

TERMINAL CITY CLUB

MEMBERSHIP & SUBSCRIPTION APPLICATION

MEMBERSHIP &
SUBSCRIPTION APPLICATION

OFFERING DOCUMENT

EXEMPTION DECISION FROM
THE BC SECURITIES COMMISSION

AUDITED FINANCIAL STATEMENTS,
SEPTEMBER 30, 2023

TERMINAL CITY CLUB

MEMBERSHIP & SUBSCRIPTION APPLICATION

Membership Type: _____

Applicant's Legal Name: _____
[first] [middle] [last]

Prefix: _____ Familiar Name: _____

Residential Address: _____

City/Province: _____ Postal Code: _____

Residential Phone: _____ Cell Phone: _____

Email: _____ Date of Birth: _____

Company: _____ Title: _____

Business Address: _____

City/Province: _____ Postal Code: _____

Business Phone: _____ Business Email: _____

I would like statements/correspondence sent to:

☐ Home email

☐ Business email

If you **do not** wish to have your contact information included
in the TCC member roster, please initial here: [_____]

Marital Status: ☐ Single ☐ Married ☐ Common Law Name of Spouse/Partner: _____

Children

Name: _____ ☐ Male ☐ Female Date of Birth: _____

Name: _____ ☐ Male ☐ Female Date of Birth: _____

Name: _____ ☐ Male ☐ Female Date of Birth: _____

I was referred to join TCC by: _____

Proposed and seconded by the following Terminal City Club members:

Proposer: _____ Seconded: _____

Emergency Contact: _____

Relationship: _____ Phone: _____

I hereby make application for membership at Terminal City Club Inc., of Vancouver, BC, which membership shall be subject to the Articles, House Rules, and the Club Member's Agreement of the said Club now and hereafter adopted.

I clearly understand that any mis-statement or misinterpretation of fact made by me in this application shall be full and sufficient reason for the Board of Directors of the Club to refuse to consider my application, or if elected, to cancel my membership at any time without refund of any subscription or dues paid by me.

The subscription of _____ dollars accompanies this application.

Signature: _____ Date: _____

MEMBERSHIP & SUBSCRIPTION APPLICATION PAGE 2

For Corporate Membership or Corporate Transfer, please complete this section:

I (We) desire that this membership and share shall be registered in the name of

Legal Name of Firm or Corporation

in favour of the above named applicant (representative of corporation) and subject to the Articles, House Rules, and the Club Members' Agreement governing Corporate membership.

We the undersigned corporation and representative of the corporation jointly and severally guarantee to Terminal City Club Inc. the due payment of all future indebtedness relating to this Corporate membership incurred by the representative.

Duly Signing Officer of the Corporation: _____

Title: _____ Phone Number: _____

Signature: _____

Personal History

I am a member of the following Fraternal and Social Societies and Clubs:

Have you ever been refused membership to, or been expelled from, any Club or Fraternal or Social Society?

☐ Yes ☐ No

Interests

To improve your Club experience and to better meet the evolving needs of our membership, we kindly ask you to select your areas of interest from the following list. This opportunity to know you better will assist the Club in planning activities and contacting you about events that coincide with your interests.

Connecting

- ☐ Business Networking
- ☐ Discussion/Speaker Events
- ☐ Book Club
- ☐ Travel Group

Social

- ☐ Billiards
- ☐ Off-site events
- ☐ Family Friendly Events
- ☐ Live Music

Health & Fitness

- ☐ Squash
- ☐ Swimming
- ☐ Fitness Classes
- ☐ Children's Classes

Food & Beverage

- ☐ Culinary Events
- ☐ Tasting Events
- ☐ Wine Club
- ☐ Scotch Club
- ☐ Cocktails & Spirits

☐ Other (specify): _____

Allergies

Do you have any food allergies or sensitivities? ☐ Yes ☐ No If yes, please specify: _____

By default, the Club member consents to receive information relating to upcoming Club activities and/or Club opportunities (the "Club Information") from the Club, which includes, but is not limited to, emails, text messages, or telephone.

The Club member may withdraw consent to receive the Club Information by making a written request to members@tcclub.com. Such consent will be deemed to be withdrawn 30 days from the date of making the request. [_____] initial

OFFERING DOCUMENT

Terminal City Club Inc.

