

Financial Analysis

In 2016, Golf Canada recorded a surplus of \$99,384 compared to a deficit of \$915,495 recognized in 2015. This represents the first surplus since the 2013 fiscal year when \$191,695 was recognized. Our staff, partners at the Provincial Golf Associations and nearly 2,500 volunteers from across Canada deserve thanks for their collaboration and valued contributions which resulted in a \$1 million increase from last year.

Despite headwinds from macro-economic factors and reorganizations of major industry corporations over the past few years for all Canadian golf industry stakeholders, we're confident that the sport remains ripe with opportunity, excitement, and programming to develop the next generation of athletes. As the National Sport Federation (NSF) for golf in Canada, our mandate is to promote participation and excellence in the game, while ensuring there is capacity for the sport and interaction between all the stakeholders. 2016 was a year in which we made great strides in improving the long-term health of the Association and we look forward to continuing those efforts in the future as we recognize the importance of Golf Canada's role as a leader in the industry.

During the year, there were several positive financial highlights to be proud of:

- An increase in total revenue by \$1,789,785 (5%) over 2015;
- Our core professional championships (RBC Canadian Open and CP Women's Open) both recognized a surplus in Oakville, Ont. and Priddis, Alta. respectively;
- RBC was extended for another six years through 2023 as title sponsor of the RBC Canadian Open;
- Funding was committed from Own the Podium for the first time, reflecting the success and future opportunity of our high-performance teams including the Team Canada Young Pro Squad;
- The World Junior Girls Championship has grown its legacy fund to nearly 1/3 of a normal annual operating budget and is destined to succeed going forward;
- A revised membership model has helped achieve close to a 1% increase in total Golf Canada and Provincial Golf Association member golfers to 306,650; and
- Our investment portfolio balance has grown to \$23,946,416 ensuring that our Financial Mandate is intact as of October 31, 2016.

2016 FINANCIAL RESULTS

As the National Sport Federation and governing body of golf in Canada, we have a responsibility to operate and support program initiatives that create awareness, increase participation and drive excellence in the sport. All facets of our direct sport programming recognized increases in revenue which allowed us to intensify our total capacity in programming. Consequently, Golf Canada's investment in administering membership and sport programming and services grew to \$10.3M from \$9.8M in the prior year. We are proud of the services and programs we could deliver within our budget.

Further details on all major aspects of those operations are outlined below.

MEMBERSHIP

Membership dues are an integral source of funding for Golf Canada and our Provincial Golf Association stakeholders with respect to delivery of grow the game initiatives. Dues are invested to offset the cost of delivering our programs and services as the National Sport Federation.

While the total rounds played continue to show positive year-over-year increases in Canada, member retention is challenged by macro-economic factors leading to an average attrition rate of paid members of 3.7% over the past five years. We recognize the importance of mitigating this downward pressure and thus have sponsored a renewed focus on enhancing membership value.

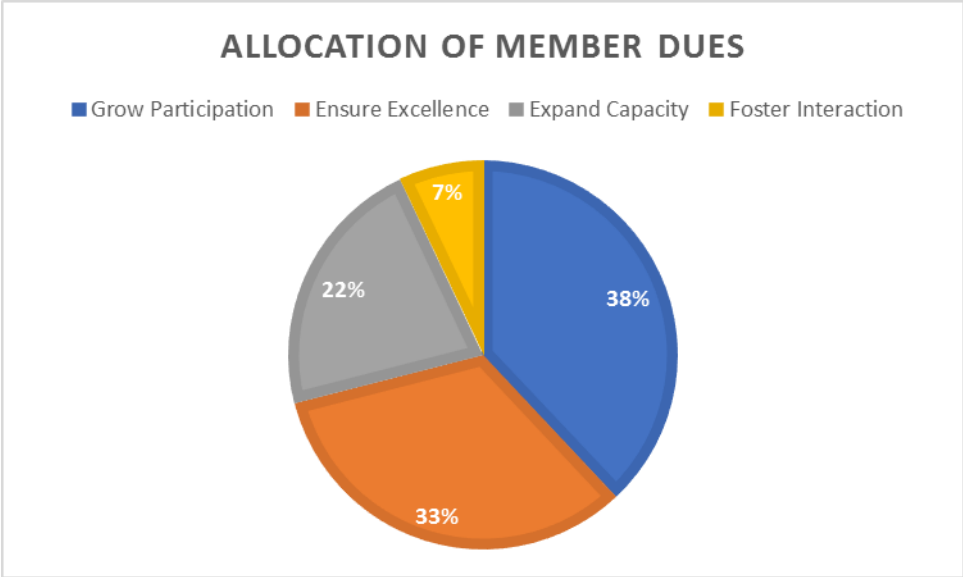
During the year, we enhanced the free ("Bronze") membership program with the expectation that, over time, a portion of Bronze members will upgrade to a fully-paid ("Gold") membership in Golf Canada and their Provincial Golf Association. Bronze members receive exclusive offers on tickets and merchandise; free access to Level 1 of the online Rules of Golf education system; access to the Score Centre; game and score tracking technology; and rewards simply for posting scores. We are amidst a major enhancement in the Score Centre that will continue in 2017. During 2016, we added social media sharing aspects along with badges and Ultimate Scorecards to further broaden our engagement with all golfers in Canada.

