Baltimore Municipal Golf Corporation

Financial Statements

Years Ended December 31, 2015 and 2014

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

To the Board of Directors
Baltimore Municipal Golf Corporation
Baltimore, Maryland

We have audited the accompanying financial statements of Baltimore Municipal Golf Corporation (a Maryland Corporation), which comprise the balance sheet as of December 31, 2015, and the related statements of activities and changes in net assets, and cash flows for the year 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' judgment, 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 Baltimore Municipal Golf Corporation as of December 31, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Prior Period Financial Statements

The financial statements as of December 31, 2014, were audited by Stegman & Company, certain of whose directors joined Dixon Hughes Goodman LLP as of June 1, 2016, and whose report dated September 9, 2015, expressed an unmodified opinion on those statements.

Dixon Hughes Goodman LLP

Baltimore, Maryland
August 25, 2016

Baltimore Municipal Golf
Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash - operating	$ 305,434	$ 524,611
Cash - internally designated for Baltimore City Foundation	-	100,000
Cash - board designated for contingencies	850,000	850,000
Total cash and cash equivalents	1,155,434	1,474,611
Inventory	103,357	109,862
Prepaid contributions to Baltimore City Foundation	100,000	100,000
Prepaid expenses and other current assets	96,973	145,926
Total current assets	1,455,764	1,830,399
PROPERTY AND EQUIPMENT, net	4,583,920	4,592,650
OTHER ASSETS -		
Cash - board designated for capital improvements	53,800	46,256
TOTAL ASSETS	$ 6,093,484	$ 6,469,305

See accompanying notes.

	2015	2014
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	**$ 70,067**	$ 74,910
Accrued expenses and other liabilities	**593,534**	648,515
Accrued salaries and benefits	**203,874**	208,899
Deferred revenue	**184,596**	170,948
Current portion of long-term debt	**255,159**	234,180
Current portion of capital lease obligations	**135,571**	150,224
Total current liabilities	**1,442,801**	1,487,676
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	**871,506**	1,095,605
Capital lease obligations, net of current portion	**320,681**	64,921
Total long-term liabilities	**1,192,187**	1,160,526
Total liabilities	**2,634,988**	2,648,202
NET ASSETS:		
Unrestricted:		
Board designated for contingency fund	**850,000**	850,000
Board designated for capital improvements	**53,800**	46,256
Other unrestricted	**2,554,696**	2,924,847
Total net assets	**3,458,496**	3,821,103
TOTAL LIABILITIES AND NET ASSETS	**$ 6,093,484**	$ 6,469,305

Baltimore Municipal Golf
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES:		
Greens fees	**$ 4,138,498**	$ 4,219,560
Cart rental	**850,830**	848,554
Range fees	**446,735**	426,526
Food sales	**721,381**	664,883
Pro shop sales	**337,793**	320,294
Other golf income	**250,676**	297,823
Other operating income	**283,303**	290,518
Donations received	**27,386**	26,259
Total revenues	**7,056,602**	7,094,417
OPERATING EXPENSES:		
Program services		
Course maintenance	**2,784,845**	2,933,549
Course operations	**1,870,166**	1,868,723
Depreciation and amortization	**635,898**	700,682
Cost of food sales	**651,510**	632,658
Pro shop cost of sales	**287,446**	322,447
Other miscellaneous costs	**123,387**	124,634
Total program services	**6,353,252**	6,582,693
Management and general	**990,568**	995,000
Total operating expenses	**7,343,820**	7,577,693
CHANGE IN NET ASSETS FROM OPERATIONS	**(287,218)**	(483,276)
NON-OPERATING ITEMS:		
Payments to Baltimore City Foundation	**(200,000)**	(200,000)
Other income, net	**124,611**	209,447
Total non-operating items	**(75,389)**	9,447
CHANGE IN NET ASSETS	**(362,607)**	(473,829)
NET ASSETS AT BEGINNING OF YEAR	**3,821,103**	4,294,932
NET ASSETS AT END OF YEAR	**$ 3,458,496**	$ 3,821,103

See accompanying notes.