837 West Hastings Street

Vancouver, BC V6C 1B6

Phone: 604.681.4121 Fax: 604.681.9634

Email: admin@tcclub.com

INTRODUCTION

This Offering Document relates to an offering (the "Offering") by Terminal City Club Inc. (the "Club" or the "Company") of common shares in the capital of the Company (the "Common Shares").

Although the Offering consists of Common Shares, the Common Shares do not constitute a usual investment in "equity securities" as the Common Shares do not represent any possibility of profit, do not provide for any dividends, distributions, tax or other benefits as is typically associated with other equity securities. As detailed under "No Profits or Dividends" within this Offering Document, the Common Shares do not provide shareholders with any opportunity to participate in the economic performance of the Company because, among other things, no dividends or distributions will ever be paid to shareholders. Also, as described in "Terms, Conditions, Restrictions on Transfer and Purchase and Redemption of Common Shares," the Company's Articles drastically limit the transferability of Common Shares. As a result, shareholders will not realize a profit on the purchase or redemption of the Common Shares and will not recoup the amount initially paid to acquire a Common Share.

AS THE COMMON SHARES DO NOT CONSTITUTE A TYPICAL EQUITY SECURITY, PURCHASERS SHOULD NOT PURCHASE A COMMON SHARE WITH THE PURPOSE OF MAKING ANY RETURN ON THEIR INVESTMENT. THE COMMON SHARES HAVE NOT BEEN APPROVED OR RECOMMENDED ANY SECURITIES COMMISSION. THE COMMON SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT IN LIMITED INSTANCES.

TERMS, CONDITIONS, RESTRICTIONS ON TRANSFER AND PURCHASE AND REDEMPTION OF COMMON SHARES

The directors of the Company (the "Board") may, subject to the rights of the current shareholders of the Company, issue, allot, sell, grant options on or otherwise dispose of the unissued Common Shares and the issued Common Shares held by the Company, to such persons, including directors, in the manner, on the terms and conditions and for the issue prices that the Board, in its absolute discretion, may determine.

The fair market value of a Common Share, after it has been issued, will, for all purposes, be deemed to be \$1.00.

Each issued Common Share represents an entitlement to one (1) vote at a meeting of shareholders of the Company, other than shareholders who are in default of their respective Subscription and Club Member's Agreement. The Common Shares are not convertible into securities of any other class. All amounts paid by a shareholder upon subscription for a Common Share will be deemed a contribution of capital and will be added to the contributed surplus of the Company.

Save and except for voting powers of a Common Share, and subject to the Articles of the Company, there are no other rights attached to the Common Shares.

Pursuant to the Company's Articles, the Company is prohibited from paying dividends or making distributions to its shareholders and the Common Shares are non-transferable other than: (a) to the Company for \$1.00; and (b) in the case of the merger or similar reorganization of a corporate shareholder and then only with the consent of the Board. The Common Shares will be redeemable by the Company, at the \$1.00 par value per Common Share, upon the occurrence of the any one of following:

- (a) death of a shareholder;
- (b) failure of a shareholder to execute and deliver a Club Member' Agreement;
- (c) default of a shareholder pursuant to the terms of a Club Member's Agreement;
- (d) a breach of the Company's House Rules by a shareholder;
- (e) termination of a shareholder's Club Member's Agreement; and
- (f) purported transfer of a Common Share by a shareholder without the consent of the Board.

HISTORY AND OPERATIONS OF THE ISSUER

The registered address of the Company is 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1.

The Company was formed by the amalgamation of Terminal City Club Inc. and its wholly-owned subsidiary, 837 West Hastings Street Limited ("837"), effective December 20, 1989, pursuant to the laws of the Province of British Columbia. The Company had, since December 10, 1953, been operated as a society under the name "Terminal City Club" (the "Society"). In accordance with a special resolution of the Society, passed at a special general meeting of its members held on November 16, 1989, the Society was, effective December 6, 1989, converted into a company named "Terminal City Club Inc." under the *Business Corporations Act* (British Columbia) in order to facilitate the amalgamation with 837.

The aims of the Company are to manage and operate a social club for the benefit of the members of the Club and their guests.