To further encourage Gold membership sales, we continued to invest in our value proposition offering benefits such as equipment and golf cart insurance; the club identification and retrieval system; issuing \$275,000 in rewards from our great partners (TaylorMade Adidas and Hudson's Bay); Rules of Golf education; and the establishment of a portal to seek personal advice from a PGA of Canada professional. The result of this investment was an increase in direct membership program expenditures, including the cost of additional benefits, by 12% to \$1.4M.

Because of these strategies, we are pleased to report that the total membership (Bronze and Gold) increased to 306,650 members in 2016 (from 305,000 in 2015).

We work closely with the Provincial Golf Associations and industry partners to increase awareness of all our collective programs and activities. Efforts to build stronger working relationships will help to gain a better understanding of our member needs, both individual golfers and facilities. In 2016, 3,820 facilities

(be it a golf facility or a school) hosted at least one Golf Canada program or event including Future Links, Golf in Schools, Golf Fore the Cure, and our national competitions. During the year, the net contribution from membership revenues was spent on programs and services focused on achieving our vision and mandate apportioned among our strategic pillars as follows: 38% on growing participation, 33% on ensuring excellence, 22% to expand capacity and 7% toward fostering interaction.



GRASSROOTS PROGRAMS

The major share of our grassroots program spending has been directed at the Future Links program (Canada’s national junior golf development program conducted in partnership with the Provincial Golf Associations, the PGA of Canada and our title sponsor, Canadian National Railway). During the year, we continued to advocate the Get Linked Strategy—connecting schools with facilities and PGA of Canada professionals, while introducing the PGA Junior League to our suite of sub-programs aimed at youth. During the year, 536 (518 in 2015) facilities registered with the Future Links program to run one or more of the junior golf sub-programs.

Additionally, we see tremendous value in using schools as a conduit to introducing the sport to children through the Golf in Schools program. We are thankful of the many corporate and individual donors that have assisted in the evolution of this program, having now increased our total schools in Canada participating in the program to 3,111 (2,795 in 2015).

We also operated Golf Fore the Cure presented by Subaru, a women’s golf participation program which was hosted at 145 facilities with over 10,000 female participants, collectively donating \$372,000 dollars to our charitable partners—the Canadian Cancer Society and the Quebec Breast Cancer Foundation—in support of cancer research.

Funding for grassroots programs is derived from four sources—participation fees, Sport Canada, corporate sponsorships and donations. Of important note, the Future Links junior golf program would

not have evolved to the extent it has over the past 11 years without the financial support of Canadian National Railway. Gratitude from all stakeholders in the golf industry should be extended to Canadian National Railway, whose sponsorship concluded at the end of 2016.

HIGH PERFORMANCE (TEAM CANADA)

This element of our operations supports the development of 20 athletes on our men's and women's national amateur teams that proudly represent Canada at many international golf championships and on the biggest national stage during the RBC Canadian Open and CP Women's Open. Our Young Pro Squad supported six up and coming players (financial, coaching, and other resources) who have recently turned professional to help them with their transition. In addition, golf's reintroduction to the Olympic games saw us support four athletes in pursuit of a medal for the first time in 112 years. While Canada missed out on the podium, golf's return to the Olympic stage was a tremendous success globally, and raised the awareness of golf nationally.

Funding for Golf Canada's high performance program emanates from four sources—Sport Canada, participation fees, corporate sponsorship, and grants provided by the Golf Canada Foundation.

Expenses directed at our High Performance (Team Canada) programs were increased to \$1.7M up from \$1.5M due to Rio de Janeiro Olympic costs as well as the bi-annual World Amateur Team Championship which was conducted in Mexico.

AMATEUR CHAMPIONSHIPS

This segment includes the operation of Golf Canada's eight national amateur competitions as well as the CN Future Links Junior Championships.

In conjunction with Golf Ontario, Golf Canada also conducted the third playing of the World Junior Girls Championship. In addition to the competition which saw the Philippines emerge from the 16-team event, the championship was a celebration of the sport with a specific focus on developing the game. Before the tournament got underway, we hosted a PGA of Canada coaching summit, a girls' skill development clinic, and a Junior-Amateur event. Over the course of the Championship's three-year history, we have established a legacy fund that will strengthen the event and philanthropy surrounding junior girl's golf in Canada for years to come.

Direct funding for our Amateur Championships arises from several sources—Sport Canada, player entry fees, corporate sponsorships, municipal governments and from the R&A to aid in conducting the World Junior Girls Championship. Revenues increased by 13% (\$100K) because of higher entry fees and support from the City of Ottawa.

OTHER PROGRAMS AND SERVICES

Golf Canada also generates revenue by way of participant fees from Rules of Golf education seminars and related literature; merchandising royalties and sales from our e-commerce store; and the operation

of the Canadian Golf Hall of Fame and Museum. The Association recognized an increase in revenues to \$884K from \$399K in 2015 through our Team Canada licensing agreement with Hudson's Bay and through sales of Rules of Golf literature in the first year of the new quadrennial cycle. Expenses incurred include the maintenance of the golf infrastructure that oversees the Rules of Golf, Course Rating services and our national Handicap system.

OTHER OPERATIONS

Golf Canada runs two professional golf tournaments that are Canada's National Open Championships—one is on the LPGA Tour and the other is on the PGA TOUR—as well as the Freedom 55 Financial Championship on the Mackenzie Tour-PGA TOUR Canada schedule. Golf Canada also owns and operates a golf learning centre in Calgary.

