recognition

The Club derives its revenue primarily from member dues and are recognized on the accrual basis of accounting. Other sources of revenue include income from bar sales and function hall rental. Revenues are recognized when control of these products or services are transferred to their customers, in the amount that reflects the consideration the Club expects to be entitled to in exchange for those products and services. Revenue collected for future periods is reported as deferred revenue. Deferred revenue was \$38,486 and \$25,402 for the years ended October 31, 2020 and 2019, respectively.

Mt. Pleasant Golf Club
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services totaled \$5,090 and \$4,490 for the years ended October 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of providing programs and other activities of the Club have been summarized on a functional basis in the statement of activities and net assets, and statements of functional expenses. Certain costs have been allocated among the programs and supporting services.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Compensated Absences

Employees of the Club are entitled to paid vacation, depending on length of service. Management has determined that such amounts are not material to the financial position of the Club and, therefore, there is no provision in these financial statements.

Income Taxes

Under the provisions of the Internal Revenue Code, Social Clubs, including Mt. Pleasant Golf Club, are taxable on net income from any business not related to their exempt purpose (Unrelated Business Taxable Income, or UBTI). For the years ended October 31, 2020 and 2019 the Club's federal income tax was \$600 and \$1,637, respectively. The Club's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing of these returns.

Reclassifications

Certain amounts in the prior year have been reclassified for comparative purposes to conform with the current year presentation.

Mt. Pleasant Golf Club
 NOTES TO FINANCIAL STATEMENTS
 October 31, 2020 and 2019

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Club’s primary source of revenue is from member dues. All net assets without donor restrictions are available for the purpose of supporting the Club’s budget. The Club monitors its liquidity so it is able to meet its operating needs and other contractual commitments.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise of the following as of October 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 84,957	\$ 91,174
Accounts receivable, net	<u>80,034</u>	<u>62,732</u>
	<u>\$164,991</u>	<u>\$153,906</u>

In addition to financial assets available, the Club anticipates collecting in excess of \$900,000 of dues during the subsequent fiscal year.

NOTE D – OTHER CURRENT ASSETS

Other current assets were comprised of the following for the years ended October 31:

	<u>2020</u>	<u>2019</u>
Payroll tax credit	\$ 48,429	\$ 0
Construction in progress	0	275,231
Liquor license – nominal value	<u>1,000</u>	<u>1,000</u>
Total Current Assets	<u>\$ 48,429</u>	<u>\$276,231</u>

The Club applied for and received a payroll tax credit from the Internal Revenue Service for relief from the coronavirus pandemic. This credit offset payroll tax expense in the current year.

At a special membership meeting held on August 6, 2019, the membership approved expending up to \$620,000 for an irrigation project for the golf course. At October 31, 2019 \$275,231 had been incurred and recorded as construction in progress. The balance of the project was completed in the current year and placed into service as land improvements.

Mt. Pleasant Golf Club
 NOTES TO FINANCIAL STATEMENTS
 October 31, 2020 and 2019

NOTE E – DEMAND NOTE PAYABLE

The demand note payable to Enterprise Bank bears interest at 2% over the Federal Home Loan Bank Board Classic Credit five-year rate. This rate was 4.49% and 4.88% at October 31, 2020 and 2019, respectively. The note is payable on demand and is collateralized by the real estate of the Club. At October 31, 2020 and 2019 the note had an outstanding balance of \$755,363 and \$196,251, respectively. The following is a schedule of estimated minimum mortgage principal payments:

<u>Year ended October 31,</u>	<u>Amount</u>
2021	\$ 66,600
2022	69,600
2023	72,800
2024	76,200
2025	79,600
Thereafter	<u>390,563</u>
	<u>\$755,363</u>

NOTE F – CAPITAL LEASES

The Club has a capital lease for 30 Club Car golf carts and 10 2016 golf carts that expires in 2022. The asset and liability are recorded at the present value of the minimum lease payments. The assets are being depreciated over 5 years.

The Club has a capital lease for 2 Toro GM1320 Mowers that expires in 2023. The asset and liability are recorded at the present value of the future minimum lease payments. The assets are being depreciated over 7 years.

The Club has a capital lease for a Toro Reelmaster Mower that expires in 2021. The asset and liability are recorded at present value of the minimum lease payments. The assets are being depreciated over 7 years.

The following is a schedule of future minimum lease payments required:

<u>Year ended October 31,</u>	<u>Amount</u>
2021	\$ 52,893
2022	40,753
2023	<u>10,961</u>
	<u>\$104,612</u>

Mt. Pleasant Golf Club
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

NOTE G – BAR OPERATIONS

Gross profit on bar merchandise for the years ended October 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Income – Bar Receipts	\$385,046	\$553,106
Less: Cost of Bar Merchandise	<u>131,043</u>	<u>169,879</u>
Gross Profit	<u>\$254,003</u>	<u>\$383,227</u>
Gross Profit Percentage	66%	69%

NOTE H – HOUSE INCOME AND HALL RENTAL

Gross profit on House Income and Hall Rentals were as follows for the years ended October 31:

	<u>2020</u>	<u>2019</u>
Income – events and functions	\$9,037	\$45,031
Less: event and function costs	<u>2,466</u>	<u>4,120</u>
Gross Profit	<u>\$6,571</u>	<u>\$40,911</u>
Gross Profit Percentage	73%	91%

NOTE I – EMPLOYEE RETIREMENT PLAN

The Club maintained a SIMPLE IRA Retirement Plan for eligible employees. The Club matches up to 3% of eligible compensation for each employee. During the years ended October 31, 2020 and 2019 the Club's contributions totaled \$9,943 and \$11,016, respectively.

NOTE J – RELATED PARTY

The Club transacted business with firms in which certain Club members have a financial interest.

The Club maintains bank accounts with institutions in which certain Club members are officers.

The Demand Note Payable, as described in Note E, is also with a lending institution in which certain Club members are officers.

Mt. Pleasant Golf Club
NOTES TO FINANCIAL STATEMENTS
October 31, 2020 and 2019

NOTE K – SUBSEQUENT EVENTS

The Coronavirus (COVID-19) pandemic continues to affect business operations worldwide, including in the United States of America. It is anticipated that the impacts from this pandemic will continue for some time and its future effects are unknown.

Subsequent events have been evaluated through December 3, 2020, which represents the date the financial statements were available to be issued.