The Company is governed by its Articles, copies of which are available for inspection by any shareholder during business hours at the offices of the Club Secretary of the Company at 837 West Hastings Street, Vancouver, BC. (**email: admin@tcclub.com, Phone: 604-488-8631**)

ORGANIZATIONAL STRUCTURE

Pursuant to its Articles, the affairs of the Club are conducted by the Board. The day-to-day operations of the Club are managed by its Chief Executive Officer, who is appointed from time to time by the Board. The remaining executive officers are the President and Vice President, both of whom are also appointed by the Board. Members of the Board are, with the exception of the past President of the Club who is an ex-officio director for a one-year term, elected to serve for two-year terms by the shareholders of the Company at the annual general meeting of the Company.

The Company's wholly-owned subsidiary, Terminal City Club Developments Inc. (the "Subsidiary") was incorporated on January 26, 1995, pursuant to the laws of the Province of British Columbia for the purpose of developing club facilities. The Subsidiary is governed by its memorandum and articles of association, copies of which are available for inspection by any member during business hours at the office of the Club Secretary of the Company at 837 West Hastings Street, Vancouver, BC. (**email: admin@tcclub.com, Phone: 604-488-8631**). Pursuant to its Articles, the affairs of the Subsidiary are conducted by its board of directors. The Subsidiary is currently inactive.

NO PROFITS OR DIVIDENDS

The Company has been organized exclusively for benevolent, fraternal or recreational purposes and not for profit; therefore, a prospective purchaser should not expect any return on their investment. The Common Shares do not represent any possibility of profit, do not provide for any dividends, distributions, tax or other benefits as is typically associated with other equity securities. For greater certainty, the Common Shares do not provide shareholders with any opportunity to participate in the economic performance of the Company.

ORDER AND FINANCIAL STATEMENTS

This Offering Document is being provided as a result of an Order (the "Order") received by the Company from the British Columbia Securities Commission and Alberta Securities Commission dated June 5, 2012, whereby the commissions granted an exemption from the prospectus requirement under the applicable securities legislation. Pursuant to the Order, please find enclosed a copy of the Order and audited financial statements of the Company for its most recently completed fiscal year.

June 5, 2012

In the Matter of
the Securities Legislation of
British Columbia
(the Jurisdiction)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the matter of
Terminal City Club Inc.
(the Filer)

Decision

Background

- ¶ 1 The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) for an exemption from the prospectus requirement of the Legislation (the Exemption Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

- (a) the British Columbia Securities Commission is the principal regulator for this application; and
- (b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta.

Interpretation

- ¶ 2 Terms defined in National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

- ¶ 3 This decision is based on the following facts represented by the Filer:
- 1. it began in 1892 and was registered under the British Columbia *Societies Act* on December 10, 1953; effective December 6, 1989, the Filer converted into a British Columbia company under the *Company Act* (British Columbia); the Filer is currently a British Columbia corporation;
 - 2. it converted to a corporation in order for the Filer to effectively develop its real estate, which includes dining, meeting and recreational facilities, retail space, parking facilities, a pub and a hotel operated by the Filer, the revenues from which subsidize the Filer's operating expenses;
 - 3. its current authorized capital is 100,000 common shares, each with a par value of \$1.00;
 - 4. it is organized exclusively for recreational purposes and operates on a not for profit basis;
 - 5. upon being accepted into the club, each member of the Filer (shareholder) receives one common share of the Filer; the Filer has distributed common shares at prices in the range of between \$1.00 and \$10,000.00 per common share;
 - 6. each shareholder has access to the Filer's concierge services, fitness facilities, swimming pool, billiards room, reading room, restaurants and pub, which are located at the Filer's premises in downtown Vancouver; shareholders also have access to a network of affiliated clubs;

7. under its Articles
 - (a) it is prohibited from paying dividends to its shareholders;
 - (b) its common shares are non-transferable other than to the Filer for \$1.00; and in the case of the merger or similar reorganization of a corporate shareholder and then only with the consent of the directors of the Filer;
 - (c) its common shares will be redeemable by the Filer, at the par value per common share, upon the occurrence of certain events including death of a shareholder, breach of the Filer's membership agreement or the Filer's house rules, termination of the shareholder's membership, and purported transfer of a common share by a shareholder without the consent of the Filer's directors;
8. as of January 1, 2012, it has 1,510 shareholders; the majority of whom are resident in British Columbia;
9. from the Filer's conversion to a company in 1989 to October of 2010, the Filer distributed common shares to its shareholders under the "not for profit issuer" exemption under applicable securities laws; the Filer continues to operate on a not for profit basis, however, the Filer has remunerated and intends on remunerating sales staff to increase new member sales and is therefore no longer eligible to utilize the "not for profit issuer" exemption under National Instrument 45-106 – *Prospectus and Registration Exemptions*; and
10. it is not a reporting issuer and does not intend to become a reporting issuer; its common shares have never been traded on any stock exchange, there is no market for the common shares in Canada or elsewhere, the Filer does not intend to list the common shares on any exchange or market or to conduct an initial public offering of the common shares.