CP WOMEN'S OPEN

Priddis Greens Golf Club in Priddis, Alta. hosted the 2016 CP Women's Open. Canada's Alena Sharp had an incredible run on home soil in one of the deepest fields on the LPGA Tour, eventually falling short of champion Ariya Jutanugarn who captured the winner's share of the \$2.25M (USD) tournament purse for her 5th LPGA Tour victory in 2016. The biggest winner during the week was the Alberta Children's Hospital Foundation as Canadian Pacific Railway acted an extremely generous host in its corporate backyard. A variety of fundraising activations leading up to and during the event helped to generate \$2.0M in support of pediatric cardiac care and research.

Despite chilly and wet Alberta weather, the City of Calgary, Calgary Tourism, and its fans (public and corporate) proved that Calgary is an avid golf market. At the end of the event, we recognized a tournament surplus and a \$287K improvement in operating results versus 2015.

RBC CANADIAN OPEN

The 2016 RBC Canadian Open was once again held at Glen Abbey Golf Club in Oakville, Ont., returning to the historic course for the 28th time. The fruits of Golf Canada's High Performance program were on display all week culminating with National Amateur Squad member Jared du Toit playing alongside Team RBC's Brandt Snedeker in the final group on Sunday.

Despite one of the strongest fields in recent years, ticket and corporate hospitality sales continue to fight for market share against other sports and entertainment properties in the greater Toronto area. Nonetheless, the financial stability and proximity to Golf Canada's staff and resources helped to achieve a profit in 2016, a \$46K improvement over 2015.

Our strategy for 2017 consists of new corporate product offerings and a greater breadth of sales resources and tactics in market as we return to Glen Abbey. We have reorganized internal support staff to add greater focus on sales, operations, marketing, and fan enhancements. The golf course has undergone significant bunker improvements, which will be welcomed by the players.

FREEDOM 55 FINANCIAL CHAMPIONSHIP

Golf Canada conducted the fourth playing of the Mackenzie Tour-PGA TOUR Canada's Freedom 55 Financial Championship at the Highland Country Club in London, Ont.

Though the event is very well received by the players, the club and sponsor Freedom 55 Financial, we have had difficulty communicating the value to local sponsors and corporate buyers resulting in a loss on the event in each year of our host organization agreement. Therefore, we have elected not to continue to conduct this event on behalf of the Mackenzie Tour-PGA TOUR Canada as the host organization in 2017.

THE GOLF CANADA CALGARY CENTRE

Golf Canada's Calgary Centre provides an excellent opportunity to test and run golf development programs; provide access for Calgary-based schools and high-performance athletes from Alberta Golf; increase awareness of Golf Canada's role in growing the sport; and provide a positive and continuing cash flow to support our programs across the country. The facility operates a 9-hole short course; a driving range with a double-decker hitting stall structure that includes space for up to 60 patrons; indoor golf simulators; and full teaching academy. The driving range stalls are heated which permits practice and training year-round. In June 2013, the flooding of the Bow River in Calgary caused significant damage to the property and destroyed the lands that held an 18-hole natural grass mini-putt course. In 2016, we developed a new artificial turf putting course that overlooks the river. We are optimistic of the continued increase in foot traffic and sales that are returning to pre-flood levels.

During the year, the facility hosted a full-day junior camp highlighted by clinics hosted by Brooke and Brittany Henderson which also served as part of Golf Canada's Olympic Golf Team introduction. This is just one example of the quantum of non-financial benefits to the Association, Alberta Golf, and Alberta-based golfers that the facility brings.

INVESTMENTS

The Investment Policy Statement provides guidance for our investment decisions. The portfolio comprises a combination of bond funds, equity funds and alternative investment products. The investment mix is structured to produce the desired returns and meet current and future liabilities, with a robust risk management system in place. The Investment Committee and management obtain input on a regular basis from the Association's professional advisors in making decisions relating to the portfolio. The mandate of the Association's Investment Committee includes a review of the portfolio holdings on a regular basis.

The inherent volatility of global investment markets is a principal risk of the Association and the Investment Committee has established an appropriate mix of assets to ensure long-term stability in the income produced by the assets. The investment income from the portfolio continues to be used to contribute to the delivery of our various programs and services. We expect volatility, but to mitigate

significant fluctuations, the Association maintains a conservative portfolio mix with a return target of 6% (net of fees).

The Financial Mandate set by the Board states that the Association must maintain a minimum market value of \$25M in assets, consisting of the investment portfolio, the Calgary facility and any other income producing assets, of which \$10M must be in liquid holdings. As at October 31, 2016, the investment portfolio balance itself was at \$23.9M (2015 - \$23.2M), excluding the market value of the Calgary facility (whose market value is not readily available). The Financial Mandate, as of October 31, 2016, has been met and we are committed to ensuring the internally imposed restrictions remain satisfied going forward.

During the year, the market resulted in strong gains in our portfolio across all asset-types within our portfolio—income, equities, and alternative funds. Total investment income for the year was \$1.48M (6.37%) compared to \$1.06M (4.24%) in 2015.

CAPITAL

Investment in technology, systems and hardware, in addition to our Golf Canada Calgary Centre, have been paramount over the past two years. In total, \$1.1M has been expended over this period on capital. This spending has been necessary to ensure the modernization of our business.