Baltimore Municipal Golf
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	**$ (362,607)**	$ (473,829)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**635,898**	700,682
Gain on disposal of property and equipment	**(116,011)**	(8,973)
Net changes in:		
Inventory	**6,505**	19,949
Prepaid expenses and other current assets	**48,953**	8,097
Accounts payable	**(4,843)**	(37,037)
Accrued expense and other liabilities	**(54,981)**	95,579
Accrued salaries	**(5,025)**	41,581
Deferred revenue	**13,648**	(40,804)
Net cash provided by operating activities	**161,537**	305,245
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on disposal of assets	**-**	8,973
Purchases of property and equipment	**(106,895)**	(108,288)
Net cash used in investing activities	**(106,895)**	(99,315)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	**(246,174)**	(234,632)
Principal payments on capital lease obligations	**(120,101)**	(117,543)
Net cash used in financing activities	**(366,275)**	(352,175)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(311,633)**	(146,245)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,520,867**	1,667,112
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,209,234**	$ 1,520,867
Supplemental disclosure of cash flow information:		
Noncash investing and financing activity:		
Equipment acquired through capital leases and financing	**$ 520,273**	$ 107,966
Capital lease obligations extinguished by equipment returned	**$ 116,011**	$ -
Cash paid during the year for interest	**$ 78,952**	$ 85,387

See accompanying notes.

Notes To The Financial Statements

1. Summary of Significant Accounting Policies

Nature of activities

Baltimore Municipal Golf Corporation (the "Corporation") was formed under the laws of Maryland in 1985 and is a tax-exempt organization as defined by Sections 501(c)(3) and 509(a) of the Internal Revenue Code ("IRC") that is publicly supported and, therefore, not a private foundation. The Corporation was created for the purpose of engaging in the management, development, and improvement of five golf courses operated on land owned by the City of Baltimore (the "City") located in the City and in Baltimore County.

Basis of presentation

These financial statements have been prepared in accordance with FASB Accounting Standards Codification Topic 958 ("FASB ASC 958"). Under FASB ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets as applicable: unrestricted, temporarily restricted, and permanently restricted. The Corporation reports only unrestricted assets as the balances and changes in net assets for temporarily restricted or permanently restricted net assets for the years ended December 31, 2015 and 2014 are zero.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue recognition

The Corporation recognizes revenue as the related goods and services are provided. Recognition of revenue is deferred for sales of gift cards and is recognized when those items are redeemed.

Cash and cash equivalents

The Corporation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of pro shop merchandise and restaurant food, drink, and supplies which are stated at the lower of cost (using the weighted average method) or market.

Property and equipment

Purchased property and equipment are stated at cost. Donated property and equipment are stated at fair value at the date of donation. Major additions and betterments which equal or exceed the following capitalization limits are charged to the asset accounts: course improvements $3,000, building improvements $2,000, and machinery $1,000.

Maintenance and repairs, which do not improve or extend the lives of the assets, are expensed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 32 years. Leasehold improvements are amortized using the straight-line method over the shorter of the term of the applicable lease or the estimated useful lives of the assets.

Advertising

Advertising costs are charged to operations when incurred. The Corporation had no significant direct-response advertising. Advertising expense for the years ended December 31, 2015 and 2014 was $129,407 and $125,038, respectively.

Income taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the IRC. Management of the Corporation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur, including changes to the Corporation's status as a not-for-profit entity. Management believes the Corporation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year method of presentation. Such reclassifications have no effect on change in net assets.

Evaluation of events subsequent to the statement of financial position date

The Corporation evaluates events and conditions arising after the Statement of Financial Position date to determine if they give rise to information that should be recorded or disclosed in the financial statements. The Company has made this evaluation through August 25, 2016, the date which the financial statements were available to be issued.

2. Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Leasehold improvements	$ 9,329,759	$ 9,249,725
Machinery and equipment	3,494,558	3,449,895
Furniture and fixtures	403,970	403,970
Vehicles	244,552	215,878
	13,472,839	13,319,468
Less: Accumulated depreciation and amortization	(8,888,919)	(8,726,818)
Property and equipment, net	$ 4,583,920	$ 4,592,650

Depreciation expense, including depreciation of assets under capital leases, for the years ended December 31, 2015 and 2014 was $635,898 and $700,682, respectively.

3. Line of Credit

The Corporation maintained a line of credit with a financial institution with available credit of $300,000. Outstanding advances bear interest at a fluctuating rate equal to the 30-day LIBOR plus 6.00% and is collateralized by the Corporation's assets. In 2015 the line of credit was extended through October 12, 2016. During 2015 and 2014, the Corporation did not utilize the line of credit.