Decision

- ¶ 4 The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

- (a) the Filer is organized exclusively for educational, benevolent, fraternal, charitable, religious or recreational purposes and not for profit;
- (b) no part of the net earnings of the Filer, if any, benefit any shareholder of the Filer;

- (c) the proceeds from the sale of common shares representing membership in the Filer will be used only for the repayment of debt and for general working capital purposes;
- (d) no commissions or other remuneration is paid in connection with the sale of common shares other than to directors, officers, employees or consultants of the Filer or to current shareholders for referrals to new shareholders;
- (e) the Filer has delivered a copy of this decision to each prospective shareholder;
- (f) the Filer has delivered an offering document that contains disclosure about the terms and conditions of the common shares, the history and operations of the Filer, the organizational structure of the Filer, the restrictions on transfer of the common shares, that the common shares do not represent the possibility of profit or provide dividends, distributions, tax or other benefits to the shareholders that are typically associated with other securities, and audited financial statements of the Filer for its most recently completed fiscal year;
- (g) the Filer maintains a website on which it posts certain information, including information regarding obtaining a membership through the acquisition of a common share of the Filer; and
- (h) the common shares are non-transferable other than in accordance with the Filer's Articles.

Andrew S Richardson



Andrew S. Richardson, CA
Acting Director, Corporate Finance
British Columbia Securities Commission

TERMINAL CITY CLUB INC.

Consolidated Financial Statements September 30, 2023

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TERMINAL CITY CLUB INC.

Opinion

We have audited the consolidated financial statements of Terminal City Club Inc. (the "Club"), which comprise:

- ♦ the consolidated balance sheet as at September 30, 2023;
- ♦ the consolidated statement of operations and retained earnings for the year then ended;
- ♦ the consolidated statement of contributed surplus for the year then ended;
- ♦ the consolidated statement of cash flows for the year then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Club as at September 30, 2023, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Club in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Club or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Club's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit 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 Club's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Club to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Club to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
November 7, 2023

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Vancouver, BC V6C 2B3
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NANAIMO

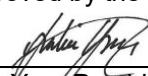
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TERMINAL CITY CLUB INC.
Consolidated Balance Sheet
September 30

	2023	2022
Assets (notes 4 and 9)		
Current		
Cash (notes 4 and 14)	\$ 1,496,536	\$ 2,773,696
Accounts receivable (note 5)	1,287,630	1,048,838
Inventories	548,455	483,175
Prepaid expenses and deposits	516,327	424,698
	3,848,948	4,730,407
Property and equipment (note 6)	39,498,205	39,888,580
	\$ 43,347,153	\$ 44,618,987
Liabilities		
Current		
Accounts payable and accrued liabilities (note 7)	\$ 1,918,857	\$ 2,060,413
Current portion of deferred revenue (note 8)	874,156	748,539
Current portion of long-term debt (note 9)	2,270,583	452,372
	5,063,596	3,261,324
Deferred revenue (note 8)	21,400	31,800
Long-term debt (note 9)	5,768,758	8,038,616
	10,853,754	11,331,740
Shareholders' equity		
Capital stock (note 10)	1,958	1,975
Contributed surplus	15,458,985	14,926,007
Retained earnings	17,032,456	18,359,265
	32,493,399	33,287,247
	\$ 43,347,153	\$ 44,618,987

Commitments (note 11)

Approved by the Board


 Julia Yan, President


 John Mackenzie, Finance Chair

See notes to consolidated financial statements

TERMINAL CITY CLUB INC.**Consolidated Statement of Operations and Retained Earnings
Year Ended September 30**