During 2016, we continued the user experience and interface enhancements to the Golf Canada Score Centre and modernized our internal membership systems (e-commerce and customer relationship management system) to address facets and strategies of our new membership model. The total capital spent on these initiatives was \$248K in aggregate. In Calgary, the Association capitalized \$380K to build a new artificial turf putting course in addition to uninsured costs of rebuilding the facilities buildings/assets because of the 2013 flood.

GOVERNMENT FUNDING

The quantum and quality of the programs that Golf Canada delivers would not be possible without the continued support of several government agencies. Sport Canada, a department of the Federal Government, recognizes Golf Canada as the National Sport Federation for golf and provides the Association with funding to support our National Team program, Amateur Championships, golf development initiatives and a contribution towards administrative costs. Additionally, in 2016, Golf Canada qualified for funding from Own the Podium, a not-for-profit organization supported by the Canadian Olympic Committee and Sport Canada. The aggregate funding recognized through these two avenues in 2016 was \$746K (\$730K was recognized in 2015).

Golf Canada's designation as the National Sport Federation also provides an opportunity for some of our athletes in the National Team program to access additional support through the Sport Canada Athlete Assistance Program (AAP). Sport Canada also provides funding through their Hosting Program which provides financial support to the RBC Canadian Open, CP Women's Open and World Junior Girls Championship.

Certain elements of our 2016 programming were enhanced as the result of funding and support from other government departments or bodies, including the municipalities of Calgary, Priddis, Ottawa, London and Oakville; Metrolinx; Calgary Tourism; and the Ontario Ministry of Tourism, Culture, and Sport. We are extremely grateful for the support these organizations provided in 2016.

CONTRIBUTIONS

In 2016, Golf Canada and our partners supported various charities and other golf related entities, actively participating in the raising of over \$4.2M (compared to \$3.4M in 2015), reinforcing the philanthropic value of golf in Canada.

- Golf Canada increased our contributions to \$248,315 to the various provincial golf associations, member facilities, and PGA of Canada professionals in the form of grants and credits to support “grow the game” initiatives.
- Golf Canada contributed \$30,000 toward initiatives conducted on behalf of the Canadian golf industry by the Canadian Turfgrass Research Foundation and other initiatives supporting Canadian athletics. Golf Canada also contributed time and resources to the National Allied Golf Associations’ lobbying efforts and fulfillment of that organization’s mandate.
- The Golf Canada Foundation awarded a total of \$963,540 in grants and scholarships during 2016. \$510,000 was paid to Golf Canada to enhance the High Performance segment of our business, as well as \$75,000 in funding towards the World Junior Girls Championship. To assist with golf programs at Canadian post-secondary institutions and their golfers, the Foundation awarded \$102,501 in grants and scholarships. The Foundation also awarded \$276,039 in grants promoting junior golf and to enhance coaching and rules of golf programs.
- Through their CP Has Heart activation strategy at the CP Women’s Open in Priddis, Alta., including donations for ticket purchases, birdies on the 17th hole during the tournament, and donations from spectators for access to the CP fan zone, CP donated a total of \$2.0M to the Alberta Children’s Hospital Foundation.
- The RBC Canadian Open in Oakville, Ont., operated in conjunction with RBC and the PGA TOUR, made contributions to various charities and service groups in the amount of \$939,842 (including a \$333,000 donation to the Ronald McDonald House Charities Canada in support of children’s wellness initiatives), in addition to a \$65,000 donation to the World Golf Hall of Fame.
- \$372,000 in donations to the Canadian Cancer Society and the Quebec Breast Cancer Foundation were raised through Golf Fore the Cure events, increasing the Association’s lifetime contribution in support of breast cancer research to \$5.9M.

PRINCIPAL RISKS OF THE ASSOCIATION

The Association’s ability to deliver on the facets of our strategic plan may be affected by risks and uncertainties. Management has implemented procedures to identify and manage significant brand reputation, operational, regulatory and financial risks.

The following section describes the principal immediate risks and uncertainties that have been identified that could have a material and adverse effect on the Association's financial mandate:

- Significant decrease in perceived lack of value in membership of Golf Canada.
- The loss of a title sponsor and/or significant secondary sponsor of any professional tournament or reduction in funding to support the Future Links program.
- A natural disaster at the Golf Canada Calgary Centre.
- A natural disaster or significant security crisis at our Men's or Women's National Open Championship.
- Significant volatility in global investment markets.
- Future financial results fall materially short of budget and/or the Board's Financial Mandate.
- Lack of strategic success and results in fulfilling the Association's mandate.
- An inability to deliver the Score Centre technology, handicapping and score posting functionality, to our members.

An annual review is performed to ensure that appropriate risk mitigation processes are in place to maximize utility of the Association with an acceptable level of risk inherent in our operations. The principal risks above may differ from year to year; however, management ensures that appropriate mitigation activities remain in place.

Golf in Canada and the Association is also indirectly impacted by macro-economic factors. Golf is dependent upon discretionary spending by consumers and corporations as well as supply and demand relative to courses, ranges, facilities, and manufacturers. An extended recession could materially affect golf in Canada and the Association. A decline in the economic environment could impact disposable income that may have an adverse impact on operating revenues through membership and would negatively impact our partners, sponsors, and corporate supporters of golf in Canada. Golf participation and rounds played is also directly impacted by weather conditions from coast to coast.

