

**McDonald Golf Enterprises, Inc.  
d/b/a The Club at Eaglebrooke**

**FINANCIAL STATEMENTS**

**October 31, 2016**

**McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke**

**FINANCIAL STATEMENTS**

**October 31, 2016**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Supervisors  
Golden Lake Community Development District  
Lakeland, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke ("the Golf Course") as of and for the ten months ended October 31, 2016, and the related notes to financial statements, which collectively comprise the Golf Course's financial statements as listed in the table of contents.

### 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

We were not engaged as auditors of the Golf Course until after October 31, 2016, and, therefore, did not observe the counting of physical inventories at the beginning or end of the ten month period. We were unable to satisfy ourselves by other auditing procedures concerning the inventory held at October 31, 2016, which is stated on the balance sheet at \$204,090. In addition, we were not provided sufficient documentation for the fixed assets owned by the Golf Course as of October 31, 2016, of which is stated on the balance sheet at \$6,748,785, net of accumulated depreciation. We were also unable to confirm or verify by alternative means the shareholder loans payable included in the balance sheet at a total amount of \$1,626,099. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, fixed assets, shareholder loans and the elements making up the statement of income, statement of stockholders' equity, and cash flows.



Berger, Toombs, Elam,  
Gaines & Frank

Certified Public Accountants PL

To the Board of Supervisors  
Golden Lake Community Development District

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Emphasis of Matter**

As discussed in Note 8 to the financial statements, certain conditions indicate that the company may not continue operating as a going concern. The accompanying financial statements do not include adjustments that might be necessary if the company did not continue as a going concern. Our disclaimer of opinion is not modified with respect to this matter.

*Berger, Toombs, Elam,  
Gaines & Frank*

Berger, Toombs, Elam, Gaines & Frank  
Certified Public Accountants PL  
Fort Pierce, Florida

January 10, 2017

**McDonald Golf Enterprises, Inc.**  
**d/b/a The Club at Eaglebrooke**  
**BALANCE SHEET**  
**October 31, 2016**

	<b>2016</b>
<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 56,019
Accounts receivable, net	127,557
Inventory	204,090
Prepaid expenses	2,272
Total Current Assets	389,938
Property, Plant and Equipment, net	6,748,785
Other Assets	
Deposits	995
TOTAL ASSETS	\$ 7,139,718
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 130,241
Accrued expenses	121,282
Customer deposits	29,883
Deferred revenues	62,678
Current portion of long-term debt	65,570
Total Current Liabilities	409,654
Noncurrent Liabilities	
Shareholder loan	1,626,099
Long-term debt, net of current portion	386,626
Total Noncurrent Liabilities	2,012,725
Total Liabilities	2,422,379
<b>STOCKHOLDERS' EQUITY</b>	
Common stock - \$1 par value; 1,000 shares authorized; 30 shares issued and outstanding	30
Additional paid in capital	14,541,740
Retained earnings	(9,824,431)
Total Stockholders' Equity	4,717,339
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,139,718

See the accompanying notes to financial statements.

**McDonald Golf Enterprises, Inc.**  
**d/b/a The Club at Eaglebrooke**  
**STATEMENT OF INCOME**  
**For the Ten Months Ended October 31, 2016**

	<b>2016</b>
Operating Income	
Golf Operations	\$ 1,087,753
Food and beverage	837,990
Membership fees and dues	473,612
Pro shop sales	123,864
Miscellaneous income	46,975
Facility rental	3,669
Total Operating Income	2,573,863
Cost of sales	468,965
Gross Profit	2,104,898
Operating Expenses	
Grounds expense	676,698
Golf operations (includes depreciation of \$135,079)	662,217
Food and beverage	444,353
Administrative expenses	532,642
Total Operating Expenses	2,315,910
(Loss) From Operations	(211,012)
Other income/(expenses)	
Interest expense	(14,828)
Total Other Income/(Expenses)	(14,828)
Net Loss	\$ (225,840)

See the accompanying notes to financial statements.

**McDonald Golf Enterprises, Inc.**  
**d/b/a The Club at Eaglebrooke**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Ten Months Ended October 31, 2016**

	Shares of Common Stock Outstanding	Par Value	Additional Paid In Capital	Retained Earnings	Total Stockholders' Equity
Balance at January 1, 2016	30	\$ 30	\$ 14,541,740	\$ (9,598,591)	\$ 4,943,179
Net loss	-	-	-	(225,840)	(225,840)
Balance at October 31, 2016	<u>30</u>	<u>\$ 30</u>	<u>\$ 14,541,740</u>	<u>\$ (9,824,431)</u>	<u>\$ 4,717,339</u>

See the accompanying notes to financial statements.

**McDonald Golf Enterprises, Inc.**  
**d/b/a The Club at Eaglebrooke**  
**STATEMENT OF CASH FLOWS**  
**For the Ten Months Ended October 31, 2016**

	<b>2016</b>
Cash Flows from Operating Activities	
Net income (Loss)	\$ (225,840)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	135,079
Changes in current assets and liabilities:	
Decrease in accounts receivable	224,208
Increase in inventories	(21,330)
Decrease in prepaid expenses	(2,072)
Decrease in accounts payable and accrued expenses	(499,159)
Increase in customer deposits	6,043
Decrease in deferred revenues	(137,216)
Net Cash Used in Operating Activities	(520,287)
Cash Flows from Financing Activities	
Principal payments on long-term debt	(52,178)
Proceeds from long term debt	144,735
Proceeds from shareholder loans	345,746
Net Cash Provided by Financing Activities	438,303
Net Increase (Decrease) in Cash	(81,984)
Cash, January 1, 2016	138,003
Cash, October 31, 2016	\$ 56,019
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for:	
Interest	\$ 14,828

See the accompanying notes to financial statements.



**McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke**  
**NOTES TO FINANCIAL STATEMENTS**  
**October 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke (the Golf Course) are presented to assist in understanding of the financial statements. The financial statements and related notes are representations of management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Operations

McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke was organized under the laws of the State of Florida, on August 25, 1994. The Company operates The Club at Eaglebrooke golf course and restaurant in Polk County.

The Golf Course financial statements reflect the assets, liabilities, stockholder's equity, and results of operations.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Golf Course considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of account balances at certain financial institutions.

Accounts Receivable

Trade accounts receivable are recorded at the original carrying amount less reserves for estimated uncollectible accounts. The allowance for doubtful accounts is the Golf Course's best estimate of the amount of credit losses in its existing accounts receivable. The percentage of sales method determines the amount recorded. The Golf Course grants credit to customers in the normal course of business and performs on-going credit evaluations of customers. Certain amounts held by third party credit card and debit card banks are included with receivables if they have not been received.

Inventories

Inventories, consisting primarily of food and beverage, pro shop merchandise, and supplies on hand and are stated at lower of cost (first-in, first-out) or market value.

**McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke**  
**NOTES TO FINANCIAL STATEMENTS**  
**October 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Sales

Revenue is measured by reference to the fair value of consideration received or receivable by the Golf Course, excluding discounts and rebates, freight costs when inventory is shipped, and other direct costs of manufacturing, including warranties. Net sales are derived by deducting returns and allowances.

Advertising

Advertising costs are charged to expense in the year incurred. Advertising costs were \$13,380.

Property, Plant and Equipment

It is the Golf Course's policy to capitalize property and equipment with a useful life greater than one year and valued over \$1,000. Property, plant, and equipment are carried at cost. Depreciation is provided using the straight-line method for financial reporting purposes at rates based on estimated useful lives ranging from five to thirty-nine years.

Leasehold improvements are amortized over the shorter of the remaining term of the lease or the estimated useful life of the improvement utilizing the straight-line method.

Income Taxes

McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke, along with the consent of its original shareholders, have elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Golf Course's taxable income. Therefore, no provision of liability for federal income taxes has been included in the financial statements.

January 1, 2010, the Golf Course adopted the provisions for FASB ASC 740-10 (formerly known as FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Golf Course's and the Subsidiary's tax filings are subject to audit by various taxing authorities. The federal income tax returns for 2015, 2014, and 2013 remain open to examination by the Internal Revenue Service. In evaluating the tax provisions and accrual, the Golf Course and the Subsidiary believe that the estimates are appropriately based on current facts and circumstances. There was no impact to the financial statements as a result of the implementation of ASC 740-10.

**McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke**  
**NOTES TO FINANCIAL STATEMENTS**  
**October 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

**NOTE 2 - CASH**

The Golf Course maintains several cash and cash equivalent accounts. As of October 31, 2016, the cash accounts have a carrying value of \$61,341 of which all was insured by the Federal Deposit Insurance Corporation (FDIC).

**NOTE 3 - INVENTORY**

At October 31, 2016 , the Golf Course had \$204,090 in golf shop and food and beverage inventory.

**NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following at year end:

Land	\$ 1,258,849
Buildings and leasehold improvements	8,059,823
Furniture and equipment	980,433
Vehicles	<u>21,049</u>
Total Capital Assets	10,320,154
Accumulated depreciation	<u>(3,571,369)</u>
Capital Assets, Net	<u><u>\$ 6,748,785</u></u>

Depreciation expense was \$135,079 .

**McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke**  
**NOTES TO FINANCIAL STATEMENTS**  
**October 31, 2016**

**NOTE 5 – LONG-TERM DEBT**

Long-term debt, consisting of notes and mortgages payable, are as follows:

Note payable in monthly installments of \$5,965 including interest at 4.75%. Matures in 2019	\$ 156,576
Note payable in monthly installments of interest only at 4.75%.	199,885
Note payable in monthly installments of interest only at 4.50%.	<u>95,735</u>
Total long term debt	<u><u>\$ 452,196</u></u>

The future minimum payments as of October 31, 2016 is as follows

<u>Year Ending</u>	<u>Total</u>
2017	\$ 65,570
2018	68,753
2019	22,253
2020	-
2021	295,620
Total minimum payments	<u><u>\$ 452,196</u></u>

**NOTE 6 – OPERATING LEASES**

The Golf Course entered into non-cancelable lease agreements for equipment. The future minimum payments at October 31, 2016 were as follows:

<u>Year Ending</u>	<u>Total</u>
2017	\$ 61,241
2018	952
2019	952
2020	952
2021	317
Total minimum lease payments	<u><u>\$ 64,414</u></u>

**McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke**  
**NOTES TO FINANCIAL STATEMENTS**  
**October 31, 2016**

**NOTE 7 – RESTATED RETAINED EARNINGS**

The following summarizes the adjustments made to the Balance Sheet of the Golf Course.

Retained earnings previously reported, January 1, 2016	\$ (9,856,017)
Adjustment to convert to GAAP basis of accounting	<u>257,426</u>
Retained earnings balance, January 1, 2016, restated	<u><u>\$ (9,598,591)</u></u>

**NOTE 8 – GOING CONCERN**

Subsequent to the ten months ended October 31, 2016, management of McDonald Golf Enterprises, Inc. d/b/a The Club at Eaglebrooke has represented their plans of selling the golf course. Because of the potential impending sale, the company may not continue to operate as a going concern.

**NOTE 9 – DATE OF MANAGEMENT’S REVIEW**

In preparing the financial statements, Management has evaluated events and transactions for potential recognition or disclosure through January 10, 2017, the date that the financial statements were available to be issued.