	2023	2022
Revenue		
Food and beverage	\$ 9,527,973	\$ 7,088,171
Member's dues and fees	4,645,970	4,110,444
Rental, retail and other	2,301,180	1,797,116
Parking	1,220,633	1,086,189
Capital reserve (note 14)	726,621	652,453
Gifts and bequests	11,500	208,875
	18,433,877	14,943,248
Cost of sales	3,407,341	2,686,181
Gross profit	15,026,536	12,257,067
Expenses		
Wages and benefits	9,949,100	8,196,566
Supplies	713,918	522,224
Utilities	567,382	463,121
Office and miscellaneous	548,647	205,289
Property taxes	515,051	551,147
Contracted service	501,547	495,623
Bank and credit card charges	396,422	322,945
Advertising and promotion	369,731	281,818
Interest on long-term debt	313,745	315,159
Repairs and maintenance	300,992	281,207
Insurance	274,245	252,913
Laundry	214,351	198,027
Professional fees	93,170	86,686
Bad debts	34,720	5,400
Interest	-	942
	14,793,021	12,179,067
Income before other items	233,515	78,000
Other items		
Wage Subsidy (note 15)	-	559,443
Canada Emergency Rent Subsidy (note 15)	-	2,187
Amortization	(1,560,324)	(1,400,502)
	(1,560,324)	(838,872)
Net loss for year	(1,326,809)	(760,872)
Retained earnings, beginning of year	18,359,265	19,120,137
Retained earnings, end of year	\$ 17,032,456	\$ 18,359,265

See notes to consolidated financial statements

TERMINAL CITY CLUB INC.
Consolidated Statement of Contributed Surplus
Year Ended September 30

	2023	2022
Consolidated Statement of Contributed Surplus		
Surplus on Incorporation	\$ 1,618,268	\$ 1,618,268
Accumulated Capital Contributions and Subscriptions		
Balance, beginning of year	13,307,739	12,749,921
Capital contributions	532,978	557,818
Balance, end of year	13,840,717	13,307,739
	\$ 15,458,985	14,926,007

See notes to consolidated financial statements

TERMINAL CITY CLUB INC.
Consolidated Statement of Cash Flows
Year Ended September 30

	2023	2022
Operating activities		
Net loss	\$ (1,326,809)	\$ (760,872)
Items not involving cash		
Amortization	1,560,324	1,400,502
Amortization - deferred revenue	10,400	10,400
Bad debts	34,720	5,400
	278,635	655,430
Changes in non-cash working capital		
Accounts receivable	(273,512)	(245,786)
Inventories	(65,280)	(138,896)
Prepaid expenses and deposits	(91,629)	507,748
Accounts payable and accrued liabilities	(141,556)	1,089,507
Deferred revenue	104,817	179,165
	(467,160)	1,391,738
Cash provided by (used in) operating activities	(188,525)	2,047,168
Investing activity		
Acquisition of property and equipment	(1,169,949)	(2,781,709)
Financing activities		
Proceeds of long-term debt	-	4,000,000
Repayment of long-term debt	(451,647)	(546,820)
Issuance of capital stock	179	187
Redemption of capital stock	(196)	(220)
Capital contributions, net of subscriptions transferred	532,978	557,818
Cash provided by financing activities	81,314	4,010,965
Inflow (outflow) of cash	(1,277,160)	3,276,424
Cash (bank indebtedness), beginning of year	2,773,696	(502,728)
Cash, end of year	\$ 1,496,536	\$ 2,773,696

See notes to consolidated financial statements

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

1. NATURE OF OPERATIONS

Terminal City Club Inc. (the "Club") is located in Vancouver, British Columbia. Established in 1892, the Club is one of Canada's most distinguished private clubs with a reputation for excellence. The Club is as committed to its traditions as it is to progress and embodies the phrase "honouring tradition embracing tomorrow" in all that it undertakes. The aims of the Club are to manage and operate a club and related businesses for the benefit of the members of the Club and their guests. The operations include 8,600 square feet of impeccable, state of the art meeting space, a variety of dining facilities, an English-style pub, a first class fitness facility, parkade, and retail space.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of the Club were prepared in accordance with Canadian accounting standards for private enterprises ("ASPE"), and include the following significant accounting policies:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Club and its inactive wholly owned subsidiaries, Terminal City Developments Inc. and The City Club (837 Hastings) Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Financial instruments

The Club's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The Club initially measures all of its financial assets and liabilities at fair value. The Club subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down that is determined is recognized in operations. A previously recognized impairment loss may be reversed to the extent of any improvement, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations in the period in which it is determined.