FINANCIAL OUTLOOK AND OPPORTUNITIES

The current strategic plan of the Association is focused on initiatives that support growing the game from a junior programming and golfer interaction perspective while also maintaining fiscal responsibility. We made great strides in improving our financial results in 2016 and we know we can continue to be leaner, more effective, and more impactful without compromising programming. We have a Financial Mandate that ensures fiscal responsibility and maximization of opportunities with corporate Canada, which often requires the Association to make difficult decisions. Late in 2016, we completed a thorough evaluation of our structure, operating and staffing costs. A restructuring of responsibilities was deemed to be an integral step in creating a more effective internal service network to support Golf Canada's distinct operations going forward. Although it is difficult to say goodbye to colleagues and friends, we appreciate all their contributions and feel confident about what lies ahead for Golf Canada. The related costs of this restructuring (\$178K) were expensed in the current year's Statement of Revenues and Expenses, creating opportunity in the future to redirect the savings into programming.

We have been fortunate to partner with some of Canada's biggest brands in the Royal Bank of Canada and Canadian Pacific Railway – these companies deserve to be commended for their generosity to the industry, to the growth of the game and the legacy they are building. During the year, we extended RBC's title sponsorship agreement with the men's Canadian Open through 2023. This is a tremendous

benefit for Golf in Canada as we can now be assured that a professional stage will be prevalent for many years.

Golf's return to the Olympics also provided a unique opportunity to foster interaction with supporters of the game in Canada, our partners at the Provincial Golf Associations and international golf governing bodies. Although the results didn't bear fruit for Canadian golf on the medal podium, we are excited for the resulting opportunity this may have in engaging corporate Canada come 2020, obtaining additional Own the Podium funding, and creating heroes for youth in the sport.

In 2016 we proved that the revised membership model has acceptance amongst facilities in Canada. We will continue to implement a model which we believe has the potential to create greater equity and deliver more value to our member clubs and their individual members, which will ultimately grow revenues for all stakeholders. In addition, we wish to develop a program that will appeal to a greater share of Canada's 5.7M golfers. We continue to invest in our enhanced digital experiences and offerings for anyone who connects with Golf Canada. The "Bronze" level membership, which is free to join, is a great way to engage with the greater golf community and still reap several exciting benefits.

Clublink's public announcement that they have filed for rezoning and ultimately the development of the Glen Abbey property presents both challenges and potential opportunity for Golf Canada. This will require that we investigate a new vision for the RBC Canadian Open, the home office of Golf Canada, and the Canadian Golf Hall of Fame. Our ability to strategically collaborate with facilities, governments and/or sport organizations is expected to represent an exciting opportunity in the future.

In November 2016, our CEO, Scott Simmons, announced his departure from Golf Canada, effective early 2017. We have held many discussions with key stakeholders to develop the optimal profile of his successor. The Association is conducting a thorough search for candidates and we expect to have hired a replacement by April 2017. The successor, along with the Board of Directors and management team, will be committed to growth, innovation, and increasing the member value proposition while improving on our long-term financial health.

The Association is committed to its Financial Mandate of operating on at least a breakeven basis as well as maintaining its asset base over \$25M. As the National Sport Federation, Golf Canada strongly believes we are on the right track to deliver on our mission of growing participation, excellence and passion in the sport while upholding the integrity and traditions of the game with the resources available to us.



Robert MacDonald, FCPA, FCA
Chair,
Audit & Risk Management Committee



Garrett Ball, CPA, CA
Chief Financial Officer
Golf Canada

January 2017

Independent Auditor's Report

TO THE MEMBERS OF THE ROYAL CANADIAN GOLF ASSOCIATION:

We have audited the accompanying financial statements of the Royal Canadian Golf Association (operating as Golf Canada), which comprises the statement of financial position as at October 31, 2016 and the statement of revenues and expenses, changes in net assets, and cash flows for the year then ended and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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 our 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, we consider 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 present fairly, in all material respects, the financial position of Golf Canada as at October 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matters

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. Schedule A is presented for purposes of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of financial statements, and, accordingly, we express no opinion on it.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada
December 9, 2016

Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

AS AT OCTOBER 31

Assets	2016	2015
Current Assets		
Accounts Receivable and Prepaid Expenses	\$ 3,723,680	\$ 3,627,553
Receivable from the Golf Canada Foundation (Note 11)	1,011,689	706,515
	4,735,369	4,334,068
Investments (Note 4)	23,946,416	23,200,956
Capital Assets (Note 5)	1,866,245	1,672,671
Intangible Assets (Note 6)	309,796	154,431
	\$ 30,857,826	\$ 29,362,126
Liabilities		
Current Liabilities		
Bank Indebtedness (Note 7)	\$ 845,983	\$ 375,860
Bank Facilities (Note 7)	970,000	-
Accounts Payable and Accrued Liabilities	1,847,282	1,764,417
Deferred Revenue	167,551	294,223
	3,830,816	2,434,500
Net Assets		
Operating	27,027,010	26,927,626
	\$ 30,857,826	\$ 29,362,126

Commitments (Note 10)
(See accompanying notes to financial statements)

On behalf of the Board:



Robert MacDonald, FCPA, FCA,
Director and Audit and Risk Management Committee Chair



Roland A. Deveau, Q.C.,
President

Statement of Changes in Net Assets

YEAR ENDED OCTOBER 31

	2016		2015	
Balance, beginning of year	\$	26,927,626	\$	27,843,121
Excess (Deficiency) of Revenues over Expenses		99,384		(915,495)
Balance, end of year	\$	27,027,010	\$	26,927,626