4. Long-term Debt

Long-term debt consisted of the following as of December 31:

	2015	2014
Loan payable - credit union, 5.99%, paid in full during 2015.	$ -	$ 1,555
Term loan payable - credit union, 5.00%, payable monthly, maturing December 2031, collateralized by the Forest Park Clubhouse.	895,652	927,423
Term loan payable - financial institution, 4.27%, payable monthly, maturing November 2016, collateralized by the equipment.	141,604	277,306
Term loan payable - credit union, 2.20%, payable monthly, maturing October 2018, collateralized by the equipment.	26,214	-
Term loan payable - credit union, 4.25%, payable monthly, maturing December 2016, collateralized by the equipment.	63,195	123,501
Total long-term debt	1,126,665	1,329,785
Less: Current maturities	(255,159)	(234,180)
Long-term debt, net of current portion	$ 871,506	$ 1,095,605

Future principal maturities of the above long-term debt are as follows:

Year ending December 31,	Amount
2016	$ 255,159
2017	49,418
2018	50,092
2019	44,366
2020	46,636
Thereafter	680,994
Total	$ 1,126,665

Interest expense related to these loans for the years ended December 31, 2015 and 2014 was $62,203 and $74,162, respectively.

5. Capital Lease Obligations

The Corporation has several capital lease obligations to lease maintenance equipment and golf carts under leases which expire at various times through 2019. The capital leases require monthly payments which range from approximately $700 to $4,200. These leases bear interest ranging from approximately 4% to 6% and are collateralized by the leased property. Future minimum payments required under capital lease obligations at December 31, 2015 were as follows:

Year ending December 31,	Amount
2016	$ 153,434
2017	311,144
2018	20,227
2019	1,511
Total minimum lease payments	486,316
Less: Imputed interest	30,064
Present value of future minimum lease payments	456,252
Less: Current maturities	(135,571)
Capital lease obligations, net of current portion	$ 320,681

Interest expense for capital leases for the years ended December 31, 2015 and 2014 was $16,749 and $12,061, respectively.

Future principal maturities of the above capital lease is as follows:

Year ending December 31,	Amount
2016	$ 135,571
2017	299,443
2018	19,739
2019	1,499
Total	$ 456,252

The leased maintenance equipment and golf carts are included in fixed assets. The cost is $614,234 and accumulated depreciation is $117,708 at December 31, 2015.

6. Unrestricted Net Assets

During the years ended December 31, 2015 and 2014, the Corporation's Board of Directors designated assets for the contingency fund and for capital improvements. The designation for the contingency fund is used for expenses during the winter months when cash flows from revenues are limited. The designation for capital improvements is used for funds to complete all budgeted projects, to purchase all budgeted equipment, and to make all remaining payments on equipment financing.

7. Junior Golf Program

In 2015 and 2014, the Corporation's junior golf program included approximately 195 children between the ages of 8 and 17. Registration fees and donations partially funded the junior golf activities, which included weekly instructional classes from April through August, inter-club matches, a city-wide junior golf day at Forest Park Golf Course, trophies, prizes, and meals.

8. Employee Savings Plan

The Corporation has a 401(k) Employee Savings Plan (the "Plan") covering substantially all employees. The Plan allows eligible employees to contribute a percentage of their salary and provides for the Corporation to make contributions based on a percentage of the employees' contribution. It is the policy of the Corporation to fund the Plan on a current basis. Contributions to the Plan were $57,573 and $66,003 for the years ended December 31, 2015 and 2014, respectively.

9. Operating Leases

The Corporation entered into an operating lease agreement in 2012 for thirty-five golf carts. The corporation was obligated through December 31, 2014 with payments of $2,375 a month for eight months during 2014. The lease was not renewed. Equipment rental expense under all leases, were $0 and $19,000 for the years ended December 31, 2015 and 2014, respectively.

10. Commitments and Contingencies

The Corporation entered into a management agreement (the "Agreement") with the City in 1985 to lease and manage five golf courses, which includes the land, buildings and certain equipment, at no cost. The terms of the Agreement require the Corporation to fulfill various non-financial covenants relating to the maintenance and improvements of the course as well as the promotion of the sport in the Baltimore area. The Agreement indicates that there is a perpetual lease between the City and the Corporation regarding the management of the golf courses, which automatically renews in five-year increments. As of December 31, 2015 and 2014, the Corporation had met all of the required covenants.

In conjunction with the management agreement, as amended in 1996, the Corporation is required to make annual payments of $400,000 to the Baltimore City Foundation by July 1 of each year, for Baltimore City's fiscal year of July 1 through June 30. For the fiscal year ended June 30, 2015 the City temporarily reduced the expense to $200,000 per year. As of December 31, 2015 and 2014, the prepaid portion of this contribution was $100,000 and $100,000, respectively. Subsequent to December 31, 2015, the Corporation was granted a reprieve of the annual payments to the Baltimore City Foundation until they resume in June of 2017.

11. Concentration of Credit Risk

The majority of the Corporation's cash is held in financial institutions with insurance provided by the Federal Deposit Insurance Corporation ("FDIC") and the National Credit Union Share Insurance Fund ("NCUSIF"). Periodically throughout the year, cash balances have exceeded the current FDIC and NCUSIF insurance limitation.