Financing fees and transaction costs that are directly attributable to the origin, issuance or assumption of a financial instrument that are subsequently measured at amortized cost are assigned to those financial instruments. These transaction costs are amortized into income on a straight-line basis over the term of the instrument. All other transaction costs are recognized in net loss in the period incurred.

(c) Inventories

Inventories comprise of food, beverages, and club merchandise that are stated at the lower of cost and estimated net realizable value. Cost is determined on a first-in, first-out basis. The cost of inventory recognized as an expense in 2023 was \$3,407,341 (2022 - \$2,686,181).

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(d) Amortization

Property and equipment are stated at cost less accumulated amortization, which is recorded over the useful lives of the assets. Property and equipment are amortized as follows:

Building and improvements	4% declining balance
Furniture and equipment	10 years and 3 years straight-line
Computer hardware	3 years straight-line
Computer software	100% declining balance
Capital Reserve projects	5 - 20 years straight-line

(e) Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The impairment loss is measured at the amount by which the carrying amount of the long-lived asset exceeds its fair value. Impairment losses are not reversed if fair value subsequently increases.

(f) Revenue recognition

- (i) Revenue from food and beverage sales is recognized in the period the goods and services are supplied.
- (ii) Revenue from members' dues and capital reserve contributions are recognized in the period to which they relate and when ultimate collection is reasonably assured. Members' dues paid in advance and deposits for future events to be hosted at the Club are considered deferred revenue. Amounts will be recognized on completion of performance of services.
- (iii) Rental and retail revenues from leases are recognized as revenue in the period to which the rental payment received relates.
- (iv) Revenue from parking is recognized in the period to which it relates. Revenue from a prepaid parking space and a parking management contract signing bonus is deferred and amortized over the term of the relevant agreements.
- (v) Gifts and bequests revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(g) Income taxes

The Club applies the taxes payable method of accounting for income taxes.

Accordingly, the Club reports the cost of the current year's income taxes as an expense, determined in accordance with the rules established by taxation authorities.

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES — continued

(h) Government assistance

Government assistance for wages from the Government of Canada COVID-19 response program, Canada Emergency Wage Subsidy ("CEWS"), Tourism and Hospitality Recovery Program ("THRP"), and Canada Recovery Hiring Program ("CRHP"), are recognized in the period to which they relate. The CEWS ended effective October 23, 2021, and was replaced by the THRP and CRHP. The THRP and CRHP ended effective May 7, 2022.

Government assistance for commercial rent from the Government of Canada COVID-19 response program, the Canada Emergency Rent Subsidy ("CERS"), is recognized in the period to which it relates. The CERS ended effective October 23, 2021, and was replaced by the THRP. The THRP ended effective May 7, 2022.

Government assistance for operating expenses from the Government of BC is recognized in revenue in the period received.

(i) Use of estimates

The preparation of the consolidated financial statements in conformity with ASPE requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues, and expenses as at the end of or during the reporting period. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of the valuation of accounts receivable, the useful lives of assets for amortization, and the amounts recorded as accrued liabilities. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

3. FINANCIAL INSTRUMENTS

The Club is not exposed to significant credit, currency, liquidity, interest rate, or other market risks arising from its financial instruments other than described below. In addition, the Club is not exposed to any material concentrations of risk and there has been no change in risk exposures from the prior year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Club's accounts receivable, net of allowance for doubtful accounts, is primarily comprised of accounts due from members. While these accounts are considered by management to be in good standing, reasonable measures have been taken by the Club to mitigate credit exposure.

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

3. FINANCIAL INSTRUMENTS — continued

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Club's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Club is exposed to interest rate cash flow risk.
- (ii) To the extent that prevailing market interest rates differ from the interest rate on the Club's monetary assets and liabilities, the Club is exposed to interest rate price risk.

The Club has floating rate debt for a line of credit, which is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates. The interest rate on the line of credit is disclosed in note 4.

The Club is also exposed to interest rate price risk on its fixed rate debt payments on its long-term debt.