(See accompanying notes to financial statements)

Statement of Revenues and Expenses

YEAR ENDED OCTOBER 31

	2016 Revenue	2016 Expenses	2016 Net	2015 Revenue	2015 Expenses	2015 Net
Membership, Program Revenues and Expenses						
Membership	\$ 3,627,762	\$ 1,437,964	\$ 2,189,798	\$ 3,659,617	\$ 1,281,761	\$ 2,377,856
Direct Program Revenues and Expenses						
Grass Roots Programs	1,601,993	1,243,898	358,095	1,526,667	1,265,526	261,141
High Performance (Team Canada)	1,464,225	1,722,171	(257,946)	1,419,141	1,504,424	(85,283)
Amateur Championships	889,590	1,100,398	(210,808)	789,860	1,101,137	(311,277)
Other Programs and Services	883,803	531,041	352,762	398,831	378,543	20,288
Total Direct Program Revenues and Expenses	4,839,611	4,597,508	242,103	4,134,499	4,249,630	(115,131)
Program Support Revenues and Expenses						
Communications and Business Development	-	1,368,669	(1,368,669)	-	1,363,673	(1,363,673)
Administration and Overhead (Note 9)	68,600	2,865,181	(2,796,581)	73,000	2,924,355	(2,851,355)
Total Program Support Revenues and Expenses	68,600	4,233,850	(4,165,250)	73,000	4,288,028	(4,215,028)
Total Membership, Program Revenues and Expenses	8,535,973	10,269,322	(1,733,349)	7,867,116	9,819,419	(1,952,303)
Other Operations						
Professional Tournaments	25,569,313	25,097,222	472,091	24,916,591	24,832,418	84,173
Golf Canada Calgary Centre	1,624,912	1,414,799	210,113	1,581,407	1,416,466	164,941
Total Other Operations	27,194,225	26,512,021	682,204	26,497,998	26,248,884	249,114
Investment Income						
Total Investment Income (Note 4)	1,484,074	-	1,484,074	1,059,373	-	1,059,373
Excess (Deficiency) of Revenues over Expenses before Amortization						
			\$ 432,929			\$ (643,816)
Amortization	-	333,545	(333,545)	-	271,679	(271,679)
Total Excess (Deficiency) of Revenues over Expenses	\$ 37,214,272	\$ 37,114,888	\$ 99,384	\$ 35,424,487	\$ 36,339,982	\$ (915,495)

Sport Canada Funding (Note 8)
Golf Canada Foundation (Note 11)

(See accompanying notes to financial statements)

Statement of Cash Flows

YEAR ENDED OCTOBER 31

Increase (Decrease) in Cash	2016	2015
Operating activities		
Excess (Deficiency) of Revenues over Expenses	\$ 99,384	\$ (915,495)
Amortization of Capital Assets	240,700	240,793
Amortization of Intangible Assets	92,845	30,886
Increase in Market Value of Investments	(1,004,848)	(408,897)
	(571,919)	(1,052,713)
Net Change in Non-cash Working Capital Components Relating to Operations	(445,108)	(1,068,543)
	(1,017,027)	(2,121,256)
Financing activity		
Use of / (Repayment of) Bank Facilities	970,000	(670,000)
Investing activities		
Redemption of Investments (net)	259,388	2,868,943
Purchase of Capital Assets	(434,274)	(228,826)
Purchase of Intangible Assets	(248,210)	(185,317)
	(423,096)	2,454,800
Increase in Bank Indebtedness, During the Year	(470,123)	(336,456)
Bank Indebtedness, Beginning of Year	(375,860)	(39,404)
Bank Indebtedness, End of Year	\$ (845,983)	\$ (375,860)

(See accompanying notes to financial statements)

Notes to Financial Statements

AS AT OCTOBER 31, 2016

1. Nature of Operations

The Royal Canadian Golf Association (operating as Golf Canada) is incorporated without share capital under the laws of Canada and is a Registered Canadian Amateur Athletic Association under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Accounting standards for not-for-profit organizations require entities to select policies appropriate for their circumstances from choices provided in the specific standards in Part III of the CICA Accounting Handbook.

(b) Use of estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(c) Financial instruments

The Association initially measures its financial assets and liabilities at fair value. Subsequently, the Association measures all its financial instruments at fair value or amortized cost with subsequent changes in fair value recognized in the Statement of Revenues and Expenses.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

Transaction costs related to financial instruments subsequently measured at fair value are expensed as incurred. Financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or redemption.

Financial assets and liabilities measured at amortized cost include accounts receivable, receivable from the Golf Canada Foundation, accounts payable and accrued liabilities, and deferred revenue. The Association measures investments at fair value.

(d) Capital assets and amortization

Rates and bases of amortization applied to write-off the cost less estimated salvage value of capital assets over their estimated useful lives are as follows:

Computer Equipment	50%, declining balance
Leasehold Improvements	Straight line over the term of the lease
Furniture and Equipment	25%, declining balance
Golf Canada Calgary Centre	Straight line over remaining years of the lease

(e) Intangible assets and amortization

Intangible assets are initially recognized and measured at cost. Intangible assets with finite useful lives are amortized over their useful lives. The amortization methods and estimated useful lives of intangible assets are as follows:

Website and Score Centre Development	Straight line over three years
Customer Relationship Management System	Straight line over three years

(f) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Deferred revenue represents sponsorship and ticket revenues relating to professional tournaments which have been received but not earned. Membership dues are recognized as revenue as fees become due. All other revenue is recognized upon completion of the particular tournament or event.