(c) Liquidity risk

Liquidity risk is the risk that the Club will encounter difficulty in meeting obligations associated with financial liabilities.

The Club is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and long-term debt. Cash flow from operations provides a substantial portion of the Club's cash requirements. Additional cash requirements are met with the use of the available line of credit, which provides flexibility in the short term to meet operational needs.

4. CASH

The operating line of credit facility is authorized to a maximum of \$2,500,000 (2022 - \$2,500,000) and is secured as disclosed in note 9. The credit facility is payable on demand and bears interest at prime.

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	2023	2022
Trade	\$ 1,344,969	\$ 1,079,449
Allowance for doubtful accounts	(57,339)	(30,611)
	<u>\$ 1,287,630</u>	<u>\$ 1,048,838</u>

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

6. PROPERTY AND EQUIPMENT

	2023		2022	
	Cost	Accumulated amortization	Net	Net
Land	\$ 12,350,000	\$ -	\$ 12,350,000	\$ 12,350,000
Building and improvements	39,203,832	15,813,428	23,390,404	24,325,034
Furniture and equipment	12,285,444	10,442,633	1,842,811	2,095,154
Computer hardware	687,771	606,680	81,091	76,558
Computer software	233,695	230,600	3,095	6,689
Capital Reserve Projects	2,401,499	570,695	1,830,804	1,035,145
	\$ 67,162,241	\$ 27,664,036	\$ 39,498,205	\$ 39,888,580

The disclosed cost of land and building and improvements includes an increase to its fair value at October 1, 2010 which is now its deemed cost. This one-time increase to fair value was in accordance with ASPE.

The municipal property tax office assessed the land and buildings as of July 2023 at \$72,512,100 (2022 - \$61,501,100).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of:

	2023	2022
Trade	\$ 1,616,383	\$ 1,771,363
Government remittances payable	199,033	180,414
Tenant deposits	103,441	108,636
	\$ 1,918,857	\$ 2,060,413

8. DEFERRED REVENUE

Deferred revenue includes \$863,756 (2022 - \$738,139) of member dues/fees and deposits for future events to be hosted at the Club.

Deferred revenue also includes \$10,400 (2022 - \$10,400) in a prepaid parking space and the unamortized portion of a parking management contract signing bonus which expires in fiscal 2026.

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

9. LONG-TERM DEBT

	2023	2022
Term loan due December 1, 2031, repayable in equal monthly instalments of \$20,824 including interest at a fixed rate of 3.90% per annum	\$ 3,828,921	\$ 3,927,399
Term loan due April 25, 2024, repayable in equal monthly instalments of \$22,664 including interest at a fixed rate of 3.66% per annum	2,003,787	2,199,321
Term loan due April 25, 2027, repayable in monthly instalments of \$10,902 including interest at a fixed rate of 4.15% per annum	1,359,768	1,433,150
Term loan due April 25, 2030, repayable in equal monthly instalments of \$9,431 including interest at a fixed rate of 3.27% per annum	846,865	931,118
	8,039,341	8,490,988
Less: Current portion	2,270,583	452,372
	\$ 5,768,758	\$ 8,038,616

A \$14,000,000 continuing collateral mortgage over the property at 837 West Hastings Street, Vancouver, and general security agreement over the assets and future assets of the Club have been provided as security for all loans and line of credit (note 4).

As at year end, the Club was in compliance with its debt covenant under its agreement with the lender.

The anticipated annual principal repayments are as follows:

2024	\$ 2,270,583
2025	276,938
2026	287,470
2027	1,333,225
2028	219,838
Subsequent years	3,651,287
	\$ 8,039,341

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

10. CAPITAL STOCK

Authorized

100,000 common shares with a par value of \$1 each.