(g) Donated services

The work of the Association is dependent on the services of many volunteers at amateur and professional events as well as governance Councils and Committees. Since these services are not normally purchased by the Association and because of the difficulty of determining their fair value, donated services are not recorded in the Statement of Revenues and Expenses.

(h) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

3. Financial instruments

Credit risk

The Association is subject to credit risk through trade receivables. Credit risk is minimized by dealing primarily with companies with strong financial positions. The Association maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

Currency risk

The Association holds a portion of funds in U.S. dollars. At the statement of financial position date the Association held U.S. cash of \$11,194 (2015 - \$7,488).

Interest Rate Risk

The Association is subject to interest rate risk through its bank facilities (Note 7) debt that bear interest based on the lender's prime rate, which may vary from time to time. Certain of the Association's investments (Note 4) are also subject to interest rate risk. The Association manages this risk by investing in a diversified portfolio of assets in accordance with the Investment Policy Statement.

Market Risk

The Association is exposed to market fluctuations through its investments quoted in active markets. Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in those market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the markets. The Investment Committee controls risk management of the portfolio by assigning a risk classification to each holding within the portfolio and ensuring that appropriate diversification exists, guided by the Investment Policy Statement.

4. Investments

	2016	2015
Cash	\$ 114,111	\$ 73,860
Income Fund Investments	13,392,518	13,303,618
Equity Fund Investments	7,248,238	6,914,453
Alternative Investment Products	3,191,549	2,909,025
	\$ 23,946,416	\$ 23,200,956

Financial Mandate

In 1999, the Board of Governors of the Association designated \$40,000,000 from the sale of the Glen Abbey Golf Course to be used for the betterment of the game of golf in Canada. In 2014, the Board approved a transfer of the remaining balance of the Board Designated Fund to the Operating Fund and eliminated the Restricted Fund of the Association. The remaining assets of the Board Designated Fund remain invested in Golf Canada's investment portfolio. The Board upholds a Financial Mandate with the objective for the Association to operate on at least a breakeven basis and maintain a minimum market value of \$25,000,000 in the portfolio (including the Golf Canada Calgary Centre or other income producing assets) of which a minimum of \$10,000,000 must be in liquid holdings. The Financial Mandate is intended to act as protection of the funds, thus not requiring them to be held in a separate Board Designated Fund.

Governance

The investment objectives and portfolio mix are in accordance with the Association's Investment Policy Statement approved by the Board. A copy of the Association's Investment Policy Statement is made publicly available on our external website, www.golfcanada.ca. The Investment Committee and management obtain input on a regular basis from the Association's professional advisors in making decisions relating to the portfolio. The mandate of the Association's Investment Committee includes a review of the portfolio holdings on a regular basis.

Investment Income

Investment income recognized in the Statement of Revenues and Expenses include the following:

	2016	2015
Distributions	\$ 479,226	\$ 650,476
Increase in Market Value of Investments	1,004,848	408,897
	\$ 1,484,074	\$ 1,059,373

5. Capital Assets

	2016			2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer Equipment	\$ 598,525	\$ 516,622	\$ 81,903	\$	134,375
Leasehold Improvements	680,798	357,747	323,051	\$	333,369
Furniture and Equipment	419,654	244,878	174,776	\$	233,031
Golf Canada Calgary Centre	4,087,618	2,801,103	1,286,515	\$	971,896
	\$ 5,786,595	\$ 3,920,350	\$ 1,866,245	\$	1,672,671

6. Intangible Assets

	2016			2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Website and Score Centre Development	\$ 342,188	\$ 87,025	\$ 255,163	\$	64,450
Customer Relationship Management System	91,340	36,707	54,633		89,981
	\$ 433,528	\$ 123,732	\$ 309,796	\$	154,431

7. Bank Indebtedness and Facilities

Bank indebtedness of \$845,983 as at October 31, 2016 (2015 - \$375,860) is comprised of \$995,467 (2015 - \$1,265,089) of outstanding cheques that were more than the Association's bank account balances totaling \$149,484 (2015 - \$889,229).

As at October 31, 2016, the Association has a revolving demand Facility (1a) of \$1,500,000. As security, the Association has pledged a portion of the investment portfolio against this Facility ('Facility 1a'). \$970,000 of this facility was drawn on as at October 31, 2016 (2015 - \$nil). On November 11, 2016, the Association entered a second revolving demand Facility ('Facility 1b') of \$500,000 which expires on December 31, 2016. Both facilities are due upon demand and bear interest at a rate of bank prime plus 0.75% (3.45% at October 31, 2016).

8. Sport Canada Funding

As the National Sport Federation (NSF) for golf in Canada, the Association receives funding from the Government of Canada through Sport Canada's Sport Support Program to enhance and advance the Canadian Sport Policy. Funding is aimed at developing our athletes and coaches at the highest international levels; providing sound technically-based golf programming for all golfers; increasing the number of Canadians from all segments of society involved in golf, and advancing Canadian interests and values in Canada and abroad.

Funding is granted on the basis of eligible expenditures that are incurred to contribute to the achievement of the objectives of the Canadian Sport Policy. Funding is provided annually throughout Sport Canada's fiscal year (April 1 to March 31).