	2023		2022	
	Issued	Amount	Issued	Amount
Issued				
Balance, beginning of the year	1,975	\$ 1,975	2,008	\$ 2,008
Shares issued for cash	179	179	187	187
Shares purchased from retired and deceased members and cancelled	(196)	(196)	(220)	(220)
Net change during the year	1,958	\$ 1,958	1,975	\$ 1,975

11. COMMITMENTS

The Club is committed to lease payments for two office premise leases expiring in September 2026 and September 2027. The future minimum annual payments for the next four fiscal years are approximately as follows:

2024	\$	108,560
2025		109,760
2026		110,960
2027		94,760
	\$	424,040

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

12. INCOME TAXES

A reconciliation of the statutory income tax rate to the effective income tax rate of 27% (2022 - 27%) is as follows:

	2023	2022
Income tax recovery at statutory rates	\$ (358,238)	\$ (205,435)
Amortization timing difference	121,093	(305,692)
Non-deductible expenses	384	1,285
Non-capital losses available for carry-forward (utilized)	236,761	509,361
Charitable donations available for carry-forward	-	481
	\$ -	\$ -

(a) Non-capital losses

The Club has non-capital tax losses of approximately \$10,856,000 (2022 - \$9,980,000) available for carry-forward to reduce future taxable income. These losses expire between October 1, 2034 and 2043.

(b) Property and equipment

The net book values attributable to the property and equipment exceed their respective tax values by approximately \$15,080,000 (2022 - \$16,403,000).

The amount of realization of these benefits and costs in future years will be recorded in the year of realization.

13. CAPITAL MANAGEMENT

The Club is required to meet certain financial obligations under the terms of its credit facilities disclosed in notes 4 and 9. These credit facilities require the Club to comply with a debt service coverage ratio. The Club's objectives are to meet their obligations and at the same time build long-term member value. The Club's objective is to ensure that sufficient capital resources are available to meet all approved and contemplated capital expenditure programs. In managing its capital structure, the Club monitors and evaluates performance through the year to ensure capital expenditures are funded from operations and/or available cash on hand or bank borrowings if necessary. The Club will make adjustments to its planned expenditures to meet the overall strategy or in response to changes in economic conditions and risk.

These credit facilities require the Club to comply with a debt service coverage ratio greater than 110%. As at year end, the Club was in compliance with the required debt covenant.

The Club monitors its debt service ratio, which is determined by dividing income before interest, income taxes, depreciation, amortization plus capital contributions, by all debt service principal and interest payments.

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

14. CAPITAL RESERVE

The Club has established a Capital Reserve ("CR") for future capital expenditures. The CR is funded through a monthly fee assessed to the Club's members. All categories of membership are subject to this fee with the exclusion of certain categories of membership in which dues do not apply.

The CR will continue until such time as it is sufficiently funded, as evaluated by a third party or as determined by the board of directors. The amount of this monthly CR fee will be reviewed on at least an annual basis.

Membership categories that have a reduced monthly fee structure have a pro-rated amount applied, as determined by the board of directors.

CR Activity:

	2023	2022
CR, beginning of year	\$ 2,286,609	\$ 2,178,568
Contributions during the year	726,621	652,453
Qualified capital expenditures during the year	(172,986)	(544,412)
CR, end of year	\$ 2,840,244	\$ 2,286,609

The CR cash has been deposited in the Club's operating account. Had the CR cash been segregated on its own, the Club's bank indebtedness would have been \$1,354,333 (2022 - cash of \$476,402).

Qualified capital expenditures were as follows:

	2023	2022
Roofs	\$ 119,823	\$ 463,934
Club rooms	39,012	-
Laundry	12,054	13,878
Refrigeration	2,097	6,814
Lighting	-	35,553
Parkade	-	15,708
Security	-	8,525
	\$ 172,986	\$ 544,412

TERMINAL CITY CLUB INC.
Notes to Consolidated Financial Statements
Year Ended September 30, 2023

15. GOVERNMENT ASSISTANCE

- (a) The Club was eligible for the CEWS up to October 23, 2021, and THRP and CRHP thereafter under the government's COVID-19 relief program. Both the THRP and CRHP ceased on May 7, 2022. For fiscal 2022, the amount of \$559,443 was included in the consolidated statement of operations.
- (b) The Club was eligible for CERS up to October 23, 2021, and the THRP thereafter under the federal government's COVID-19 relief program. Both the THRP and CRHP ceased on May 7, 2022. For fiscal 2022, the amount of \$2,187 was included in the consolidated statement of operations.

16. PENSION PLAN

The Club has a defined contribution plan which is mandatory for all employees with more than two full years of service (with the exception of the General Manager of the Club). The Club's portion of contributions are varying rates of gross salary depending on length of service with the Club. Included in wages and benefits are contributions of \$191,106 (2022 - \$185,977) to the defined contribution plan during the year.

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