The Association estimates the amount of eligible expenses that are incurred during the Association's fiscal year and recognizes revenue from Sport Canada's fiscal year on a pro-rata accrual basis. Revenue has been allocated to Direct Program and Program Support Revenues on a pro-rata basis of total eligible expenditures. During the Association's fiscal year, a total of \$686,000 (2015 - \$730,200) was recognized from Sport Canada program revenues.

Schedule A highlights the total cash funding provided by Sport Canada during their fiscal year ending, March 31, 2016 and the eligible expenditures incurred within the same Mainstream Program categories permitted by the Contribution Agreement for the Association's fiscal year ended, October 31, 2016.

9. Allocation of Administration and Overhead Expenses

	2016	2015
Building and IT Systems, Network and Applications	\$ 1,173,822	\$ 1,038,749
Salaries, Restructuring and Travel	1,281,023	1,415,742
Professional Fees, Insurance, and Bank Fees	413,082	387,433
Association Meetings	229,321	258,484
Postage, Courier and Order Center	112,137	82,196
Strategic Planning and Other Costs	28,796	147,751
Total Administration and Overhead Expenses	3,238,181	3,330,355
Allocation to Professional Tournaments	(373,000)	(406,000)
Net Administration and Overhead Expenses	\$ 2,865,181	\$ 2,924,355

During the year, Golf Canada incurred approximately \$62,000 (2015 - \$72,000) of Administration and Overhead expenses, on behalf of the Golf Canada Foundation. These expenses have not been charged to the Golf Canada Foundation.

10. Commitments

The Association has entered agreements to lease office space (71% of annual commitment), land for the Golf Canada Calgary Centre (18% of annual commitment), office equipment and machinery to various dates to 2021. Minimum annual payments under these lease agreements in aggregate and for the next five years are due as follows:

2017	\$	567,871
2018		567,324
2019		90,625
2020		15,640
2021		7,820
Total	\$	1,249,280

11. Golf Canada Foundation

Each member of the Board of Directors of Golf Canada is a member of the Golf Canada Foundation. The Foundation was established to raise and grant funds for the advancement of golf in Canada. The Foundation delivers this mandate through Scholarships and Grants. During 2016, the Foundation awarded a total of \$964,000 in scholarships and grants (2015 - \$965,000). The Foundation is a Registered Canadian Amateur Athletic Association under the Income Tax Act.

Foundation results have not been consolidated in the Association's Financial Statements. Financial Statements of the Golf Canada Foundation are available upon request. The Receivable from the Golf Canada Foundation is settled on a periodic basis. Transactions between the two entities consist of reimbursement of expenses paid on behalf of the Foundation, grants paid to support Association programming, and licensing of assets. A total of \$677,000 (2015 - \$709,000) has been recorded in the Statement of Revenue and Expenses as revenue from the Golf Canada Foundation.

A summary of the audited financial statements of the Foundation as at October 31, 2016 and October 31, 2015 and for the years then ended are as follows:

	2016	2015
Financial Position		
Total Assets	\$ 2,594,873	\$ 2,275,422
Total Liabilities	1,460,555	1,070,706
Total Net Assets	\$ 1,134,318	\$ 1,204,716
Results of Operations		
Total Revenues	\$ 1,462,334	\$ 1,314,937
Gain (Loss) on Market Value of Investments	56,803	(22,768)
Total Expenses	1,589,534	1,551,854
Excess of Expenses over Revenues	\$ (70,397)	\$ (259,685)
Cash Flows		
Cash used in from Operations	\$ (219,005)	\$ (138,797)
Cash used in Investing Activity	(93,804)	(376,730)
Cash from Financing Activity	79,930	108,756
Decrease in Cash	\$ (232,879)	\$ (406,771)

12. Comparative Figures

Certain of the comparative figures included in these financial statements have been reclassified to conform to the presentation adopted for the current year.

Sport Canada Funding – Revenues and Expenses (unaudited)

YEAR ENDED OCTOBER 31

Schedule A

The following schedule highlights the total cash funding provided by Sport Canada during their fiscal year ending, March 31, 2016 under each of the mainstream contribution blocks of the Contribution Agreement signed between the two parties. The Association recognizes Sport Canada's funding on a pro-rata accrual basis while Schedule A represents the cash funding received from Sport Canada for the April 1, 2015 to March 31, 2016 Contribution Agreement.

The total expenses presented represent the eligible expenditures incurred by the Association within each contribution block for the Association's fiscal year ended, October 31, 2016. The eligible total expenditures are presented within Direct Program Expenses and Program Support Expenses of the Statement of Revenues and Expenses.

	Revenues			Expenses
	Sport Development	Enhanced Excellence	Total Revenue	Total Expenses
Mainstream Core Programs				
General Administration	\$ 67,350	\$ -	\$ 67,350	\$ 1,728,443
Governance	33,675	-	33,675	544,779
Salaries, Fees and Benefits	67,350	-	67,350	2,940,291
Coaching Salaries and Professional Development	122,300	-	122,300	462,651
National Team Program	89,525	12,500	102,025	634,240
Official Languages	11,500	-	11,500	132,252
Operations and Programming	281,800	-	281,800	1,514,807
Mainstream Above Core Programs				
Long-Term Athlete Development	11,000	-	11,000	482,470
Total Revenues and Expenses	\$ 684,500	\$ 12,500	\$ 697,000	\$ 8,439,933